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## Employee Retention: 5 Tactics to Developing an Effective Strategy

By Brad Smith

### Economic Principles...Makes Sense

The law of supply and demand, you're probably familiar with this economic principle, when one goes up the other goes down. As some geographic markets experience rapid population and economic growth, you would reason that an increase in population would result in a decrease in the market value of jobs. More people vying for a position, the less you have to pay in salary. However, any good HR consultant will tell you this principle isn't the only one you should apply to your compensation planning policies. Turnover is another factor which drives market value. Eventually, as more companies move into the geographic region, the talent pool will begin to shrink and retaining top talent now will keep you competitive in your industry and save you time and expense in the long run.

### Strategy Over Theory

Employers, looking to retain key employees, should develop a retention strategy. While most employers would state that they want to retain all of their employees, a well-designed retention strategy is likely going to require additional funds to be directed toward employees, and is unlikely to be implemented across the entire organization. In those cases, employers need to evaluate their business and determine key positions or talented employees whom they want to ensure they retain. Leadership will want to make it a priority to retain those key positions or employees.

A retention strategy may improve the value proposition delivered to all employees, but when budget constraints exist, it should be designed with key employees and positions in mind. Consider these five tactics as you develop your organization's employee retention strategy:

1. **Ensure that your managers are quality managers.** Poor managers and pay issues are the two leading causes for employee turnover. Quality managers should be accountable, effective, honest, focused, emotionally intelligent, and motivated.

*Tip: Consider if managers would benefit from training and development.*

2. **Create a pay for performance culture.** Often the key employees are going to be the best performers. Top performers become discouraged when they receive the same rewards as someone who is not thought to be a top performer. Installing a pay for performance system will communicate that performance does matter and allow leadership to allocate extra budget to employees who are top performers. Keep in mind, organizations must be willing to deal with poor performers in order to take care of top performers.
3. **Verify that your total rewards package is competitive.** Use external market data to identify if your total rewards are competitive. Ensure your total rewards strategy is well-designed, being executed effectively, and communicated properly.

*Tip: Consider putting in place long-term incentive pay strategies that promote top level employee retention.*

4. **Foster employee engagement.** Engaged employees, in part, are more content in their role, perform better, and feel valued. Engaged employees respond to feedback, desire appreciation, want to be involved, and expect honesty.
5. **Communicate to employees** (repeatedly) the organization's value proposition. If the organization provides a great workplace experience and competitive total rewards package, take the time to communicate that to employees. Employees don't know what they don't know. Take credit for the good opportunity employees' possess. It is easy to communicate good news.

*Tip: Annual Total Rewards Statements will effectively communicate your organization's benefits providing employees with a greater awareness, understanding, and appreciation for their total compensation.*

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## In Perspective

There are many different guesses as to an accurate financial cost of turnover. Knowing the substantial cost attached to turnover, employers have an opportunity to embrace a proactive approach to employee retention. An employee retention strategy just might be able to eliminate some of the costs and negative perception from an employee morale standpoint.

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