



Excel Leader Advisory Letter

ISSUED BY THE EXCEL LEADERSHIP GROUP

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Excel's Mission Statement

Help business leaders exceed their goals by creating a culture that unleashes the talents and creativity of all associates.

Thought for May

"The insensitive manager who is perhaps unintentionally aloof, cold, impersonal, and uninterested in his staff usually finds it very difficult to get his people to put out extra effort."

-Mortimer R. Feinberg



Effective leaders intentionally create a high performance work environment based on high levels of employee engagement and discretionary effort. Their cultures in turn contribute directly to producing sustainable world-class results and higher profits. Therefore, despite the current economic climate and all its related challenges to your bottom line, you should continue investing in the development of your own leadership skills and those of your management team.

As the global economy begins to show signs of recovery from the deepest recession in decades, one of the many challenges facing all companies is the retention of high-potential talent. In this month's letter, I want to emphasize the magnitude of this challenge and offer some helpful tips on how business leaders can retain top talent throughout the recovery and beyond. Note: The statistics discussed here came from a white paper based on a year-long study conducted for Deloitte Consulting LLP by Forbes Insights. Global executives and their employees from across all industries were surveyed, and included businesses in each major geographic region: The Americas, Asia Pacific, and Europe, the Middle East, and Africa.

To illustrate the retention challenge to all businesses, here is one startling finding from the Deloitte study cited above: "Among employees surveyed, nearly one-in-three (30%) are actively working the job market and nearly half (49%) are at least considering leaving their current jobs. Academic research indicates that 44% of these employees will actually act on these turnover intentions. Employers, on the other hand, hardly see what may be coming. For example, only 9% of surveyed executives expected voluntary turnover to increase significantly among Generation X employees (ages 30-44) in the 12 months following the recession." Please take note of the striking disparity here between executive perceptions and employee actions.

What are some of the business impacts or costs of turnover, especially among high-potentials? Again, citing the Deloitte study mentioned above: "Employee turnover intentions often lead to lost productivity with employees looking for new jobs, resulting in lower profitability. Voluntary turnover inevitably leads to turnover costs, which represent a significant but poorly understood burden for companies. In the July 2009 survey, 44% of executives reported they believe voluntary turnover actually improves profitability. The fact is, after taking into account the loss of intellectual capital, client relationships, productivity, experience, training investment, and other job skills, plus the cost of recruiting a new hire, we estimate companies can expect the total cost of replacing each lost employee to be two to three times that employee's annual salary." Other studies have concluded that these replacement costs can amount to as much as twenty-four times an employee's annual salary, depending on the person's level in the organization! Again, notice the glaring fallacy in executive perceptions of the real costs of turnover.

What can leaders do to retain high-potential talent as the economy recovers? Of course, pay, benefits and total compensation are important retention factors for all employee age groups. However, here are a few

tips that are low-cost in terms of dollars invested but do require an investment of time by business leaders:

1. Communicate, communicate, communicate: One recurring theme that shows up on any employee survey is the desire for information-especially information that directly impacts employees and their jobs. As a matter of fact, one central complaint of employees is the lack of communication concerning layoffs and downsizing during this latest economic downturn. The lesson: leaders should be as transparent and forthcoming with relevant information as possible.

2. Build a climate of trust: There are several ways that savvy leaders can foster trust in the workplace. Here are a few key approaches. Be willing to share news, especially bad news, quickly. Also, be sure to give reasons for decisions that will have an impact on employees and their lives. Finally, don't play favorites-make sure senior leaders "share in the pain" of any salary cuts or other adverse measures that must be implemented in a downturn.

3. Demonstrate empathy: This may be the most critical tip and could spell the difference between acceptance of bad news by employees or outright rejection, which could lead to the lower productivity and profitability mentioned above. Listening is the key here. Keep in mind that one emotion certain to be felt by employees in an adverse situation is fear. Listen for this and display both acceptance and understanding. Be ready to validate employee feelings of fear and anxiety. Finally, make sure discussions are two-way. Allow employees to express their feelings and be prepared to dig deeply into concerns that may not be overtly expressed.

Next month, I'd like to expand on the tips given here by discussing the importance of the fine art of listening. As always, I encourage you to contact me anytime at mike@excelleadership.net with your comments and questions. Also, if I can be of assistance with your leadership needs, please contact me. We'll talk to you again in June. Be well and best regards.

Join our Web-based "community" devoted to open and honest discussions on topics related to leadership challenges and solutions. To join, simply visit TheExcelLeadershipGroup.net and click on "Community."



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