



Retaining Key Talent

How to retain your top talent in tough times

Whether your organisation wants to grow, change direction or survive the current tough climate, follow our best practice advice to engage and retain talent and to protect business performance...

“Organisations need to focus on identifying, developing and retaining key talent if they want the business to perform.”

Tough economic conditions persist and it has never been more important to retain your high performers and those with high potential if you are to maintain a sustainable business. Employers who fail to motivate and engage employees risk losing their best people and it is your top talent who are most likely to look elsewhere. Competition for talent is intensifying as organisations show signs of recovery and recruitment requirements increase, yet talented individuals are staying put and employers report that they are fishing in a shrinking pool of highly skilled, highly trained talent. Organisations need to focus on identifying, developing and retaining key talent if they want the business to perform and HR professionals will play a central role in achieving this.

Current trends

The Office for National Statistics have most recently reported that employment rates have marginally increased to 70.6% for the three months to April 2011 and the latest *CIPD/KPMG Labour Market Outlook* suggests a slight improvement in employment prospects in the second quarter of 2011 to +3 from -3 in the previous quarter. These reports are tentative signs that the economy is

improving. The fact that the average active job search time for CMC career transition clients has fallen by 29% in the last 12 months supports this view.

Recent research conducted by CMC in September 2010, found that over three quarters (77%) of the HR professionals surveyed believe keeping the workforce engaged and over half (52%) believe retaining key people are the main HR challenges. Our research also found that the most important internal factors for driving business recovery are retaining and motivating existing employees (65%), having the right leadership team in place (62%) and supporting managers to drive performance (62%).

Professional services provider Towers Watson found that around half of European businesses believe that attracting and retaining talent is the key obstacle to achieving growth, according to their research conducted in September 2010. Respondents also reported a direct link between achieving a 'high-performance culture' and growth of the business.

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Research by PricewaterhouseCoopers (PwC) indicates that talent management is now a specific priority for organisations, with 83% of the 1,200 CEOs surveyed planning to change their firm’s talent management strategy over the next 12 months and almost a third (31%) stating that this will involve major change. 65% of CEOs anticipate using more non-financial rewards to motivate staff (*PwC Global CEO Survey*, April 2011).

PwC estimates that failure to retain talent is costing UK businesses around £42 billion per year. Their study in October 2010 suggests that the cost of replacing a competent employee equates to one year of salary, reflecting all the costs associated with lost skills and productivity, replacement and training of a new recruit.

Our advice

Retaining key talent is critical to enhancing organisational performance. It is those valuable employees who made the greatest difference in helping the business to fight in tough economic conditions who have the best skills and opportunity to take flight and succeed elsewhere.

We believe organisations can retain key talent in the following ten ways:

1 Identify and nurture key talent

During tough times, personal development tends to be put on hold as businesses strive to maintain commercial performance. Identifying, assessing and nurturing key people in key roles, using robust talent assessment, performance management and talent development tools, will ensure that key people remain engaged and the business stays on track.

2 Develop leadership capability

We believe that the role of the leadership team in retaining key talent cannot be underestimated. Business leaders should aim to visibly demonstrate the behaviours and values required of others in the business and proactively communicate with and engage employees to make them feel valued. Investing in leadership team coaching can ensure business leaders have the right skills and approach to collaborate effectively and motivate their people.

3 Invest in talent development

It takes time to build employee engagement and loyalty but implementing talent development strategies can achieve results more quickly. The CIPD’s 2011 *Resourcing and Talent Planning* survey reports that organisations are now focusing on developing existing talent rather than recruiting in new talent.

Those leading organisations who invest in talent programmes across the workforce see a return on investment, not only in terms of reduced HR time and recruitment costs, but also in terms of higher revenue per employee, a strong employer brand and the competitive edge to attract and retain the best talent.

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4 Rebuild the psychological contract

As businesses recover, they tend to remain risk-averse and future leaders-in-waiting can become frustrated and disengaged. Talented individuals in senior roles may feel the goalposts have been changed in recent years and could look to advance their careers elsewhere.

Where formal promotion opportunities are limited, the businesses we work with are seeing the benefits of investing in programmes to re-engage the workforce by rebuilding the psychological contract. The psychological contract is the balance of unwritten expectations and obligations between employer and employee, essentially the ‘give and take’ and is central to retaining talent.

Organisations need to recognise that the employment ‘deal’ is different now. As employees accept that they can’t expect a job for life, similarly, organisations can’t expect to retain high performers in the long-term. Instead, employers need to renegotiate ‘the new deal’.

If organisations can convince employees to stay by developing their skills and ‘career capital’, then employees are more likely to be engaged, productive and loyal to the company for the time that they are there, and will give a positive external message about the organisation after they leave. HR has an essential role to play in renegotiating psychological contracts to prevent loss of talent, productivity and creativity.

5 Reward performance and talent

In conditions where businesses are reticent or unable to offer financial rewards, focusing on attractive non-financial rewards and building a culture where people can develop and contribute will best motivate the current and future talent pool. Opportunities for individual development, increased responsibility, flexible working and projects or secondments as alternatives to financial rewards or hierarchical progression can equally incentivise people to stay.

6 Plan talent mobility

By giving key people the opportunity to develop their careers internally, and in particular in experiencing a wider range of roles, functions and assignments, organisations can ensure that experience and expertise remains within the business and at the same time innovation is enhanced. Developing individual career goals to align with business objectives can demonstrate to high performers and high potentials that there are compelling reasons to stay and will help them to identify the skills and competencies they will need to move forward in the organisation.

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In summary, our top tips for retaining key talent are:

- 1 Identify and nurture key talent
- 2 Develop leadership capability
- 3 Invest in talent development
- 4 Rebuild the psychological contract
- 5 Reward performance and talent
- 6 Plan talent mobility
- 7 Manage communications
- 8 Develop line manager talent
- 9 Manage succession
- 10 Make talent management an organisational priority

7 Manage communications

Open, honest and frequent communication with employees throughout the business is essential to making people feel involved and valued and will also help them to make informed choices about the opportunities open to them within the business. Carefully managed internal communications cascaded through the organisation alongside informal communication at line manager level will have a positive impact on staff retention.

8 Develop line manager talent

Generating development opportunities for managers protects your investment in new or recently promoted managers. Equipping your line managers with the skills to become effective leaders, to develop high performing teams and hold meaningful career conversations with their team members will, in turn, reassure talented managers and employees that they have potential and opportunities to develop within the organisation.

9 Manage succession

Making redundancies can prompt the stronger performers to pre-empt any anticipated cuts and jump ship, which can further weaken the business.

Our experience shows that risks to the business can be minimised by identifying likely successors to key roles and putting in place structured succession management programmes to promote knowledge transfer and prevent the business being exposed to particular individuals leaving the business.

10 Make talent management an organisational priority

The 'war for talent' makes the ability of an organisation to attract, develop and retain talent a business priority. The impact of talent retention strategies on organisational performance is well recognised and we believe that those who invest will protect their people assets and create a high-performance organisation.

Concluding advice

In this paper we have outlined the challenges that organisations and HR professionals face in retaining key talent and our advice on effective strategies to retain talent and create sustainable business performance. HR has an essential role to play in advising business leaders on the risks of failing to protect talent, gaining senior team commitment to invest in talent and designing talent retention programmes that meet the needs of the organisation.

For more information on retaining key talent or how CMC can help:

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About CMC

CMC is a leading career management consultancy, working with organisations to enhance business performance by optimising employee effectiveness, engagement and talent. We do this by providing Career Management, Coaching and Career Transition solutions to help your people feel confident about organisational and career change.