

**HaRe Group newsletter: 22 June 2012**

**Subject: Talent turnover tale**

Will talented people leave your organisation? In most companies, the reasons usually include:

- No opportunities for promotion (perceived or real)
- Low or unfair remuneration
- Limited work interest
- Poor management

How much would staff turnover cost you? A conservative estimate is 75% of the departing employee's annual salary – but what if you lost a talented employee with long term potential – or what if the person was in a high demand role and you needed to search overseas? In these circumstances, the turnover cost could be horrendous, and yet many organisations behave like these losses are inevitable – like they have no control or influence.

In reality, there is a lot an employer can do to retain talented people – for example:

- Get to know which employees have the best prospects for stellar performance (and be able to explain why)
- Get to know where in the organisation these high potential (HiPo) employees will have the most influential future and build succession plans to suit
- Get to know the needs and priorities of these HiPo employees – eg. the work that is most challenging/interesting; open processes for fair performance & reward management; definite career advancement; meaningful development programs, etc.
- Get to know the circumstances that would compel them to leave.

These are critical elements of a talent management program that many employers claim to have, but few Australian companies operate properly. A common problem is a cultural reluctance to classify a group of HiPo employees for special treatment – in our egalitarian society, this distinction is sometimes considered elitist and corrosive to organisational performance. Nevertheless, market leaders will always manage special people in special ways – HiPo people must be an employer's priority.

The most effective talent programs are inclusive; HiPo employees are not fenced off, but they are differentially managed within HR programs that are flexible enough to deliver balanced solutions for all employees, HiPo or not. For example, a base pay structure will typically include:

- Jobs clustered in separate career levels, by job family
- Pay ranges for each level that are anchored to a specified market rate
- Flexibility within the ranges to compensate developing employees at the low end of the range and HiPo employees at the top end (above the market rate)

Performance management processes need to be relevant, fair and respected by all employees; the outcomes should be reflected in the employee's place in her respective pay range. If this process is appreciated by HiPo employees, it will be one less reason to leave.

However, when engagement fails, an employee will usually have a few reasons to resign; it won't be just the money, or just the manager, it will be a combination of factors. So by the time a talented employee decides to leave, most efforts to "buy her back" will be wasted. A good employer should not be surprised by such a decision, and a counteroffer to compensate for multiple shortcomings will usually have little effect.

In Australia's current labour market with its persistently low unemployment rate, the "war for talent" continues unchecked. When employers are faced with a key position to fill and their succession plans fail, there may be few qualified people who will want to take the job. Long term vacancies will drain productivity. Retaining your talent will plug the drain.

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