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HUMAN CAPITAL MAGAZINE
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Special Report – Retention

Happy &content?

Your guide to easing staff turnover

REWARD & RECOGNITION
Focusing on sustainable ROI

CORPORATE CULTURE
Enhancing values & symbols

ENGAGEMENT
Building 'top employer' traits

LEARNING & DEVELOPMENT
Improving manager interactions

Special Report – Retention

IGNORANCE IS NOT BLISS

*There are serious implications for organisations that don't understand the causes of their employee turnover. In this special report, **Human Capital** looks at four key ingredients for retaining happy, productive employees*

A FAMOUS QUOTE, ATTRIBUTED TO ALBERT EINSTEIN, states that the definition of insanity is doing the same thing over and over again and expecting different results. The same principle might apply to employers facing an ever-increasing turnover of staff. It's not unusual to find them blindly going in with the same blanket retention strategies, expecting a miraculous turnaround.

More often than not, there's a lack of knowledge about what drives staff turnover in the first place. Insync Surveys, via its exit survey database of over 11,000 employees and 40 Australian-based organisations, has identified five factors causing staff turnover. Three of these are considered to be within the employer's direct control (job enrichment, interpersonal and structural), and two are outside of the employer's direct control (home life and external environment).

Put simply, when people leave their jobs, one or more of the following may be contributing factors:

❶ **Job enrichment:** Their job is no longer fulfilling or stimulating.

❷ **Structural:** They lack resources to do their job well and/or don't feel fairly rewarded.

❸ **Interpersonal:** They don't feel strongly connected to their colleagues, manager or organisation.

❹ **Home life:** Their life circumstances change (personal reasons, retirement, family, etc.).

❺ **Environmental:** They are approached by other employers with a better job offer.

Let's look at the top reason for leaving – job enrichment (voted by 51% of respondents as being 'extremely important' in their decision to leave). The four elements of job enrichment are job satisfaction, level of challenge, career opportunities, and professional development. If a job is unfulfilling or unsatisfying, there is a high risk that employees will look elsewhere, no matter what enticements the employer puts in place.

"Job enrichment will always be a major driver of staff turnover because it's the hardest to get right," says Nicholas Barnett, CEO, Insync Surveys. "An employer can quite easily offer higher pay, more perks, better resources and infrastructure – albeit an expensive exercise – but to get the basics right takes time and effort on the organisation's part. It often comes down to poor job fit. Either the employee didn't suit the role and its expectations or the role didn't suit their personality and skill set."

Barnett adds that creating enriching and meaningful jobs is at the heart of the employee offer. Meaningful work is strongly related to mission attachment; it enables staff to make a noticeable difference and allows people to be matched to the right job for their skills and interests. Employees are more likely to stay if they can personally identify with the organisation's mission, believe they are making a significant contribution, and feel that their skills and interests fit well with the specific requirements of the job. Increasingly, people want to feel part of something larger than themselves; to be challenged, to sharpen their skills, and to give their dedication to an organisation that they believe is doing great things.

"Employees who express positive attitudes towards the organisation's mission experience higher job satisfaction and indicate greater intention to stay," Barnett says.

According to Insync Surveys, the following factors can make work more meaningful:

• Measuring the impact of what employees do; for example, call centre operators get a real sense of satisfaction when they have the capacity and authority to solve clients' problems.

• Letting employees know how they are contributing to the organisation's success; disappointingly, only 44% of employees can make this link.

• Understanding what outcomes and standards are expected; 71% of employees are confident that they understand their employer's expectations.

• Getting the training needed to do the job well; less than half of employees believe they get the training they need.

• Having IT systems that enable employees to serve customers well; only 48% of employees believe that this is the case.

• Receiving performance feedback that helps improve effectiveness; 47% of employees feel that they get the feedback they need.

Job enrichment and home life factors are key challenges*

51%	
41%	
25%	
46%	
34%	

0   10   20   30   40   50
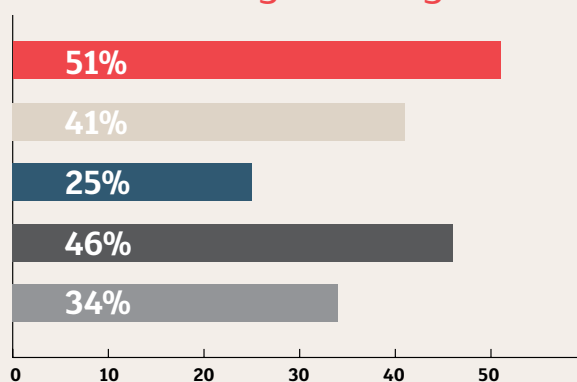
51% job enrichment factor – job satisfaction, level of challenge, career opportunities, professional development

41% structural factor – job security, pay and conditions, incentive plan, equipment, resources and infrastructure, work stress

25% interpersonal factor – relationship with manager or supervisor, relationships with work team, fit with organisational culture

46% home-life factor – location of job, balancing work and life demands, personal reasons

34% environmental factor – approached with better job offer

Source: Insync Surveys

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No longer a job for life

The last decade has seen a significant paradigm shift in the employer/employee relationship. It's now a looser and more flexible relationship, a 'meeting in the middle' as the two parties circle around each other, trying to develop a win-win solution. The traditional employment relationship was based on a belief that if employees worked hard they were promoted, received a gold watch, and retired comfortably. Now employers are likely to say, "I can't promise you a job for life, but I promise you skills and employability for life."

Is that proposition attractive enough, and does it even matter in 2013 if employees switch jobs and employers regularly? Kerryn Fewster, co-founder and co-director of Change2020, believes short-term loyalty is the new trend – people are loyal to companies they love working for and will work long and hard while there but will move on to seek new experiences or try new things. "Loyalty today doesn't mean 30 years of service like it used to," she says.

As Fewster concedes, the marketplace is also very different – there are a lot more casual or contract jobs, it is okay to have career breaks, and Gen Y is more focused on a work-life balance.

But, she adds, the concept of being 'loyal', and showing integrity and commitment, remains firmly in place; the focus has just shifted to a win-win relationship.

Fewster explains the mentality: "I will work for you if it is beneficial to me in the long term, and while I am here I will be loyal and deliver for you."

What is 'optimal'?

