How to Retain Top Performers in Growing Companies

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Introduction

Employee retention is complicated. Between compensation, benefits, employee engagement, satisfaction surveys and turnover costs, there are a lot of pieces to the retention puzzle. The fact of the matter is employee retention is critical to the success of any organization. And employee retention is particularly important at fast-growing companies where every employee plays a key role in the organization's growth.

Here at Launchways we understand that employee retention efforts can be difficult to quantify, plan, and execute on. That's why we put this guide together—to help you navigate this process. In this guide you'll learn, step-by-step, how to understand your organization's employee retention needs and implement programs to reduce employee turnover. In this guide you'll learn:

- How to quantify turnover's impact on your bottom line
- The most common reasons employees leave and strategies to combat these issue areas
- How to use exit interviews to identify areas of opportunity in your retention program
- Warning signs that a key employee is becoming disengaged
- How to use stay interviews to proactively address retention issues
- 20+ employee retention program ideas to boost your retention rates

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Turnover's Impact on Your Bottom Line

Understanding the financial impact of employee turnover on your organization's bottom line will help you create a compelling case for improving your retention strategy. In general, organizations experiencing high employee turnover will suffer both direct (recruiting, training) and indirect (negative employee morale, lost productivity) costs. In this section we'll explore both the tangible costs and indirect financial effects of employee turnover.

Studies indicate that, on average, it costs six to nine months' salary to replace a salaried employee. These costs will vary based on the type of position, compensation grade, and education level of the employee. A study completed by the Center for American Progress estimates the following costs to replace an employee:

• 16% of annual salary for high-turnover, low-paying jobs (under $30,000 year). The cost to replace a $10/hour retail employee would be roughly $3,000.
• 20% of annual salary for midrange positions ($30,000-$50,000 year). The cost to replace a manager making $40,000 would be $8,000.
• +213% of annual salary for highly educated executive positions. The cost to replace a $100k CEO would be $213,000.

In organizations where turnover of mid-to-high level executives is occurring regularly, these costs can surmount quickly. However, these figures do not consider the indirect turnover costs an organization can incur.

Josh Bersin of Bersin by Deloitte outlined a more complete list of all the costs that go into replacing an employee:

• The cost of hiring a new employee including: advertising, interviewing, screening, and hiring.
• The cost of onboarding a new employee including: training and management's time.
• Lost productivity: on average it takes a new employee one to two years to reach the productivity level of a current employee.
• Lost engagement: other employees who witness high turnover become disengaged and lose productivity.
• Ongoing training: over two to three years a business will, on average, invest 10-20% of an employee's salary in additional training.
• Cultural impact: when a key employee leaves, overall employee morale can be negatively impacted.

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Reasons High-Performers Leave Organizations

Knowing the most common reasons employees leave can help you build a retention program to combat these concerns. Some of the reasons employees leave include:

- **Relationship with their boss:** an employee and their boss don't need to be friends, but a positive relationship is key to employee satisfaction. An employee's boss provides direction and feedback, spends time in one-on-ones, and connects the employee to the overall organization. If an employee has a toxic or turbulent relationship with their boss, they're more likely to leave.

- **Relationship with their coworkers:** Studies indicate that one of the twelve most important indicators of job happiness is having a good friend at work. An employee's relationship with their teammates is important to them. If an employee feels ostracized or uncomfortable around their coworkers, they'll likely want to leave that environment.

- **Stagnation:** Top performers prioritize career and personal growth. If they don't perceive opportunities for upwards mobility, they're more likely to look for a new opportunity. Similarly, top performers thrive on challenging work. If they become bored and uninspired by their work they're more likely to leave.

- **Pay:** Just as pay must be competitive to attract the best talent, it also must remain competitive over time to retain talent. Studies show that one in four employees would leave their job for a raise of only 10%.

- **Meaningful work:** Employees want to know their work is important and contributes to the goals of the organization. An employee needs to understand the company's mission, vision, and plan. If an employee doesn't understand the company's mission and how they're contributing to it, they're likely to look for new work.

- **Stability/job security:** A decrease in sales, increase in layoffs, reduced hours, or high turnover can lead to feelings of instability and a lack of trust. Employees who are worried about the state of the company are likely to look for a new job.

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Leveraging Exit Interviews to Refine Your Retention Strategy

In the previous section we explored some of the most common reasons employees leave. An important component of your retention strategy is to identify the main reasons your employees may leave. Exit interviews help organizations understand, document, and address the most common reasons their employees experience job dissatisfaction.

Exit interviews are a unique opportunity to receive candid feedback on your organization's retention efforts, as leaving employees are more likely to be critical, open, and honest than current employees. During these interviews make sure to ask questions which help you pinpoint both areas your company is doing well on and areas you can improve on. Here are some effective questions to use during an exit interview:

- What prompted you to start looking for a new job?
- Why did you decide to leave the company?
- What do you value about the company?
- What did you dislike about the company?
- How was your relationship with your manager?
- What were your thoughts and feelings on the management and leadership at the company?
- What did you like about your job?
- What did you dislike about your job? What would you change about your job?
- Were your role responsibilities accurately described during the interview process and onboarding?
- Did you have clear goals and know what was expected of you?
- Did you clearly understand and feel a part of the company mission and goals?
- What would you recommend we do to create a better workplace?

