Employee Retention & Engagement: Moving Beyond Convention to Results

Conventionally, companies suffering from high employee turnover and disengagement resort to a common approach — deploying a generic employee survey and implementing the auto-generated solutions for their lowest scoring areas. While surveys are a useful step in the process, they cannot replace big data problem and root cause analysis or listening first-hand to employees to determine the customized solutions that will impact business performance.

Relying solely on generic employee surveys without additional insights and employee interviews could doom efforts to fail, or at the very least greatly reduce the chance that they will improve employee engagement and retention. Without real improvement, the organization will continue to suffer the surprisingly high cost of employee turnover, typically 25–30 percent of exiting employees' pay, as well as a negative impact on operational key performance indicators (KPIs). As the problem grows, turnover and disengagement become too nuanced for generic surveys and too costly to ignore.

A COMMON SCENARIO

Executive leadership gathers to discuss quarterly operational metrics. Reports indicate that retention and employee engagement are on the decline. Across the enterprise, employee turnover is significantly higher than the industry standard, and worse, it has been on the rise for the past few quarters. The Chief Human Resources Officer (CHRO) is tasked with developing a solution to the issue.

The CHRO hires a well-known survey firm to deploy an organization-wide survey covering all the typical causes for employee dissatisfaction. The results reveal a majority of employees give the organization low marks on training and work-life balance. He goes to work implementing solutions indicated by the survey firm in its final report — increasing training hours across the company and instituting a flextime policy to allow more employees to work from home.

A year and a half later, having invested significant funds in the two problem areas, turnover has remained unchanged. Operational leaders are frustrated, believing that the new programs not only failed to improve retention, but created even more inefficiencies in the business than were originally present.

A BETTER WAY

The key to improving retention and engagement in a cost-effective manner is moving beyond the conventional approach.

Organizations must have the foresight and discipline to fully understand the problem at their specific organizations, to ask the right questions of the right people and to develop a set of solutions designed to fix their most pressing and costly issues.

WHY THE CONVENTIONAL APPROACH FALLS SHORT

Most standard employee engagement surveys work the same way — a broad survey covering 85–100 engagement factors is distributed enterprise wide. Once the survey period ends, the survey program auto-generates a report featuring scores across all engagement factors studied and canned solutions for the organization's lowest scoring survey items.

While some managers in the company may have an interest in the results, most will largely dismiss the effort as low priority or irrelevant (especially if they feel the averages presented do not accurately reflect their own divisions). As a result, little improvement will occur, and employees will likely grow even more frustrated as they perceive little action being taken based on their feedback.

START WITH THE PROBLEM OR YOU WILL LIKELY END WITH IT.

While there are a handful of culprits that generally top the root cause list for turnover and disengagement, the actual cost, business impact and root causes of these problems can vary widely across organizations, job types and geographies.

Without a solid, data-driven understanding of the problem, an organization is likely to spend more time and money to develop and execute improvements with less impact.

Instead, companies should start with a data-driven analysis of the problem that allows them to home in on where their problem is most impactful and costly, what is likely causing poor retention and engagement in those areas, and what solutions stand to reverse negative trends.

The goal of the analysis is three-fold:

1. Create a fact base to measure the cost and impact on the KPIs of turnover and disengagement.
2. Identify those divisions where retention and engagement are particularly impactful and/or costly.
3. Develop hypotheses for the root causes of poor retention and engagement.

Starting the process with problem and root cause analysis allows a company to do the following:

QUANTIFY COST AND IMPACT OF THE PROBLEM AND PRIORITIZE IMPROVEMENT OPPORTUNITIES.

A good place to start is with turnover, which is the most objective measure of retention and employee engagement. In addition to turnover, companies should look closely at areas where KPIs are lagging. In many cases, a relationship exists between lagging KPIs — poor revenue growth or profitability, increased rework and downtime, stagnant innovation, decreased customer satisfaction or increased safety issues, for example — and poor employee engagement. Quantifying the cost and impact of the problem is key to making a business case for change.

It is important to remember that all turnover is not created equal. Turnover in geographies with tighter labor markets may pose bigger problems than turnover in areas with high unemployment. Similarly, higher-paid markets result in higher turnover costs than lower-paid markets.