Optimal turnover rate is industry dependent. Barnett says alarm bells should certainly be ringing when high performers are walking out the door straight to your competitors – but it shouldn't reach that point. Insync sees some clients with a turnover of just 5% – which is arguably too low – and other clients with a turnover well over 20%. Some parts of the hospitality industry suffer from a turnover exceeding 100% pa, while very few call centres can bring their turnover below 50%.

"If your turnover is significantly higher than competitors or industry norms, you should be worried and take immediate action," he says. "If it's lower, you're doing well, but understanding why employees leave can still have a positive influence on your organisation's performance."

Fewster adds that some staff turnover can indeed be beneficial, as fresh ideas can be injected along with fresh team members. A lack of turnover could also indicate acceptance of a mediocre performance culture.

"Low staff turnover might be because people feel handcuffed to the business due to the very generous employment conditions making it unattractive to go elsewhere," she says. "This can be challenging, as they may not be looking to excel and continually build their capability and deliverables for the business if they are being remunerated very generously already. This means paying at the top end of the market can be a double-edged sword."

The business case: Cost calculator

A staff turnover calculator is provided on the Equal Opportunities for Women Agency website (www.eowa.gov.au). Using the calculator to estimate the costs associated with replacing an administrative position with an annual salary of $70,000 pa resulted in the following:

Cost item	Amount
Employee filling in while the position is vacant (eight weeks @ $1,400 pw)	$11,200
Lost productivity of fill-in employee	2,800
Conducting an exit interview	500
Manager's time for managing exit process, recruitment, on-boarding and training (two weeks @ $2,800 pw, spread over six months)	5,600
Training provided to departing employee during employment period	5,000
Lost departmental productivity (reduced by 5% in first two months)	2,800
Severance and benefits continuation (four weeks of salary)	5,600
Lost knowledge, skills and contacts (50% of annual salary)	35,000
Separation administrative functions (one week @ $700 pw)	700
Decreased employee productivity (25% lower in first six months)	9,100
Minus the savings in salary for departing employee (eight weeks @ $1,400 pw)	-11,200
Total	**$67,100**

The assumptions used in this calculation arrived at a total cost of $67,100 for turnover of one position on a salary of $70,000 (96%). Costs would be significantly higher than this if an external recruitment agency had been used and if the complexity of the role required more than six months to get up to speed.

Yet getting that perfect tipping point right is a challenge. Barnett notes that even the slightest change in employee turnover can make a massive difference to an organisation's bottom line (see table on opposite page).
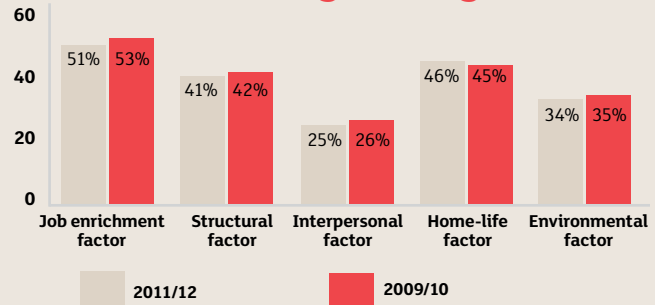
Busting myths

Insync's research busted three persistent myths about retention.

❶ The issue of bad management.

In fact, only a small minority of people leave solely due to bad managers. Just 4% of respondents indicated that interpersonal issues were the only significant factor in their decision to leave. Typically, bad management only causes a person to leave their employer in conjunction with other things. About 25% indicated that interpersonal factors played an important role in their decision to leave, but this in itself was not the only reason. Of the five factors Insync measures, the interpersonal factor plays the least important role in the decision to leave. There are two caveats to this: firstly, the Insync database is made up of organisations that are actively tracking and managing employee turnover, and this would not be representative of all organisations; and secondly, there are undoubtedly toxic organisations where poor interpersonal dynamics do indeed play a crucial role in the decision to leave.

Turnover insights: 2011/12 vs 2009/10* The more things change...

	2011/12	2009/10
Job enrichment factor	51%	53%
Structural factor	41%	42%
Interpersonal factor	25%	26%
Home-life factor	46%	45%
Environmental factor	34%	35%

Reasons for leaving 2011/12
1. Lack of job satisfaction (37%)
2. Career opportunities (35%)
3. Better job offer (34%)
4. Personal reasons (33%)
5. Professional development (30%)

Reasons for leaving 2009/10
1. Lack of job satisfaction (38%)
2. Career opportunities (37%)
3. Better job offer (35%)
4. Personal reasons (33%)
5. Professional development (28%)

Source: Insync Surveys

Special Report – Retention

❷ Home-life issues relate primarily to women.
While home-life circumstances play an important role in close to half of women's decisions to leave an organisation, they also play a key role in the decisions of four out of 10 men. The need for flexibility does not only apply to women.
❸ Gen Y is different.
While technological and social trends no doubt shape the philosophies and mindsets of different generations, perhaps the differences between Baby Boomers, Gen X and Gen Y are driven as much by their different stages in the career lifecycle as anything else. Gen Y's, who are in the early phases of their careers, are quite rightly focusing on career opportunities and the potential for professional development. Insync believes that Baby Boomers and Gen X would have had a similar focus in the first decade of their careers.

Where to start

It may be risky to generalise (and there are subtle differences based on age, gender and work status), but there are some fundamentals that should not be ignored when it comes to retaining staff.

Fewster notes that, in terms of employee motivators, money helps but only in the short term. Employers should ensure hygiene factors, such as salary, conditions and promotional prospects, are taken into consideration.

Career opportunities are also an important factor. "The 'show me the future and I will stick with you' approach works well as long as the business and the individual are both committed to the career plan – this may include promotion, secondment, rotational opportunities, sabbaticals," says Fewster.

There are many ways to track the implementation of a retention strategy. These include tracking staff turnover statistics, getting informal feedback from managers and employees, conducting staff surveys and entry and exit surveys. This feedback will enable the retention strategy

to be fine-tuned, with increased or decreased emphasis on various elements of the strategy, as necessary. It is also helpful to track the return on investment from a retention strategy. This will keep the focus on initiatives with lower cost or effort and higher impact on the organisation's success.

Here is Insync Surveys' five-step guide to kick things off:

❶ Measure, analyse and road map.
Some turnover is okay, even necessary. However, when high-performing employees are the ones leaving, you must be on top of understanding the unique causes of staff turnover in your organisation and industry. From this, a clear retention road map can be developed to set relevant and achievable retention targets.

