

WHITE PAPER

Retaining Employees

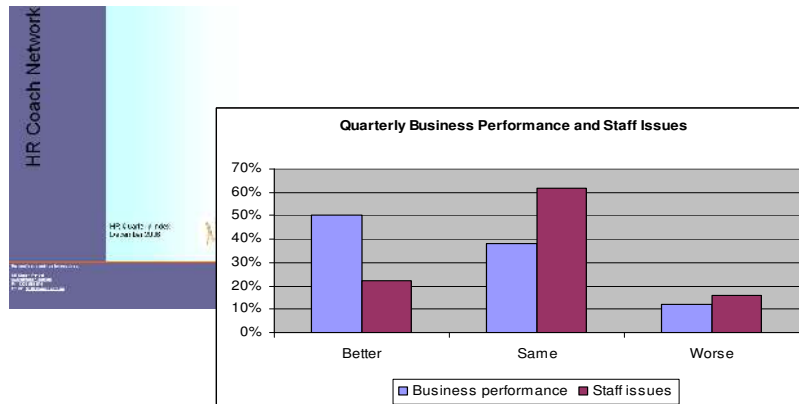
The Great Business Challenge May 2008

The Next Big Challenge for Business

It was estimated that there would be a shortfall of 195,000 people within the workforce over the next 3 years¹. In January 2008, the unemployment rate reached a 31 year low. These factors have placed an unprecedented pressure on the business market. With an oversupply of businesses and an undersupply of potential employees, it is inevitable that some businesses will not survive.

A 5 year research project commenced in 2006 by the HR Coach Research Institute is identifying critical pressures on the business sector which employees between 2 and 200 employees. Specific sectors within this business market are most at risk.

The research has identified an overconfident business market in relation to market and profit growth with a growing concern regarding productivity and performance improvement and employee retention. The research clearly indicates a trend that staffing issues are worsening. The July 2007 result identified 16%² of businesses stating that staffing issues had in fact worsened since the previous quarter.



Managing the labour shortage and implementing effective employee retention strategies is a real business issue, with real consequences to the survival of the business sector.

¹ Department of Workplace Relations – Workplace Tomorrow Report Dec 2005

² HR Quarterly Index publication – HR Coach Pty Ltd September 2007

Business Sectors Ability to Compete

As the war for talent intensifies, so will the tactics used to compete for future employees. Labour hoarding, or sacrificing profit to keep employees, is an accepted business practice in the Corporate sector. Businesses in this sector are often over resourced with staff even though a slow down in volume of workload may occur. With strong cash-flow underwriting a long term strategy, Corporate sector businesses are making strategic decisions around investing in retaining current employees rather than risking the high cost of future recruitment. This poses the question- *How can the Business sector compete with a Corporate sector that offers high market rates, a recognised brand and room to grow careers?*

With 42% of Australia's private sector employment currently working in the Business sector, the Corporate sector will ramp up efforts to poach employees for their organisations.

With increasing pressure on the Business sector, the harsh reality is that some businesses will be forced out due to staffing issues. However, business owners who proactively address their people and process issues stand a fighting chance and can even flourish in difficult times.

HR Coaches like Danielle Peters, working with Associations and Government to educate the business market.



Addressing People and Process Issues in Business

People and process issues have a direct link to improving employee retention. It is a fact that businesses must do *more* with *less*. The labour shortfall and increased pressure from the Corporate sector has created a new business environment, therefore implementing smarter ways to produce products and services is a must.

Businesses owners must carefully analyse what people do in jobs and how they do it. Meaningless and unproductive tasks require redesign. Gaining employee contribution to the development and implementation of new solutions will assist in engaging individuals to work *with you* – not *for you*.

A HR Coach Research Institute study in 2004 identified that 48% of businesses have a high level of loss in productivity and profit. Businesses in this group are at the most risk when it comes to competing in the business environment of the future. The study found that only 22% of businesses are poised for growth³. But they must be vigilant to maintain this state.

Planning – a Key to Survival

Businesses must redefine how their business strategy is developed. A key consideration is the reactive methods used by most businesses regarding employee management. Employees generally represent a high cost for businesses but few business owners include tangible employee management strategies in their business plans.

Strategy formulation in most businesses is flawed because it is not a priority. Organisational behaviour research conducted by the HR Coach Research Institute in 2003, identified that Planning and Organising is not a priority in the business sector. The research showed that only 27% of businesses surveyed identified Planning and Organising as a desired behaviour for supervisors and managers⁴.

³ HR Coach Strategic Action Model © 2004

⁴ SME Organisational Behaviour Pilot Study – HR Coach Research Institute © 2003

When businesses do plan, the scope of planned activities is often incomplete. Businesses may have a financial plan, a marketing plan, contingency plans and even environmental plans. But where is the HR Plan?

“You cannot manage what you don’t measure”

There is a well known business adage that you cannot manage what you don’t measure. If effective employee management and retention are critical issues for business, why aren’t they developing HR Plans with relevant measurement tools? The simple answer is most businesses do not know how.

