

Avatar Resources, Inc



# Employee Retention

*Passion leading to  
performance.*

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Edited and made available for distribution by Katherine Handin of the Global Coaching Alliance.

This article looks at the costs of employee turnover and identifies and explores a number of the key elements necessary to ensure high levels of employee retention.

## **Workforce Retention**

A study published by *Ernst & Young's Office of Workforce Retention* estimated replacement costs of approximately 150% of a person's annual salary.

"... turnover-related costs rose to 37% of the health and productivity (of a company) in 1999 from 14% in 1997..." *The Wall Street Journal*, "Organizational Health," April 2000.

### **Retaining Talent: Executive Summary\***

Issue of employee retention affects the performance of the entire company. The ability to keep good employees is rapidly becoming a critical competitive weapon. Organizations are realizing that their people are, by far, their most important asset.

- **The cost of replacing an employee ranges from 29% to 46% of the person's annual salary. Estimated costs escalate to 150% for senior management.**
- **Turnover costs the average organization more than \$27 million per year.**
- **Ineffective supervisors — "bad bosses" — are the largest single factor driving employee turnover (78% to 86%).**
- **Nearly half (49%) of the participating organizations (118 total) have no formal strategy for addressing retention.**

### **Best Practices for Improving Employee Retention**

#### ***Selection***

Retention starts up front, in the selection and hiring of the right employees. This requires both an assessment of basic job skills *and* an examination of the "softer" issues: motivation, values, and being able to fit into the organization. These factors have a powerful impact on an employees' success and tenure with a company.

#### ***Leadership***

An employees' experience at a company is shaped by his or her boss. Truly effective leaders work *with* others rather than *over* others to achieve results. Influential leaders build employee capacity for learning and accomplishing unrealized potential. They possess enhanced communication skills, develop strong interpersonal relationships and foster successful exchanges.

### ***Professional Growth & Development***

Training and development opportunities provide many employees with the incentive to stay with a company. This is especially true when employees become actively involved in their own career development and tailor a personal development plan that meets their particular goals.

### ***Meaningful Work & Ownership***

People need to know they are making a difference and being effective in their jobs. Expectations and responsibilities need to be clearly defined. Employees need to understand how their roles are linked to the organization's overall success. Employees who are involved in determining how work gets done have a sense of ownership and an opportunity to contribute to improvements in the company's performance.

### ***Recognition & Rewards***

In addition to salary and similar compensation, people appreciate and respond to alternative forms of acknowledgement, i.e., dinners, awards, comp time, etc. To be effective, such recognition should be clearly tied to achievement and encourage the desired behavior in individuals and teams.

***Distributed by the Global Coaching Alliance, LLC***

\*Original Source: ©Development Dimensions International, Inc. MM. *Retaining Talent: A Benchmarking Study* by Paul R. Bernthal, Ph.D., and Richard S. Wellins, Ph.D. Report is based on 745 employee responses to a retention survey submitted to 118 organizational members of the DDI HR Benchmark Group.