❷ Create enriching and meaningful jobs.
This is at the heart of the employee offer. Meaningful work is strongly related to mission alignment, enables staff to make a noticeable difference, and allows people to be matched with the right job for their skills and interests.

❸ Accommodate changing life circumstances.
This is the second biggest contributor to staff turnover. It involves matching job requirements with personal interests and circumstances, as well as being creative in the use of both short- and long-term flexible work arrangements.
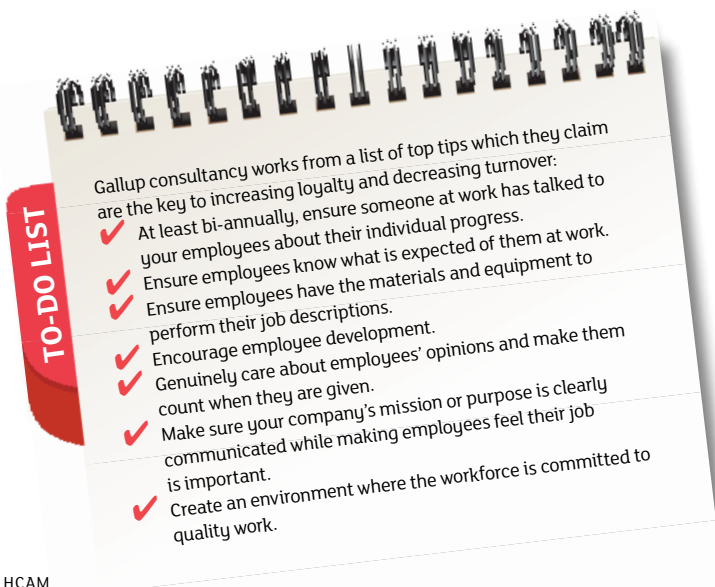
❹ Nurture an inclusive and positive workplace culture.
Employers must help new employees make a strong connection with the organisation, keep the attention of leaders and line managers on maintaining good relationships with their people, and invest in building constructive norms and behaviours across the organisation. This should all be underpinned by a strong employee value proposition for both existing and potential employees.

❺ Enable and recognise performance.
Employers must not lose sight of the traditional importance of remuneration, incentives, reward and recognition to show employees that their contribution is recognised and valued. Employers must also regularly review and provide employees with the resources they need to do their jobs efficiently and effectively.

The benefits of implementing the above actions extend far beyond simply reducing staff turnover. They will increase employee engagement, productivity and ultimately customer satisfaction. The rationale is that if people and happy, in the right jobs, highly experienced and appropriately skilled, then they will continue refining the way they do things (improving productivity) and will also deliver better value to customers and build long-term customer relationships.

TO-DO LIST

Gallup consultancy works from a list of top tips which they claim are the key to increasing loyalty and decreasing turnover:

✔ At least bi-annually, ensure someone at work has talked to your employees about their individual progress.
✔ Ensure employees know what is expected of them at work.
✔ Ensure employees have the materials and equipment to perform their job descriptions.
✔ Encourage employee development.
✔ Genuinely care about employees' opinions and make them count when they are given.
✔ Make sure your company's mission or purpose is clearly communicated while making employees feel their job is important.
✔ Create an environment where the workforce is committed to quality work.

Case study – Retention snapshot: OBS

Human Capital talks to Alice Hanna, people and performance manager at acknowledged 'Great Place to Work' IT firm OBS, about what her company does to retain its key employees

> Everyone has **different motivators** and drivers, so focusing on just **one retention** strategy can be dangerous

HC: Do you believe the concept of employee loyalty is dead?

AH: The concept of loyalty has certainly evolved over time but isn't dead. No longer can you expect an employee to stay with one company for their whole career. We believe employee loyalty is fostered for the duration of their journey with an organisation. Generally speaking, if people are highly engaged, they truly want to be involved in the long-term success of the company. They become passionate about the company's vision, they go out of their way to innovate, and become outspoken brand ambassadors. Whilst tenure is important, we measure loyalty by the quality of the day-to-day relationships that are kept and people's contribution, not just the length time people stay with you.

HC: How do you keep track of staff turnover rates and, related to that, how do you assess how successful your retention strategies are?

AH: As the first few months of employment is critical in establishing a successful long-term relationship, we thoroughly assess satisfaction with various aspects of the working environment at four key points during the probationary period, which correlates strongly to retention and tenure. We also assess ongoing satisfaction with our culture and benefits through an annual culture and benefits survey; this always yields insightful information. Our staff turnover rates are collected through our exit interviews, where we analyse key aspects of retention, such as leadership effectiveness, work-life balance, career development and teamwork. We collate turnover rates, along with undesirable turnover, rates of departures to competitors, and reasons for leaving,

and we feed this information back into retention strategies.

HC: Some staff turnover is, of course, beneficial. Do you think there's an optimal turnover rate or are there danger signs you look out for?

AH: You can't keep everyone, as an influx of new ideas, skills and fresh perspectives is vitally important. We don't think there should be one standard 'optimum' turnover level, although the type of departure is important so we focus on *all* undesirable turnover. We do this by actively managing underperformers out of the business, ensuring high performers remain. Recruitment is the best retention tool – if you get it right at the start, you will have high-performing employees with a strong value alignment, and have more chance to keep them long term. So, by closely watching our turnover in probation, and tenure of departing employees, we tailor recruitment strategies that help maximise retention.

HC: Is there one particular area of staff retention you concentrate your efforts on?

AH: Everyone has different motivators and drivers, so focusing on just one retention strategy can be dangerous. The areas we prioritise include creating an open, flexible and trusting culture; employee benefits; and reward and recognition. We also ask managers to take the time to understand the unique

motivators of each individual and, where possible, provide those. Again, recruitment can be the most effective retention strategy by ensuring every new employee is a culture and value fit, so we spend a lot of time getting recruitment right, which has flow-on effects to making retention a lot easier.

HC: You've mentioned everyone is driven by different motivations. What effort do you put into having knowledge of what motivates your employees?