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Warning Signs Your Top Performer is Unhappy at Work

How do you identify employees that are becoming disengaged? In this section we'll cover the warning signs that a top performer could be preparing to look for another position.

Some of the warning signs that an employee is becoming disengaged include:

• Decreased work productivity
• Less of a team player
• Less willing to commit to long-term timelines
• Negative change in attitude
• Less effort/motivation than usual
• Open expression of dissatisfaction with their job and/or supervisor
• Leaving early from work frequently
• Absenteeism
• General disinterest
• Lack of participation
• Any sharp change in job performance or attitude

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Using Stay Interviews to Proactively Manage Retention

Using the warning signs in the previous section, you can more easily identify employees who are experiencing job dissatisfaction. Identifying a disengaged employee is a key opportunity to uncover and address this employee's cause for dissatisfaction. A great way to uncover this information is to conduct an informal "stay interview." A stay interview is similar to an exit interview in that you are trying to identify areas of opportunity within your retention strategy. However, it affords you the opportunity to create a tactical plan to address the employee's concerns and keep them on as a team member.

A manager should initiate a stay interview by letting the employee know they'd like to have an informal discussion about how their job is going. Here are some great questions to leverage during a stay interview:

- What do you like most about working here?
- What do you like least about working here?
- If you could change something about your job, what would it be?
- What would you like to learn?
- What would make your job more satisfying?
- What can I do to better support you?
- What might tempt you to leave?

At the close of the interview the manger should schedule further time with the employee to create a tactical plan to address their concerns.

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Employee Retention Program Ideas

Whether your goal is to reduce employee turnover, boost employee morale, or simply become more intentional about your retention efforts, there are many programs you can implement. Here are some ideas for strategic employee retention efforts:

• **Hold managers responsible for retaining workers.** Consider offering a financial incentive to managers who maintain a team retention rate above a certain level.

• **Offer rewards and appreciation to dedicated employees.** Cash bonuses or extra vacation time are great incentives for hard-working employees. When designing a rewards program consider offering more frequent, smaller bonuses rather than one large annual incentive to keep employees consistently motivated.

• **Offer remote work options.** Allow employees to work from home one or more days a week.

• **Offer educational assistance programs.** Offer to help pay for tuition, books, and other education-related costs for employees wishing to further their education and improve their skillsets.

• **Offer student loan aid.** Only 3% of employers offer student loan aid, even though studies indicate that 80% of individuals would like to work for a company that offers student loan repayment assistance. Offering a student loan payment matching program can give you a competitive edge.

• **Develop clear career pathways for employees.** Top performers are most likely to stick around if they see opportunities for upward mobility. Defining and promoting a clear career pathway for each employee is a low-cost yet highly effective retention strategy.

• **Regularly review wages.** Survey wages offered by competitors to ensure that you are offering your employees competitive wages, PTO, and other benefits. Do so annually, or even more frequently, to keep up with the competitive labor market.

• **Consider offering differed bonuses.** Rather than offering one lump-sum signing bonus up front, consider offering half at signing and half later.

• **Communicate with employees.** Leverage focus groups, engagement surveys, and general feedback to proactively manage employee satisfaction.

• **Foster a culture of recognition.** Ensure management is noticing and commenting on quality work on a regular basis.

• **Clearly explain the benefits package to employees.** Provide educational materials which help new and existing employees better understand the benefits offered to them.

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Employee Retention Program Ideas (continued)

• **Know your audience.** According to Employee Benefits News, younger workers desire more feedback from management and the ability to constantly discuss where they can advance. On the contrary, more seasoned workers value assistance with work and family balance, flexible scheduling and retirement saving options. Know who your audience is and tailor your benefits program to their needs.

• **Implement a workplace wellness program.** Consider offering gym access, discounted gym memberships, or in-house fitness classes to help keep your employees healthy and engaged.

• **Market your benefits.** Implement internal marketing campaigns to ensure employees are aware of the benefit programs you offer.

• **Offer summer hours or compressed workweeks.** To improve your employees' work-life balance consider offering four 10-hour days or half-days on Fridays in the Summer.

• **Establish flexible scheduling.** Studies show that 80% of employees would like to have more flexible work hour options. Require employees to be available during core hours of the work day, but vary the times they can arrive in the morning and leave in the afternoon.

• **Offer time-off for philanthropy.** Offer employees a certain number of paid volunteer days off each year or organize department or company-wide volunteer events to show that you care about the community.

• **Explain the mission and vision.** Ensure all employees understand the company mission and vision.

• **Remove roadblocks.** Regularly conduct audits to uncover areas of employee's jobs that can be automated, removing roadblocks to their maximum productivity.

• **Conduct stay interviews.** Conduct regular stay interviews to gauge employees' engagement and identify areas for retention strategy improvement.

• **Implement open-door-management.** Encourage openness and transparency throughout all levels of management. Ensure management is consistently available to address employee concerns.

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