CASE IN POINT: **ALL TURNOVER IS NOT CREATED EQUAL**

One client we worked with assumed he should start his improvement efforts in the divisions with the highest turnover percentage, but when we analyzed the data, we found the cost of turnover in some of these areas was far less than in other divisions with lower turnover rates.

In fact, from a cost standpoint, we found that just three percent of the business units caused more than 20 percent of the entire company's turnover cost.

One of the primary goals of the problem and root cause analysis is determining where poor retention and engagement are particularly impactful or costly to the business.

ANALYZE ROOT CAUSES BEFORE SURVEYING EMPLOYEES.

Many companies rely solely on surveys that ask employees how they feel about a given factor to determine the root causes of poor employee retention and engagement, but with most standard surveys asking questions on 85–100 factors, it is easy to lose sight of the items that are most likely to help an organization move the needle. Asking about factors like training and supervisor quality is good, but having preliminary data that shows the suspected impact of these factors on turnover, prior to the survey, is better.

To begin homing in on root causes, separate divisions into high turnover and low turnover groupings, and then compare different factors — training, equipment, supervisor quality, etc. — between these groups. Patterns will begin to emerge, providing hints to potential employee dissatisfiers.

Companies can use the problem and root cause analysis to narrow the field of survey questions to the most important, actionable items so they can dig deeper on these items for validation and context.

BUILD A COALITION FOR CHANGE.

The fixes for disengagement are rarely the sole purview of human resources (HR) and talent management. Real improvement nearly always requires solutions, buy-in and even leadership from operations.

To build a coalition for change, it is critical to make the problem relevant for these leaders.

Starting with a fact base means a company will be able to directly tie a given leader's retention and engagement levels to their KPI results. Furthermore, it means it can show them how they compare to their peers inside the company who have higher or lower retention and engagement.

Sharing information at this level goes a long way in terms of creating advocates for change among leaders who can make or break improvements.

SET APPROPRIATE TARGETS.

Conventional wisdom tells us to simply benchmark against industry averages; however, looking within the company itself provides important data points when target-setting. Retention and engagement goals for a given division should be based not only on industry standards but on similar business units within the company with moderate to high retention and engagement levels.

Companies should also consider the "who" when setting targets. The smartest companies know they should have higher targets for their top performers than their average performers, and likewise targets for average performers should be higher than low performers. Of course, setting targets this way means a company must be able to reliably and accurately measure the performance of its people.

External factors, like labor supply, also play a role. If labor supply is tight — meaning resources for any given position are scarce — more power sits with the employee, and companies can expect a higher level of turnover. If unemployment is high and employees have fewer choices, lower turnover may be expected.

Targets must also make sense to the people who have the authority to address identified root causes. Local leaders often hold the keys to improvements in work conditions, supervisor quality and pay, and therefore need to believe targets are reasonable, actionable and, most importantly, **stand to improve KPIs within their divisions.**

Beginning with a data-driven analysis of the problem allows companies to quantify the cost and impact of low retention and engagement on the organization. Skipping this critical step all but ensures a company's improvement efforts will underperform or even fail, leaving it right where it began.

Remember, if you don't start with the problem, you will likely end with it.

ASK ABOUT WHAT MATTERS. THEN VALIDATE RESULTS.

Instead of trying to account for all potential problem areas with an 85–100 factor employee engagement survey, organizations should use their fact-based analyses to design and administer more targeted surveys. Then, once they have the results, they should employ focus groups to understand the context and nuance inherent to most root causes.

Asking about the things an organization already suspects matter and validating the results *before* developing and employing solutions improves the likelihood that the right solutions will be chosen.

As companies embark on surveying and listening to their employees, they should keep the following tips in mind.

KEEP THE SURVEY TO 15 OR 20 RETENTION / ENGAGEMENT FACTORS.

There are a handful of factors that almost always have a significant impact (e.g., relationships with supervisors, competitive — but not excessive — pay, stability, etc.), but many factors are industry or job dependent. For example, for research and development and high-tech jobs, innovation and having access to the newest technology are often important factors, but are less important in industrial positions. For industrial jobs, safety is often paramount.