AH: There are many reasons for varying levels of engagement and performance, such as values alignment, a sense of trust, autonomy and support, feeling your voice is heard, and having challenging and innovative work. Our managers create close relationships with each individual to understand what gets them out of bed in the morning and what frustrates or demotivates them, to ensure we cater to individual needs. The relationship with your manager is one of the key decision-making factors in staying with or leaving an organisation, so we focus on our leaders creating and fostering open and trusting relationships with each individual. On top of the standard KPIs for each role, we tailor objectives for each individual that allow them to focus on areas they want to grow in or areas of interest. We also have a very open environment with several avenues for feedback to managers, HR, or the senior management team. **HC**

Special Report – Engagement

THE
PERFECT
MIX

Rob Hendriks, HR director at ING DIRECT, believes that being a 'Top Employer' comes down to more than just engagement

RESEARCH SUGGESTS THAT HIGHLY ENGAGED STAFF have a clearer understanding of what their customers truly value, and provide a more positive customer experience. It stands to reason that businesses with highly engaged staff are more productive and profitable; they also have a significantly lower staff turnover and find it easier to attract new employees.

It's no surprise then that an annual staff engagement survey is often the first tool an employer relies on to measure how they're tracking. Whilst I believe engagement results are important, and remain a critical indicator of staff motivation levels, I'd emphasise a slightly broader and more holistic approach to determining how 'employee friendly' you are; or, as we refer to it in HR, whether you're a 'Top Employer'.

#1 Do you have the right leadership?

Firstly, take a look at the quality, style and commitment of leadership within the organisation. Do your leaders walk the talk? Do they act and communicate like their people are their key assets? More than once I've experienced organisations where there is a strong disconnect between what organisations want to be and how key leaders behave on a daily basis.

David Jones, managing director of Robert Half in Asia Pacific, adds that high level employee feedback, obtained by any number of techniques, needs to then be backed up by manager/leader one-on-one conversations to determine what motivates each staff member. "It can be achieved provided you've got an appropriate level of management infrastructure, and by management infrastructure, it should operate on a 7-10 direct report per manager basis. On that basis, if you're a manager you should have the ability to get pretty close to people. It's worth having regular 'where are you at' checks, because what could be someone's motivation today could be quite different based on other changes in their life."

#2 Make a connection

Top Employers also make a clear connection between company strategy and individual contribution. We know 'why we do what we do'. It's important to show how teams and individuals add value to business success and how this contributes to the benefits of our customers. Top employers find in their staff proud ambassadors who take pride in their organisation and are passionate advocates, sharing common values and goals.

Jones feels this comes back to the employer brand and obtaining meaning from work, but also the fact that people like to feel proud of the company they work for. "People genuinely like to say, 'I work for company X and they are really good because we do this'. It may not be what that company actually does. It may be that they held a charity based event, or whatever the case may be. Some of those things can be based around principles you're trying to get across to all employees as opposed to something specific to an individual."

#3 Set goals and recognise success

It's equally important to set ambitious and concrete goals and to recognise and reward people fairly both on the 'what' and the 'how' of their contribution. People need to know what success will look like and what you need to do, to excel in the organisation!

Jones notes that often there's only so much money to go round. Recognition often doesn't have to be financial – it can be cinema tickets, a bottle of champagne, just a thank you. "For some people it could be thank you in front of a group; others will loathe that, so a simple one-on-one thank you is preferred. The clear thing is when someone is being recognised, why are they being recognised? The communication of the why is very important."

Jones adds that, in terms of financial recognition it's vital to be within the 'noise' of the market. "There are countless surveys that say money is not the most important factor for people but that assumes they're in the noise. If someone is 25% under category they will leave. Beyond that, I always look at rewards in addition to salary. Some companies are fortunate enough to have gym facilities and so forth. Others can't afford it. But everyone can say thank you."

#4 What's on offer?

Furthermore you need to be absolutely clear what you can offer employees (career development, training, recognition), but also what employees can offer the organisation (drive and skills to meet our business goals). This is what I would call the 'unwritten' part of the employment deal. How successful are we as an organisation to connect these two elements to achieve the best outcome for business and individual?

Jones adds that many people are motivated by career so it's important to know what people's career aspirations are.

It's also important, Jones says, to look at other elements of corporate life, such as CSR and corporate citizenship, and

> "It's **important** to show how teams and **individuals** add **value** to **business success** and how this contributes to the **benefits** of our customers"
>
> — ROB HENDRIKS

the impact these can have on employer appeal. However, be wary of going down this path simply because you think you should. "Where we've seen corporate citizenship programs work best is where there's been very vocal buy in from people all through the food chain of the organisation, meaning they will verbalise why they feel what they're doing is important to them personally. There's some emotion attached to what people are actually doing, as opposed to just going through the motions."

#5 Create alignment

Last but not least, Top Employers have the right tools, support and knowledge available to ensure that people processes are aligned with the overall strategy of the organisation. The people agenda should be an important topic in every management meeting and it should be clear that people are essential in what we try to achieve.

In the short term the pressure on business performance couldn't be more intense than it is today, and for a business to succeed it is imperative that staff are engaged. The real challenge is to embed good people practices every day and measure your efforts and output using more than just an annual engagement survey.

Only if you are successful in embedding good practice in your systems, processes, symbols and everyday leadership, will you be able to stand out and sustain business performance, not only today but also for the future!

Jones adds that HR's role here is critical. How is HR engaged with the business with regard to employee engagement? To what extent are HR involved internally within the definition of the employer brand? What does the company stand for and how is that being communicated internally? What are the internal comms like in the company? "Finally," he adds, "to what extent are HR coaching line managers about all these engagement issues, and/or being another channel for employees to go to, that is not seen as a complaint channel?" HC

Think small, ACT BIG

When executed well, an effective reward & recognition strategy can have a significant impact on retention. Why do so many fizzle and die?

OH, TO BE SMALL AND NIMBLE. To be able to know each and every employee on an intimate basis, to know what motivates them – and what turns them off. It might be a sigh of defeat heard at countless large businesses – perhaps they were once smaller players themselves. And yet... just because a company grows to a certain size, does this mean it's impossible to tailor effective reward & recognition strategies?

Ben Thompson, CEO of Power2Motivate APAC, says regardless of size, the best employers take the time to know what motivates their employees and then build this into their business culture. As employers grow larger this becomes more difficult and requires an R&R system to ensure it happens consistently and pervasively across the entire business.

"Systems like this can use advanced tools to determine what drives employees and keeps them motivated. However, the best ones will allow the choice to lie with the employees, for example, by using points based systems, enabling employees to select rewards of their own choosing," he says.

For David Jackson, executive director at Solterbeck, the problem is not so much a lack of knowledge about what motivates employees; it's a failure to execute. "Everyone is talking the same language – these are smart execs who can pretty well articulate what their people

need. Where's the gap? The gap is the reality of the business world, where you've got a lot of competing priorities, not enough resources, constant restructures. Things get lost in the mix."

