

Insights into . . . staff retention* for Private Companies

The growing shortage of qualified workers is causing companies to work harder to get the right people in the right jobs—and place a higher priority on keeping them.



As the composition of the labor force is shifting from plentiful baby boomers to fewer next-generation workers private companies need to push to increase the productivity of existing employees. 62% of private companies polled in the latest *Business Insights Pulse* survey agree that the shortage of skilled workers is slowing the growth of their companies¹. And in a wider PwC survey² labour shortages and recruitment topped the lists of challenges to private companies in both 2005 and 2006.

While there's little that can be done to solve the shortage of workers, companies can take steps to retain the people they already have. A strategy to ensure that the retention, productivity and engagement of your existing workforce is maximized will have a huge impact on results.

"There is a skill shortage across the country with variations by industry and geography. Companies often don't have the right leaders or the right people in place to achieve their company's future vision. In this environment, aligning performance with strategic direction, career development, training and succession planning becomes very important. Workforce management and retention is not just about employee satisfaction, but rather about business sustainability, productivity, and the advancing of organizations," observes Eric Andrew, National Practice Leader, Private Company Services.

CEOs of the most successful private companies are employing workforce management and retention programs in an attempt to enable growth, improve business performance, position themselves to better attract new talent and reduce turnover.

A recent *Business Insights Pulse* survey of over 275 private companies found 85% of companies will be increasing their focus on retention in the coming year.

There is a real challenge for Canada's private companies to attract, develop and retain the right talent necessary for a productive, fully engaged workforce. It is critical to retain people willing to give discretionary levels of effort. These are the champions who are truly aligned with the goals and objectives of the company. Also look at the workplace to spot the people who feel trapped and bored—employees who are not engaged, but aren't likely to leave either. What levels of productivity are coming from them and how can you engage this underutilized resource?

In the mid '70s, companies focused on quality and business processes. As we moved into the '80s and '90s we saw companies concentrating on marketing, sales and customer service. Essentially, the last thirty years have been focused on identifying and quantifying the value of these two intangible assets of processes and customers.

We see the workforce as an untapped frontier that organizations need to address. Really focusing on people is what's going to determine competitive advantage for the next decade.

While the majority of private companies are increasing their focus on retention most acknowledge that while their single largest challenge is the workforce, they don't necessarily have a consistent, systematic approach for creating conditions to successfully increase the retention of key employees.

FOOTNOTES

Parts of the text are adapted from the article that appeared in PricewaterhouseCoopers US *Growing Your Business* newsletter. Reprinted with permission.

1. PwC Pulse survey of Business Insights, December 2006.

2. PwC Business Insights survey of Canadian private companies 2005 and 2006.

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We seldom see compensation and benefits issues driving turnover, first and foremost. Instead, we tend to see issues concerning relationships with immediate supervisors, opportunities for career development, opportunities for training, and personal and professional growth. It's really about developing the individual, and having the appropriate pathway for that individual to grow within the organization. Time and commitment are the major costs for many of these initiatives as the key is strong leadership. Staff appreciation is built on respectful communication and personal recognition.

While ultimately, the senior leadership of the company has responsibility, it should be the managers and supervisors who are accountable for engaging staff and retaining them. There is a need to develop leadership at all levels of a company to create a successful program.

The highly engaged employee wants to pursue or apply discretionary effort to business outcomes. Having such employees can help organizations create sustainable business differentiation and be competitive.

How can companies begin?

Three key areas for focus

1. Business process and structure. The way work is undertaken by employees should support the desired outcome.

It's important that people understand how they contribute to your company and how what they do affects the desired outcome. Look at the nature of the work, the processes, systems and resources that people have and communicate how they all fit together.

2. How people are developed, rewarded and retained.

Understand if the company has the proper people management procedures in place, and administers them consistently. Assess if programs are delivered on a regular basis. Does your company have mentoring programs? Do you provide the right learning

and development for career advancement? Can employees have a decent work/life balance? How well are managers and supervisors fulfilling the role of being leaders?

3. The work environment itself. How suited are people for the work environment?

Do you have the right work culture or environment that encourages collaboration or teamwork? For example, are the individual components of a supply chain given the incentive to manage their objectives, linking success to the end customer's satisfaction? Do engineers and marketing people communicate, so they have a reasonable chance of developing successful products? In an information services or consulting environment, where there is a benefit to collaboration, how is it achieved?

The key to retaining productive employees is to make their environment as conducive as possible to achievement of your company's business goals and objectives and to measure and provide feedback on the progress that is being achieved.