Business owners must decide if they will allow their lack of knowledge in this area to limit their business growth. The businesses that will flourish in the future will take the steps necessary to access measurement tools and implement a HR Plan.

HR Planning for Business

Most businesses would not attempt to plan the financial side of their business without a profit and loss or balance sheet. It would be too difficult to forecast the next year’s budget in a way that is meaningful without these key documents. A HR Plan provides business with a similar resource to effectively develop their business strategy.

Effective HR Planning starts with measurement. What should businesses measure?

The following are some examples:

- ✓ Employee Productivity
- ✓ Employee and Employer Satisfaction
- ✓ Workflow Effectiveness
- ✓ Employee Retention and Turnover

From these benchmarks, a HR Plan can be devised to address these critical issues.

The HR Plan should also include a schedule of key activities that will be conducted throughout the year which will provide a framework to proactively work with employees on improving both individual and organisational performance. The HR Plan will have activities including retention strategies, compliance and risk management, performance coaching and workplace improvement initiatives.

By creating a HR Plan and following through on the activities, business owners have a key tool to demonstrate the businesses commitment to their employees.



“We have always had good people, we just focused on improving how we managed...”

HR Coach Network Client
November 2006

Key Points to Consider:

Building a HR Plan is critical business sense. 64% of Organisations have ineffective HR Planning and Strategy
*HR Coach Research Institute
Strategic Action Research 2004*

“As labour shortages increase, employers will need to be innovative to attract the shrinking supply of available talent”

*DEWR
Workforce Tomorrow Publication 2005*

How Much Should a Business Invest In a HR Plan?

For businesses that are serious about securing their place in the future, employee retention is critical. A retention strategy should be an investment by the organisation of 2% of direct payroll costs, or \$1,000 per employee as a guide.

Two case studies have been outlined below.

Case Study 1

Investing in a HR Manager

A business with 65 employees would potentially invest in a full time HR Manager who's market value is \$65,000. This business is investing in \$1,000 an employee.



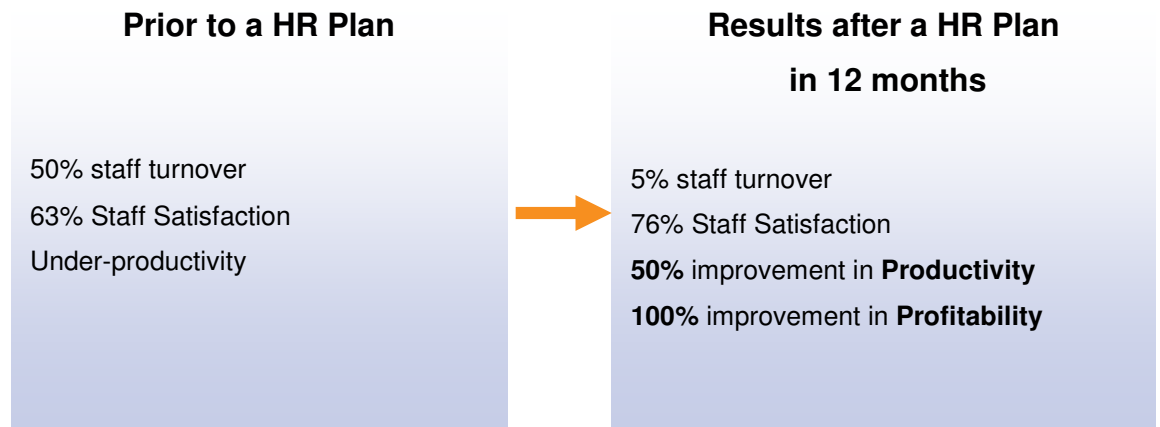
How does a business know if they are getting their return on their investment by employing a HR Manager? They don't qualify this.

Graham, business owner with 20 employees working with his HR Coach, Laurinda Lacey.

Case Study 2

Investing in a HR Coach

A business engaged an outsourced HR Coach to develop and implement a HR Plan. The investment was \$1,000 an employee for a total solution that provided services far beyond an internal HR 'management' reactive function. The business measured key benchmarks, in the beginning and during the implementation of the plan so they could see their return on their investment and total impact on the business results. The result of this particular Case Study is a testament that the method was working for their business. (For information on this case study contact business@hrcoach.com.au.)



How Professionals Help Businesses

Look for a qualified HR Coach who understands the method of measurement and has a proven methodology. We strongly suggest to not develop a HR Plan without measuring your current business in terms of Strategic Focus, Team Satisfaction, Analysis of Process and Results of Performance. Only then, will you know which problems to solve.

About HR Coach

HR Coach is Australia's largest independent HR Coaching Network of business professionals working with the business sector in developing strategies for growth through effective people management.

Using contemporary management research from the HR Coach Research Institute, HR Coaches have been recognised nationally for innovation in method and business model. The STAR workplace measurement system helps organisations to measure their own workplace and create actions in a HR Plan method.



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