MISSING THE MARK

Jackson adds that R&R "isn't rocket science" and "it shouldn't cost the earth", but it does require serious investment and commitment to do something that is meaningful to employees.

Thompson says 'big bang' team events may sound impressive and be fun for a few hours but they only provide short-term motivation. Similarly, sales incentives (such as international travel) for a few top achievers can motivate the top 10% of performers but alienate the remaining 90% of the team. It's much more effective to shift the middle of the bell curve away from just the top performing 10%, he says. Achieving this requires a consistent long-term strategy that engages all employees. The same applies to cash bonuses; they become expected as a standard and are also never guaranteed to be used for rewards once handed over – it's more likely it will be used to pay bills.

Jackson believes there's a capability gap in many organisations. "It's not enough to just say to line

managers, 'you need to be doing more recognition', and think that's going to solve things. Communication and development about the importance of recognition, and then providing them with tools to facilitate and make it easier to give recognition is the key."

Part of this is to aggregate the experience – after all some managers are good at R&R and others aren't. "If you have too much standardisation it becomes meaningless and it loses any sense of humanity. But if you don't standardise it at all you'll get a huge variety of experiences. You'll get managers who do this naturally and instinctively, and others that don't," Jackson says.

MISSION CRITICAL

So what goes wrong? The biggest problem with R&R is failing to implement an underlying system. "If your R&R strategy is driven by one person, or even a small team, then it is only a matter of time until it fails because that person or team is distracted or redirected. Turning R&R into a system makes it sustainable, measurable and fairer. The best systems come with customer support, to keep the program running smoothly and ensure participation rates don't begin to slump," Thompson says.

Another failure is an overreliance on financial reward. Thompson warns to "never confuse recognition and rewards with compensation. They are entirely separate and should never be used as alternatives".

Yet while far from being the 'silver bullet' that resolves all motivation and retention issues, remuneration must be addressed. David Jones, managing director of Robert Half Asia Pacific, says remuneration must always be 'in the ballpark' of what's expected in the industry and for the type of role undertaken.

"When you pay people below market value, it suggests that you don't truly value them or their work. If you withheld raises and bonuses during the downturn and have yet to implement any positive changes, you're at real risk of losing staff," he says.

He suggests employers take the time to re-evaluate salaries by reading the latest association reports, salary guides and government statistics. The job market is changing quickly in many fields, he adds, so be sure you're doing this at least annually so that you're aware of trends.

Jones urges employers to reassess the little extras offered to staff that round out the remuneration package. "This can include everything from free healthy snacks in the break room to on-site exercise facilities and tuition reimbursement for professional growth. Perks can help you to not only retain staff but also attract new employees when it's time to hire," he says.

When building R&R strategies from scratch, Solterbeck advocates using three simple building blocks – not ABC but rather PCR. The R is for reward, which means finding the things that employees find rewarding, not just the things the company can sell or offload. The C is communication, the bridge between what the employer

> "Never confuse recognition and rewards with compensation"
> — BEN THOMPSON

is offering and what the employee is receiving. As in most areas, communication cannot be underestimated – evidence suggests over 50% of employees are unaware their company has a recognition program! The P is for performance – ultimately, the program has to deliver a business result.

As a final tip, Jackson says it's time to shift values-based R&R programs towards something wider. "I think we're getting a little richer now and asking people to draw on the stories behind the accolade. If it's about customer centricity that's great but what is the specific example of customer centric behaviour here and what can we all learn from that and share across the organisation? It's integrating it into the business, not as a standalone thing off to the side."

TO-DO LIST

The five essential elements to every successful reward & recognition program are:

✔ **Make recognition permanent.** Your R&R program should be run on a platform that makes it sustainable and measurable over the long term, regardless of who is running it.

✔ **Make recognition fair and consistent.** For example tie recognition back to clear core values and behaviours or measurable achievements. All participants need to have confidence in the program and know what they can and should do to be recognised.

✔ **Provide the widest possible choice of rewards.** Remember no two people are alike so don't think the same reward will appeal to everybody. Research shows that the wider the range of choices the higher the engagement with the program.

✔ **Make recognition frequent and timely.** This frequency and timeliness of recognition is much more important than the size of the reward. The more frequently you can let people know that their efforts are appreciated the better.

✔ **Make recognition a constant improvement process.** Like everything else in your business you should be constantly measuring and improving your recognition results. Track data such as the number of employees engaged in the program, the number of employees awarded, the most and least recognised teams, and then find innovative ways to improve these results.

LINKS
IN THE
CHAIN

The level of development attention mid-level managers receive is in indirect proportion to the significant impact they wield on the employee experience. In short, they don't get nearly enough support. Here's one way to build high quality manager/employee interactions

WHILE THERE ARE MYRIAD CIRCUMSTANTIAL, contextual and macro issues that impact whether employees stay with an employer or hightail it out the door, it's hard not to overstate the key role managers play. Fortunately, this is one area that can be improved.

For Bruce Watt, managing director of DDI, it's a no brainer: "Leaders and managers who are better at interacting with their direct reports and have more trusting relationships and focus on the development of their direct reports, who are able to convey the intrinsic meaning of the work their direct reports are doing, generally have better retention in their teams."

DDI's recently released report, *Driving Workplace Productivity Through High Quality Interactions*, draws on observations from DDI's 'Day-in-the-Life' assessment process, which places executives in a variety of real-life work environments and evaluates their interaction skills against a set of skills everyone needs to master to build relationships and be productive. DDI refers to these as 'Interaction Essentials'. The results provide fascinating insights into the key role managers play in not just productivity but engagement and retention – and what typically holds these managers back.

"The intuitive gap in leadership development is we tend to promote on non-leadership skills – technical excellence and performance within individual contributor roles – and then all too often the career path forward is into a leadership role, which requires a whole new range of capabilities," Watt says.

A critical element of these 'new range of capabilities' is the way in which a manager interacts with direct reports. DDI's research (see box) speaks for itself. Among the more disturbing findings were that 60% of workers feel their manager always or most of the time damages their self-esteem, whilst a third of respondents said their manager doesn't remain calm and constructive when discussing a problem.

"As obvious as that may sound – because you can read those things in books which say things like 'ask more than tell', and so on – it actually isn't knowing what to do; it's the practice of the skills," Watt says.