Organizations should let their problem and root cause analyses help determine what factors are important for their companies and for the specific job titles of concern. A more targeted survey, featuring the 15–20 factors that the data indicates are most important, will provide more reliable and rich results.

ASK HOW IMPORTANT A GIVEN FACTOR IS.

Canned surveys typically focus on how satisfied an employee is with a given factor and ignore how important those same factors are.

Taking this approach means in the end organizations will know whether, on average, its employees like or dislike something, but they will not be able to say whether that factor is perceived to influence employees' decisions to stay at or leave the company.

As a best practice, ask employees to rank each factor based on importance. Doing so allows an organization to prioritize where investments stand to make the biggest impact. Also, these rankings can help organizations customize solutions, as importance can vary widely across job types and geographies.

CASE IN POINT: ASK HOW IMPORTANT A FACTOR IS

In one client's case, employees in one region of the country ranked the availability of overtime hours as highly important to their satisfaction, but just the opposite was true for another region. The same type of employees in that region ranked work-life balance — defined as not being asked to work more than 45 hours a week — as one of their most important factors.

Asking how important these factors were allowed the company to develop customized solutions for each region that would more appropriately address the unique perspective of each employee group and drive improved retention and engagement.

Asking how important a factor is helps companies prioritize and customize solutions.

COMPARE SURVEY RESULTS BY TENURE AND WHERE CONDITIONS ARE "GOOD" VS. "BAD."

Employees' satisfaction with and the importance of different engagement factors vary widely by location and job type. In addition, opinions often differ greatly by tenure — what influences a long-time employee's engagement and retention is often very different than what influences a new employee. Furthermore, research indicates if new employees are engaged in their first year, they are highly likely to remain engaged for the long term, placing especially high importance during this critical stage.

To zero in on the most important root causes of and potential solutions to retention and engagement issues, companies should compare survey responses on factors for groups with high versus low retention, engagement and KPI results, noting where differences based on tenure exist.

The resulting differences between these groups represent one of the most relevant benchmark sets that can illuminate what works and what does not work within a given company.

HOLD FOCUS GROUPS AFTER THE SURVEY TO VALIDATE RESULTS AND COLLECT IMPORTANT CONTEXT.

Focus groups allow an organization to validate conclusions drawn from survey data. In addition, they also unearth insights that organizations may never have seen otherwise. It is simply not possible to anticipate and design survey questions that capture the nuances at the core of poor retention and engagement.

Holding too few focus groups or skipping this step entirely can lead to serious misinterpretation of survey results and, in the worst case, drive implementation of solutions that fail or exacerbate existing problems. Organizations should plan enough focus groups to reach a good cross-section of employees from areas with good and bad performance indicators and should strive for representation of both tenured and newer employees.

CASE IN POINT: **FOCUS GROUPS**

Survey results for one of our clients showed high satisfaction and high importance rankings for safety. When we convened a focus group, employees validated safety as critical and important to them, but also shared they felt safety goals (which they loved) were almost impossible to achieve if they also wanted to meet productivity targets assigned to them.

This conflict created a huge dissatisfier for them and influenced many to consider leaving their current positions. Neither the client's analysis nor the survey results illuminated this important dynamic.

Without focus groups, companies may miss important nuances or dynamics that impact employee retention and engagement.

HAVE AN OBJECTIVE PARTY LEAD THE FOCUS GROUPS.

Appointing an objective third party to lead focus groups is critical if an organization wants to obtain rich, comprehensive feedback. Employees are less likely to share negative feedback with more senior employees because they fear retaliation and how they may be perceived by supervisors and peers.

These observations are supported by research as well. In a survey administered by Cornell University, 42 percent of respondents reported withholding information when they felt they had nothing to gain — or something to lose — by sharing what was on their minds. In addition, more than 25 percent said they withheld feedback on routine problems and opportunities for improvement to avoid wasting supervisors' time, even when they did not fear consequences.[1]

In addition to this important point, there are other benefits to an experienced, third-party facilitator. These trained individuals can help draw out feedback from quieter participants and manage participants who try to dominate the conversation. Focus group leaders should start by sharing survey results from the population's division — then allow employees to speak freely about what they think the results are saying.

