

Survey Shows Concern Growing About Losing Workers & Cost To Replace Them

With more employees voluntarily leaving their jobs than being involuntarily separated for three straight months, organizations are becoming concerned they may lose talented employees in a better job market, according to a survey of 262 employers by **OI Partners-High Potential Inc.**

- Almost two-thirds (64%) are apprehensive they may lose managers in a better job market.
- About half (48%) are concerned about losing executives.

More employees voluntarily quit their jobs than were involuntarily discharged or separated in February, March, and April 2010. In February – for the first time in 15 months, since October 2008 – the number of employees voluntarily leaving jobs exceeded those being laid off. Again in March and April, more workers voluntarily quit jobs than were discharged, according to the U.S. Bureau of Labor Statistics.

Month	Voluntary Quits	Layoffs & Discharges
April 2010	1.98 million	1.75 million
March 2010	1.92 million	1.82 million
February 2010	1.85 million	1.82 million

Replacing an executive or manager who leaves for another job, or one who turns out to be a bad hire or promotion, can be costly, according to the survey by **OI Partners-High Potential Inc.:**

- Average of **2.5 times** an executive's salary
- Average of **2 times** a manager's compensation

The costs are for recruitment and training of the employee who leaves and his or her replacement, lost business, and severance pay and benefits.

Employers are at a greater risk for losing good workers with the economy adding jobs at even a modest pace. "There is a lot of pent-up frustration among employees who have survived layoffs, cutbacks, salary freezes, and other givebacks," said **Bob Wilson, managing partner of OI Partners-High Potential Inc.** "Some have stayed with their employers mainly because there were no other available jobs. This situation has created a backlog or pent-up demand for career improvement, but now there are a few more opportunities. Companies have to demonstrate to employees that they are valued by investing in their career development, or they may very well lose them," Wilson added.

Retention Methods

To bolster their efforts to retain managers and executives, 4 out of 10 surveyed organizations are offering better salaries and benefits, and more than half are utilizing training, coaching, and other developmental programs.

- **Methods employers are using to retain executives:**

- In-house coaches and trainers: 52%
- Better compensation and benefits: 45%
- Outside coaching firms: 33%
- Stock options: 28%
- Employment contracts: 22%
- Retention bonuses: 14%
- Mentoring programs: 11%

- **Methods employers are using to retain managers:**

- In-house coaches and trainers: 67%
- Better compensation and benefits: 43%
- Mentoring programs: 27%
- Outside coaching firms: 25%
- Stock options: 18%
- Retention bonuses: 11%
- Employment contracts: 6%

Consequences of Bad Hires or Promotions

In addition to trying to retain good employees, organizations need to pay closer attention to hiring and promoting the right people the first time. The biggest consequence of hiring or promoting the wrong executives is lower morale, according to 81% of surveyed employers. Other negative impacts of having the wrong executives in place are: lower worker productivity (according to 74%), lost business (53%), and higher employee turnover (48%).

The biggest negative consequences from hiring or promoting the wrong managers are: lower employee morale, cited by 84% of organizations; decreased worker productivity (82%), and higher employee turnover (59%).

- **Consequences of hiring or promoting wrong executives:**

- Lower employee morale: 81%
- Decreased worker productivity: 74%
- Lost business and market share: 53%
- Higher employee turnover: 48%



- **Consequences of hiring or promoting wrong managers:**

- Lower employee morale: 84%
- Decreased worker productivity: 82%
- Higher employee turnover: 59%
- Lost business and market share: 52%

"Hiring or promoting the wrong executives and managers can damage the employee morale and productivity required to get organizations moving again. Employers need to adopt an effective talent management strategy to identify, develop, and retain top talent, and ensure that employees are achieving their full potential. The survey demonstrates that employers need to focus on coaching executives and managers in motivating employees, engaging them in their jobs more fully, and promoting better teamwork," Wilson added.

Reasons Why Executives & Managers Do Not Work Out

The top reason why executives and managers do not succeed in their jobs is their failure to motivate employees and promote teamwork, according to the survey.

Inability to accept and deal with changes that have occurred in their workplaces is the second biggest reason executives and managers are not working out.

51% of surveyed organizations said managers do not have the necessary technical skills to succeed in their jobs, while only 34% feel this way about executives.

- **Top reasons why executives do not work out are:**

- Fail to motivate workers and build teamwork: 65%
- Unable to accept changes that have occurred in workplace: 45%
- Lack skills critical to success in their jobs: 35%

- **The top reasons why managers do not work out are:**

- Fail to motivate workers and build teamwork: 56%
- Unable to accept changes that have occurred in workplace: 55%
- Lack skills critical to success in their jobs: 51%

Wrong Skills To Achieve Objectives

Due to management turnover and changing business needs, many organizations today do not have the right leadership talent on board, or their executives and managers do not have the right skills, to achieve their objectives, the survey found.

More than half (52%) of surveyed organizations said their managers do not have the right skills to achieve their goals. Over one-third (35%) said their executives are lacking the right skills to move their organizations forward.

- **Do managers have right skills to achieve organization's goals?**
No: 52%
Yes: 48%
- **Do executives have right skills to achieve organization's goals?**
No: 35%
Yes: 65%

"Many organizations have downsized during the past two years, and they are now getting around to evaluating whether their leadership teams have the right skills for today and tomorrow," said Wilson.

"The skills that were right to lead organizations through cost-cutting are not the same needed to re-focus and grow. Organizations need to determine their goals and objectives, what skills will be necessary to get them there, and help their managers and executives sharpen their techniques and methods and develop new ones to motivate employees and build teamwork," Wilson added.

"An independent talent management review by an external third party can help employers assess their current management bench strength, as well as which skills need to be developed further to succeed in the future," said Wilson.

About OI Partners and High Potential, Inc.

OI Partners is a leading global talent management firm that helps individuals find new careers and employers to improve the performance of their employees and organizations. OI Partners is comprised of certified career management professionals who specialize in executive and group outplacement, executive coaching, leadership development, workforce planning, and talent management. The company was established in 1987 and is now located in 200 locally-owned offices in 27 countries with more than 100 U.S. offices. Please visit www.oipartners.net or call 800-232-5285.

High Potential, Inc., is the Chicago based Midwestern partner for OI Partners. HPI was founded in 2000, to focus on providing high-touch, pragmatic talent and career management consulting. Our services and programs, developed for our customers and clients include, Leadership Development and Talent Assessment; Performance Coaching for Executives and Professionals; Talent Management Consulting; and Career Transition Services for Executives, Professionals, and Employees at all levels. As the Midwest OI Partners firm, HPI can provide solutions through 110 partner offices in North America. Our professional consulting staff share our passion for the HPI Mission: **Helping High Performers Maximize their Potential**. Visit our website: www.hpi-inc.com or call at: 1-866-951-8200.