INTERACTION ESSENTIALS

In practical terms, 'Interaction Essentials' come down to the efficiency of a discussion: how it's opened, the extent to which issues are clarified, how issues are developed and agreed upon, and then how the discussion is closed.

"But of course," says Watt "when you're having a discussion it's with a person so it's about making sure you maintain or enhance the other person's self-esteem, give empathy, ensure you seek their involvement in the discussion, and provide support without removing the accountability or responsibility from the other person – we call those the personal needs."

Everyone comes to a leadership role with different natural strengths – some of us are more naturally empathic,

some of us are more naturally attuned to how someone is feeling and will calibrate statements to ensure their self-esteem is protected. A lot don't bother – but direct reports don't care about what natural strengths a manager holds. The purpose of leadership development and training, Watt says, is to equalise those differentials.

"The self-esteem issue is so critical because it doesn't matter what discussion you're having, if you diminish someone's self-worth you've lost them before you even start," he says.

Trust, cited as being so critical in personal relationships, is just as important in the business world. Watt explains: "Trust isn't about always leaving people with a glow and the warm and fuzzy stuff. It's actually about consistent and transparent behaviour. We know ourselves, when we trust someone in any context in life, we trust them if there's consistent direction around what that person is doing, and consistent receptivity to us as a person."

LEADERSHIP DEVELOPMENT

To move the dial on the interaction capability of managers, DDI recommends organisations use a three-step process:

❶ **Access to frameworks and tools that support effective interactions**: ensuring structures are in place to facilitate effective interactions, techniques to manage the personal needs of a conversation and core listening and questioning skills.

❷ **Self-awareness** – understanding the impact of personality patterns/derailing tendencies on approach to interactions: leaders need to heighten self-awareness and maintain improved managing of common interaction mistakes by creating an open environment, and ensuring the use of feedback skills.

❸ **Importance of practice**: leadership must be viewed as a practice, and how often it is performed effectively comes down to the quality and frequency of practice.

"I don't think leadership is just executing a process; it's a journey of self-discovery as well," Watt adds. "But actually self-insight changes nothing. It's a bit like assessment – we assess a lot but the assessment provides the potential to change and doesn't actually change anything. That's why that third step is so critical."

This can be done through behaviour modelling – providing a model for how an interaction should occur – be it a coaching discussion, a performance management discussion, a conflict discussion. "Set those discussions up and do skill practice work against positive models, so it becomes something you do on a number of occasions," Watt says.

Leaders, like anyone else, will only do things differently if they see the benefit day-to-day. "As a manager your job is to protect and ideally grow the asset, which is the intangible in organisations, the goodwill, the brand. People enable that," Watt says. "Therefore, if you don't have successful interactions to get productivity, engagement, retention outcomes, and use these skills, it's commercially negligent."

IT'S NOT YOU, IT'S ME

DDI's research of 5,000 Australian business leaders found:

➥ **55% rely on their own ideas**, missing the opportunity to expand the range of options and importantly buy-in and commitment of the other party

➥ **45% of leaders don't clarify** assumptions or check their understanding of a situation before addressing an issue, risking 'operating on flawed or unresolved assumptions'

➥ **Half of leaders failed to listen effectively** and respond to interpersonal cues, meaning these leaders often don't get to the heart of an issue and/or appropriately respond to the underlying feelings of another party

➥ **48% of leaders leave meetings** without clear agreement on next steps, meaning issues will often be left unresolved or not actioned

All about appearances

Cultural symbols are often misunderstood and underestimated as a retention driver. Here's how to capitalise more decisively on these signposts – no matter how subtle

MYOB's Sydney office

What makes a person come to work and keep coming, day in, day out? It's a question many may ask as global economic uncertainty continues, when work-life balance is a quaint concept of the past and leadership vision is reduced to "what's happening this week?"

It's perhaps time to revisit your employer value proposition (EVP) to determine why exactly people like working at your company, what you do well, and what you should be presenting and emphasising to employees – current and future. From the obvious – the physical environment in which people work – to the subtle, such as the values that underpin your culture, here's what might be influencing 'the way things are done' in your workplace.

The power of values

Often misunderstood and underestimated, values are preferences and priorities that reflect what's most important to an individual. They make meaning possible and provide us with the motivation to act. Research has shown that there are over 100 values that we may draw upon to live our lives by.

Adrianna Loveday, the organisational psychologist of Randstad's specialist HR consulting division, says those who are conscious of their highest-priority values are more fulfilled in their personal and professional spheres.

"In the workplace, values are ubiquitous," she notes. "They indicate what is most important to each employee and form the basis of the organisational culture. They are closely reflected in all our behaviours at work and, according to research, provide the basis for our decisions, more so than rational analysis."

According to the 2012 Randstad Award employer branding research, out of the top five most important factors for an individual when choosing to work for an organisation, four – job security, employee benefits, strong workplace culture, along with interesting role content and job satisfaction – are inextricably linked to one's value framework. Therefore, it would be remiss of any organisation to ignore the importance of values as a critical part of their employer branding strategy: they are one of the strongest ways to reach out to their potential existing workforce individually.

Why values alignment is in vogue

It's a compelling fact that organisations that do not have core values will find it increasingly difficult to attract and retain talent. But having these values alone is not enough: for an organisation to reap the benefits of a strong set of core values, these values must truly resonate with each individual, which requires the organisation to be expert at articulating and communicating them efficiently in their EVP.

"What organisations often fail to realise is that personal values such as safety, security and honesty will always override organisational values. Thus, the alignment of personal and organisational values is key to any organisation achieving their desired outcomes," Loveday says.

Hiring for 'values fit'

To align personal and organisational values, it might be useful to simply go back to basics. Business leaders should regularly ask themselves these simple questions: As an individual, when did I last evaluate my own priority values? As a leader, when did I last consider the values of my existing people and those that predict success in my team?

Values are deep-rooted feelings about what is important to someone; they are mostly submerged below the surface and not as visible as personality characteristics, technical skills or experience. It is thus not unusual for a hiring manager to overlook values as an important predictor of the potential 'fit' of a candidate during the selection process. Yet values are also more stable, enduring and difficult to change than behaviours. The implication of this is simple, Loveday states: if you hire someone whose values are mismatched to those of the organisation, it will be hard to shift their thinking and will prove difficult to retain them beyond the honeymoon period.