When an organization asks about what matters (based on its problem and root cause analysis) and validates the results through focus groups, it gains rich information regarding what is actually causing poor employee retention and engagement and brings itself one step closer to the solutions that will drive real improvement.

BUILD YOUR BUSINESS CASE FROM THE BOTTOM UP.

When it comes time to identify and implement solutions to poor employee retention and/or engagement, most companies think top down.

They evaluate their employee engagement survey and focus group results and select the set of solutions indicated or mentioned most frequently. Then, they take that set of solutions and implement them across the entire company and wait to see improvements. But often those improvements never materialize.

FLIPPING CONVENTION ON ITS HEAD — THE BOTTOMS-UP APPROACH.

The top-down approach is often ineffective for a number of reasons. First, what causes poor retention and engagement is different for new versus tenured employees, employees in different functions or job types, and employees working in different geographies.

Oftentimes one-size-fits-all solutions improve turnover in some job categories or geographies, but make things worse in others.

More importantly, as previously mentioned, all turnover is not created equal. The business impacts and costs of turnover vary significantly based on the types of employees who work in a given division and whether labor markets in that division's geography are tight. The top-down approach can be especially problematic if the fix works in low-impact / low-cost turnover areas, but fails or makes things worse in areas where turnover is especially impactful or costly.

By flipping the conventional approach on its head and working from the bottom up, companies can identify the customized solutions needed to address the specific causes of poor retention and engagement in a given division.

Many would question this recommendation by pointing out that implementing customized solutions within specific divisions will be more complex and less cost-effective than scalable, enterprise-wide solutions. But this logic is flawed for a very important reason.

In most cases, the costs and impacts of poor retention and engagement follow the Pareto principle. That is, for many companies, a significant majority of the negative impacts of poor retention and engagement are the result of a small number of divisions.

If a company focuses on fixing these problem divisions, they will see significant improvement across the organization.

IDENTIFYING SOLUTIONS AND BUILDING A BUSINESS CASE

Once an organization identifies the handful of divisions causing the majority of its costs / negative business impacts, it can consult its original analysis, voice of the customer feedback, and survey and focus group results to identify and build a business case around the customized solutions that will address its retention and engagement problem in these divisions.

Because the organization invested the time and energy to complete a robust problem and root cause analysis, it now has all of the data available to quantify the estimated costs and expected benefits of each solution it considers.

Using the relationships it identified between retention and engagement and KPIs in its analysis, the company can estimate the impact of potential solutions. Then, the company can rank solution sets based on where it anticipates the biggest impact in the short and long term.

EMPLOY SCALED SOLUTIONS ONLY WHEN IT MAKES SENSE FROM THE BOTTOM UP.

Using the bottoms-up approach may identify some solutions that may be needed in some (but not all) of the organization's problem divisions. In instances like these, organizations can lean on centralized corporate functions to help implement scaled solutions, but if these enterprise-wide changes are to be effective, they must only be deployed in divisions where they will make a significant impact.

CASE IN POINT: **BOTTOMS-UP SCALED SOLUTIONS**

In one client we served, we found the quality of the relationship an employee had with their supervisor was a key factor contributing to turnover within the problem divisions. Furthermore, focus groups revealed that those supervisors who had received coaching in the last year were able to drastically improve the quality of their employee relationships, retention and engagement measures.

Consequently, the client tasked its corporate leadership development team with deploying a company-wide leadership evaluation and coaching program that would help not only their problem divisions, but the enterprise at large.

When the data indicates a particular solution can improve retention and engagement for one or more problem divisions and can be scaled in a cost-effective way, it should be considered for enterprise-wide implementation.

BUILD SHARED SOLUTIONS, BUY-IN AND ACCOUNTABILITY WITH OPERATIONS.

Again, the fixes for disengagement are rarely the sole purview of HR and talent management. Real improvement nearly always requires solutions, buy-in and even leadership from operations.

Early engagement of operations through the problem and root cause analysis and target-setting will serve organizations well as they come to the business case and implementation steps of their process, where it will be important to create shared accountability between HR and operations for improving retention and engagement.