To design the appropriate retention program, leaders have to take a step back and try to assess the relationship they have with individual employees and how they perceive their relationship with the company. Talk to your employees. Have informal or formal communication processes in place.

A survey is often a good first step for understanding where you stand.

Retention from the start

Once you have hired an employee, it pays to kick off with effective communication, make a positive impression, and help that employee become productive faster. Instead of a one-shot orientation in which the employee could be overwhelmed by too much information, some companies have created on-boarding assimilation programs. These can include stages of information provided by a buddy, or mentoring program that gives the new individual a resource to go to throughout their first year of employment.

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Time and commitment are the major costs—the key is strong leadership.

Staff retention checklist

1. Retention starts at the top. Do your people know where the company is heading? Do all your staff understand and share the company's vision? Regular communication, which includes listening to staff views is essential and simple to initiate.
2. Do they know what's expected of them? While almost every company has a strategy only the most successful have aligned all their operations and processes with achieving those goals.
3. Are staff given feedback on their performance? Are rewards fair and recognition given to those doing a good job? And even more importantly, is underperformance dealt with quickly and fairly?
4. Are pay reviews transparent and fair? If you're not measuring and managing performance accurately then it's impossible to reward your people fairly.
5. Do people have the right career development and training? From the orientation program on day one through to grooming for their next promotion employees want to be made wanted and given the best chance of success in their job. This doesn't have to be expensive or complex as long as your people can grow and take on new challenges.
6. Do you have the right training for managers to be proper supervisors and leaders of people? People leave bad managers not bad companies. Leadership is important at every level.
7. Is there a succession plan for senior roles and for star performers? Succession of senior roles is a process not an event and needs to be carefully thought out. Even the most loyal employees will leave if they don't see their leaders preparing for a future that includes them.

Looking for more information?

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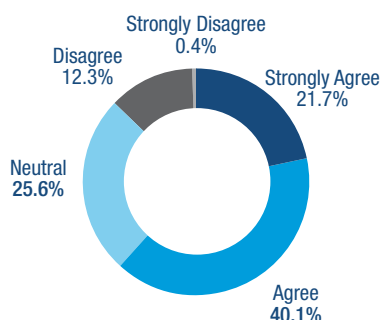
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Pulse Survey of Business Insights

This report contains the results of the recent Pulse Survey on Staff Retention. 277 responses were received in the period between November 29 to December 8, 2006.

- » 62% of respondents agree that the shortage of skilled staff is slowing the growth of their business.
- » 79% agree their company is implementing tools to retain the people they have.
- » 85% plan to put greater emphasis on staff retention in future.

The shortage of skilled staff is slowing the growth of my business.

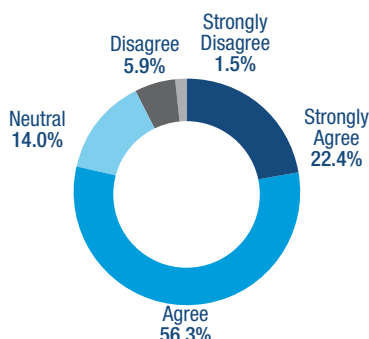


The majority of companies (62%) feel labour shortages are slowing the growth of their company. Not surprisingly there are significant regional differences as shown below.

Regional Results (% of responses)

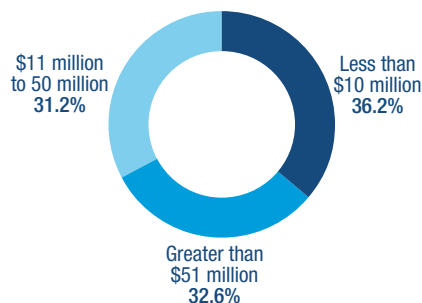
	BC	Alta	Ont	Que
Strongly Agree	24.4	31.5	18.7	19.0
Agree	41.5	43.5	38.1	51.7
Neutral	21.5	18.5	29.7	17.2
Disagree	12.6	6.5	13.5	12.1

My company is implementing tools to actively retain the people we have.



The majority of companies (78.7%) operating in all areas of Canada are actively implementing retention tools. Supporting the findings from the above question Alberta is the most likely to be doing so with 86.7% of those surveyed.

Company Revenues



In the future I plan to put greater emphasis on staff retention.



Companies in Quebec were less likely to be increasing emphasis on staff retention than other territories at 77.6%. This survey reveals that as the demographics make finding new talent almost impossible Canada's private companies are concentrating on keeping the people they have.

Location of operation more than one permitted