Yes, we can measure values

Regardless of how advanced an organisation's HR practices are, organisations that are serious about looking beyond behaviour for clues as to individual/culture fit need to master the art of values identification. On the one hand, this can be a complex process that requires measurement to be robust, objective, universally applicable, and capable of distinguishing values from emotions, morals, behaviours, virtues and ethics. On the other hand, it can be a simple process of asking value-based questions in addition to behaviour-based ones during the interview process – "describe your values in action" type probing could be a simple and cost-effective way to take your selection process to the next level.

TO-DO LIST

✔ Identify where you are now – what are the characteristics, current values and behaviours of your organisation?
✔ Develop and clarify the vision for the kind of organisation you need to create (and why)
✔ Define the kind of culture that is needed. Be clear on the values, principles and behaviours of the desired culture
✔ Engage others and involve at all levels to shape the cultural values and behaviours that are critical for success
✔ Communicate the vision widely, and constantly reinforce – consider overt signs (such as organisational and financial performance, quality, health and safety, absenteeism, turnover, employee engagement survey scores) in conjunction with the 'hidden symbols' (stories, rituals and routines, power structure, etc.)
✔ Ensure senior management have worked through their own values, actions and practices that they want to inculcate

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In practice: Industrie IT

One company that has taken steps to ensure its people and culture are its most important asset – and that this concept is more than just a statement from a manual or a poster – is specialist IT firm Industrie IT.

"It's a core belief and behaviour strongly held by our leadership team and across the organisation," says Janaire Reese, VP people, Industrie IT.

Central to this is the concept of 'True Democracy'. This is the term used by Industrie IT to describe the mutual respect, freedom and autonomy that is genuinely afforded to the leadership team, and the way in which this enables the leadership team to manage the organisation with these same values. "We encourage our leaders to contribute to business growth, strategy, and knowledge growth, and we encourage them to participate in forums on these matters. We also encourage sharing, and respect amongst the team," Reese says.

At its core, this management approach creates a culture that is open and positive, and welcoming of ideas and suggestions. "The leadership team and employees find their suggestions are valued and encouraged, and their ideas are considered and implemented. Our people realise their full potential – and they are engaged. They want to contribute – and we really want them to as well."

Would True Democracy work in other organisations? Reese believes it could, provided the key factors underpinning its success are the same.

"Our success is due possibly to culture, but also to the closeness of the people involved and their similarities in leadership style – that is, their shared views and mutually held values and their shared drive and belief in the company. If another organisation had a really positive relationship between all in their leadership team and the same shared values, which enable the creation of a real and genuine culture, then this could work for them, too."

It's not you; it's the office

Think of engagement and retention and it's unlikely the first thing to spring to mind is the physical work environment. Yet this physical space can be a powerful strategic contributor to any business. Most often it's underutilised; a missed opportunity for organisations to be more deliberate about what the physical environment is doing for them and why.

Steve Coster, head of knowledge and sustainability at architecture firm Hassell, says it's commonplace to think of the workplace as a functional space intended merely for 'work'. "The complexity of the role that it plays is not acknowledged or understood well enough. Also, it's easy to see it as an overhead cost to be minimised, when in

fact a different mindset might say it's a strategic opportunity to create value," he says.

Hassell has recently commissioned research into the role the workplace environment plays in staff retention. Although results won't be known until later this year, Coster says the goal is to determine how people prioritise the factors which influence job choices.

The survey will ask candidates what they consider to be a good working environment, and why. Is it about your individual space, or is it about the whole of the office, or is it particular amenities like a shower or gym? What makes one better than the other? The data will compare different industries, age groups and cities.

When it comes to workplace design, one company's Holy Grail may be another's poisoned chalice – in short, the same design elements don't appeal to all employers.

"What's attractive to an advertising agency is obviously not as attractive to a corporate law firm," Coster says. However, he adds that it may not be the buildings themselves so much as how these facilities are aligned with the identity or culture of the organisation. "If you have an organisation that says it's trying to be highly creative or collaborative, and the workplace is at odds with that in the messages it conveys to people, that's where you get a problem. Or the other way round, when your workspace

Our success is due possibly to **culture,** but also to the closeness of the people involved and their **similarities** in leadership style – JANAIRE REESE

reinforces what you're saying you want to be, that's when you start to get a resonant effect. People say, 'Yes, I can feel this place is walking the talk'."

In short, it's the relationship between space and culture that is linked to attraction and retention. The physical space is a powerful means of communicating cultural symbols in a more authentic way. "Your workplace is sending powerful

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messages about your culture, whether you are deliberate about it or not. Rather than sending inadvertent messages in an unconsidered way, why not be deliberate about what it says about you?" Coster says.

Still, Coster concedes that it is difficult to isolate the impact of the workplace because of the complex, diverse range of other factors that affect business performance. "Even if you're just trying to link workplace to employee engagement, you might have improved the workplace out of sight but the manager might be terrible. Or there's no investment in professional development. You just don't know how it's interplaying with those other factors."

For now, Coster and others in his profession can point to individual clients and the positive impacts a revamped working environment has had.

Coster cites SA Water as a case study. A new building was conceived and built as part of a broader cultural change. "It wasn't one of these cases where they say, 'We're doing the building; what should it be like?' It was, 'We're trying to change our culture and our performance; we think one thing that might help is a new building. Let's design a building that is specifically targeted to those ends'."

Key to the final design was the consultation that took place. All staff were involved in a five-year planning period, from starting the talk about it, to design and the

details of how it would be built and furnished, to the relocation process. The design was innovative – it was very open and flexible to change. "It gave people better access and visibility to their colleagues, particularly the leaders. The exec team noticed they were making better decisions, faster, in this more communicative environment than they used to in the more traditional separated, hierarchical environment," Coster says.

What made the project interesting, Coster says, was that the client was not property or finance, it was people and culture – they drove the property project to create a new workplace. This provided an opportunity to assess data on staff attitudes, such as pride, towards the organisation before and after the move to the new environment.

Quantitative data around absenteeism was obtained – SA Water measured a reduction in sick days by one full day per year per person. For an organisation of 900 people, that equated to 900 additional days per year of productivity. Staff turnover also decreased by several per cent.

Whether subtle or obvious, employees and candidates make snap decisions based on their 'feel' of an organisation. Ultimately, Loveday says, organisations that operate with their values and other symbols in a deliberate and organised manner and can effectively communicate them to staff have a distinct advantage over their competitors.