Conversations will resonate most if companies refer back to the voice of customer interviews. Organizations should focus on the impacts leaders stand to see for their divisions. For example, how much should they expect to see their division's KPIs improve? What cost reductions can they expect as a result of retention and engagement improvements within their areas?

Framing solutions in this manner creates buy-in with this important group of stakeholders and makes it much more likely that adoption of the needed changes will occur.

Moving forward, companies should include retention and engagement KPIs in their business operation metrics reviews and include them in dashboards for both HR and operations. Organizations may also choose to incorporate success measures into management bonuses.

Without a business case that includes solutions to address a company's most impactful and costly divisions, it cannot be confident its approach will work, and the approach will certainly fail to resonate with operational leaders on whom the organization depends for its results.

A COMMON SCENARIO: REVISITED

The CHRO from our example was based on one of our actual clients.

Rather than employing the conventional approach described at the outset of the article, the client used the approach outlined. The turnover problem for his company was primarily driven by one job category, truck drivers, with a limited number of cities representing the bulk of the turnover issue.

Client executives initially anticipated that additional retirement contributions were going to be a top factor in driving higher retention. The company was preparing to launch a significant increase to retirement contributions across the country with a hefty price tag.

However, our analysis surfaced a key fact (long before any survey was issued) — there were no strong trends within the company showing a difference in retention based on retirement participation. This was not the client's problem so its plans would likely have very little impact.

One factor that did appear to be relevant in our data analysis was the condition of trucks, which varied widely from one location to the next. We followed our analysis with a targeted survey and included truck condition as a factor due to its relevance (despite being non-standard in conventional surveys). We also included a handful of other more standard factors such as training. We then concluded with employee focus groups to understand perceptions even further.

We found that truck condition was a highly relevant factor, but not related to how new or modern the truck was — rather, how well maintained it was. Locations with aging fleets often had higher satisfaction with their trucks than new fleets, but only if the older fleets were well-maintained. And those units with well-maintained fleets nearly always had better retention and engagement.

Only the use of combined data analytics, surveys and focus groups revealed this key point that would otherwise have been overlooked.

The combination of these methods also provided an understanding of variances, and eventually influenced customized local solutions, for the relevant job, geography or division. Armed with this information, the CHRO was able to work with operational leaders to develop a business case for customized solutions by location, including both operational and HR interventions.

PUTTING IT ALL TOGETHER.

Poor employee retention and engagement can impact a company's cost structure, productivity and profits immensely, but the conventional approach with generic surveys and canned solutions rarely produces the changes organizations so desperately want to see.

Moving beyond convention to results requires taking the time to understand the company's specific problems and root causes so it can design a group of solutions that will produce results where and when it matters.

As companies embark on improvement efforts, they should remember:

1. **Start With the Problem, or You Will Likely End With It.** Using data to define the problem — including the company-specific impact of disengagement on KPIs and cost — allows for development of a compelling business case. Without a solid, data-driven understanding of the problem and its root cause (which can vary widely across organizations, job types and geography), an organization is likely to spend more time and money to develop and execute improvements with less impact.

2. **Ask About What Matters. Then Validate Results Through Focus Groups.** Generic engagement surveys are incredibly broad and will not help a company prioritize the relative importance of factors at play. Furthermore, even well-designed surveys cannot reveal highly relevant employee perceptions that can only be captured through face-to-face interviews and/or focus groups.

3. **Build Your Business Case From the Bottom Up.** One-size-fits-all solutions are rarely where companies will see the biggest impact. When organizations focus on fixing retention and engagement in the divisions that cause the vast majority of their negative impacts and costs, they see improvements overall. The business case needs to resonate with operations leaders — therefore, solution development and execution will require operations' buy-in and leadership from the beginning.

[1]James R. Detert, Ethan R. Burris. David A. Harrison. Debunking Four Myths About Employee Silence. Harvard Business Review June 2010.

ABOUT THE AUTHOR

Jeffrey Cass
Senior Director
jcass@alvarezandmarsal.com
+ 1 832 814 4622

Jeffrey Cass is a Senior Director with Alvarez & Marsal Corporate Performance Improvement and has nearly two decades of experience advising organizations on gaining a competitive advantage through the strategic use of talent management.

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