Case study: MYOB

Human Capital talks to Catherine Davis, organisational development manager at MYOB – a company synonymous with accounting – about the role culture plays in retaining key staff

HC: How important is retention of staff at MYOB? Is there an 'ideal' turnover rate you aim for?

CD: We take a pragmatic view when it comes to retention and staff turnover. Our goal is to continually maintain a high-performing team, so we focus on recruiting really well and offering plenty of development opportunities to allow team members to grow with us. We do understand that at some point a team member's growth may well take them outside of MYOB, and that's OK. We certainly keep an eye on turnover to make sure that it's within parameters that we're comfortable with, but retention rates are a lag indicator and we put much more focus into the lead indicators of engagement and culture.

HC: Are there key retention drivers you concentrate on?

CD: We focus on both culture and engagement as key retention drivers, and we regularly measure both to understand our biggest levers to pull – then we pull them and see what happens. It's an ongoing iterative process as the world and our business continue to evolve. We've seen a significant increase in team engagement levels over the past three years, achieved double-digit annual revenue growth, and almost the doubling of profit. More so, we were awarded the coveted Human Synergistics Cultural Transformation award last year for the constructive workplace culture we have successfully created.

HC: Can you outline the type of culture MYOB currently has?

CD: 'MYOB and You' is our Team Charter, and the one line from that which I think best sums up our culture is, "We take our work seriously but not ourselves". We

> "With all the **business pressures** that employers encounter, I think it's **very easy** to forget that work can be **an enjoyable place**"

drive performance and work hard to achieve our goals, and we also have fun. It's also in our tagline 'Love your work', which we do. The Human Synergistics Cultural Transformation award is something that we value highly. We're really proud to have evolved our culture considerably, to a place where teams are happier, more collaborative and more engaged.

HC: You're investing heavily in shaking up the physical workspace, trying to make it a fun and creative atmosphere for workers. Can you outline what you've done?

CD: The last two years have seen major change on this front, starting with our New Zealand and Sydney offices. Our head office in Melbourne is next on the list. By the end of May, all team members will have fantastic new office spaces to work from. We spent a lot of time and effort, and significant investment in fitting out these spaces to ensure they support our culture and overall business operations. They're bright and contemporary, with design elements to promote innovation, collaboration and

performance. And they're fantastic places to work in – just ask the team. The feedback has been phenomenal. Happier, more engaged team members has tremendous productivity benefits and enhances the quality of products and services we provide clients and partners.

HC: Do you think employers in general fail to recognise that work can, in fact, be an enjoyable place?

CD: With all the business pressures that employers encounter, I think it's very easy to forget that work can be an enjoyable place. Very often, the absolute focus is on the bottom line and those factors that have a clear, direct impact on it, such as revenue and costs. The research is clear, however. There are multiple benefits of creating and nurturing an engaged workforce, including a positive impact on the bottom line. At MYOB, we encourage our team to have fun. It's talked about in our Team Charter; our leaders walk the talk, and we have events like our annual short film festival where the team can really let their hair down and be creative. **HC**

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Peas in a pod

Human Capital talks to Rebecca Wallace, managing director of Launch Recruitment, about the importance of culture fit in all recruiting projects, but especially executive recruitment

HC: Finding the right candidate the first time round has far-reaching consequences in terms of retention of that individual down the track. What role does cultural fit play?
RW: As a personality is unique to an individual, company culture is unique to a business and is built on a broad range of experience, such as the product or service you provide; how you deliver the product or service; the company mission; core values and ethics; your relationship with the customer; learning and development; company events and celebrations; internal communication; and the recruitment process. All of these aspects and more come together to form company culture. No matter how skilled the candidate, an employment relationship will be unsuccessful if culture fit is misaligned.

Throughout the recruitment process a candidate should be assessed for culture fit. This can be achieved in asking situational questions that demonstrate behaviour. It is also important that more than one person in your organisation is involved in the recruitment process. The cost of staff turnover is high, so investment in a thorough recruitment process is vital in minimising the chance of mis-hire.

HC: Do you find that a key reason for staff turnover is that lack of cultural alignment? At what stage does that realisation typically occur?
RW: The overwhelming majority of reasons for mis-hire relate to poor cultural alignment. Throughout the recruitment

process, most hiring managers are diligent in testing for skills and experience to match to the role; however, less attention is often given to culture fit. Poor fit to culture is usually recognised within the probation period. It is difficult for a person to hide their true nature, and if their values and drive are mismatched to the organisation, it is apparent very early in their tenure.

HC: How important is that cultural fit at executive level – is it just the same as at lower levels of the organisation?
RW: Cultural fit is important for all positions within a business; however, poor cultural fit at executive level can do greater damage to an organisation. Management are required to set the tone and act as an example for more junior staff. The executive's impact is more greatly felt due to visibility, responsibility of direct reports, involvement in decision-making and strategy.

The effect of a successful executive who fits well into company culture can lead a company to growth; however, a poor cultural fit can have far-reaching detrimental effects.

HC: How can hiring managers do it better? Are there steps they should take at recruitment stage to include cultural fit elements?
RW: There are many ways to improve a recruitment process to minimise the chance of mis-hire and to ensure the company is attracting the best candidate in the market for the executive role. However, specific tips for measuring best cultural fit include:
- Multiple senior-level decision-makers should be involved in the hiring decision.
- Ensure experienced and trained interviewers are part of the hiring team.
- Meet the candidate on five or more occasions.
- Use psychometric testing to supplement the interview process.
- Undertake 360-degree reference checking – ie references from managers, subordinates and clients.

> The effect of a **successful executive** who fits well into company culture can lead a company to **growth**; however, a poor **cultural fit** can have far-reaching **detrimental** effects

HC: Obviously, the recruiter needs an acute understanding of the employer they are hiring for. How important is it to be aware of the culture of an organisation in the first place?
RW: An in-depth understanding of your client's culture is valuable beyond price. Engage a supplier with a proven track record of successful long-term relationships with their customers and an interest in partnering with clients for growth. Invest in this relationship as your supplier will pipeline candidates suitable for your business culture. If the supply relationship is new, the recruitment brief should include an exploration of client company culture. Topics should include company mission; vision and values; EVP [employee value proposition]; organisational structure; benefits and rewards; internal communication; learning and development; on-boarding processes; customer satisfaction measures; long- and short-term company goals; and topics specific to your products or service. **HC**