

keeping employees by keeping them happy



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Employee retention is a difficult challenge that faces most managers today. This is the first in a series of articles designed to help managers better understand the unique needs of employees, the measures necessary for keeping them happy, and the justification and reasoning for doing so.

Most organizations in our economy — especially technical ones — have an unbelievably high turnover rate. They simply cannot seem to hang on to good people for any length of time. For example, prior to my taking over as manager of my present group, turnover was somewhere on the order of 100% annually. While certainly that number is a bit extreme, attrition rates of upwards of 30% and even 40% are not at all uncommon, and this is an enormous and expensive problem.

Since taking over, I have brought the team's attrition rate down to about 6%. I'd say that's pretty good, especially since I work in the technology industry, and I have some extremely talented people on my staff — the kinds of folks who could pretty much quit one day and have a new job the next.

Because of our general success, I have had a number of people ask me just how it is that we have managed to maintain, and in fact increase, our staffing. The answer, at least on the surface, is a fairly simple one: I keep my employees happy.

"Wow, that's easy — thanks so much!" is usually the sarcastic reply. But it is the truth. Simply stated, employees leave only when they are unhappy, whether it's because they aren't being treated well, don't like the work, haven't got the appropriate resources and training to do their jobs, or simply don't like you, the manager. This doesn't necessarily have to be a big emotional thing — unhappiness can take the form of a simple lack of desire to work within whatever situation or environment that they are in. For example, perhaps they are looking for a career change or are concerned that the work location is too far from home and family in case of an emergency.

So the obvious question, then, is: how do I keep my employees so happy? There are a great many different ways one can do this, and it is my hope to illustrate those that I feel are most critical as well as frequently universal in any organization. (Needless to say, if you run an auto-repair shop, getting everyone something nice for his or her nonexistent cubicle might be a little pointless.)

Before we get into how to keep our employees happy, however, it is very important that we spend a few moments to talk about how expensive it is to find good people. I will speak of specific methods for keeping employees happy in my following two articles in this series.

The Expense of Hiring

The reason we need to illustrate the expense of hiring is that many managers have a very distorted view of how to keep their staff, and it usually does not involve spending money or doing things that are (in their minds) unorthodox or extraordinary.

If you have a manager like this, then you will probably need to read, understand, and possibly use this information to justify some of the methods I personally use to keep my staff.

Simply stated, hiring people is very expensive. As an example, let's look at my situation. When I joined my present company I came in with three permanent staff members and one contractor. I was told that I needed to staff up to about 20 people, and that my overall staff should have a greater concentration of permanent people than contractors.

In my particular department, our requirements are pretty tough, so I usually have to review about 30 resumes before getting one that warrants a phone screen. Once I have such a resume, I contact the recruiter and spend a little time establishing an appropriate point in my day when I can conduct the phone screen. Once that's established, the person calls me at my office, and I usually spend 30 to 40 minutes conducting the actual phone screen. After the phone screen is complete, I take about 10 to 20 minutes to compile my notes on the candidate and communicate them back to the recruiter. Usually I have to go through about four phone screens before I find a candidate who seems worth bringing in for a full interview.

When the candidate comes in, we conduct a series of interviews to ensure that the person is a good fit for us, and vice versa. This usually takes about six people at roughly 30 minutes each. Then, if the candidate manages to make it through all of the interviews unscathed, I will usually spend 30 to 60 minutes wrapping up the interview process at the end.

Once the candidate is gone, the entire team will meet to discuss the results of the interview. Depending on how controversial we determine it to be, it may be the entire team, but it's usually just those who conducted the actual interview. This usually takes 15 to 30 minutes. It usually takes two or three interviews before we get a candidate who successfully passed through the full interview process and was recommended by the team as a good potential hire.

If it is decided that an offer should be extended, I will usually spend about 30 minutes working with human resources determining what the offer should be, and they usually spend a total of an hour putting together the paperwork, getting things signed, and actually extending the offer to the candidate.

Now this entire process disregards the possibility that the team discussion about the candidate becomes deadlocked and a decision takes longer to make. It also glosses over the possibility of the candidate counteroffering or being somewhat unsure for a few days, completely rejecting the offer, or any other complication that is actually fairly common in this process. With that in mind, let's see how many hours we have sunk into getting the first accepting candidate in the door:

1. Review 30 resumes to get to one viable for a phone screen (300 minutes).
2. Conduct phone screen and document results (60 minutes).
3. Repeat steps 1 and 2 four times to get candidate viable for interview $((300 + 60) * 4 = 1440$ minutes).
4. Conduct interview process on-site (240 minutes).
5. Discuss candidate viability with team (210 minutes).
6. Repeat steps 1, 2, 3, and 4 three times to find candidate worth extending an offer to $((1440 + 240 + 210) * 3 = 5760)$.
7. Human resources wrap-up and offer extension (90 minutes).

TOTAL: 5850 minutes (97.5 hours)

Wow, that's quite a lot of time, but it doesn't seem an insurmountable number, does it? Sure, it's a lot — about one and a half weeks' worth of time, but is that really all that much, when you think about it? Well, if I were an infomercial I would say, "Wait before you decide — that's not all you get! There's more!"

A new employee is just that: new. He or she is spending a lot of time getting acclimated, attending employee orientation and training courses, reading documentation, getting used to standards, asking a lot of questions, making small mistakes, etc. In my environment it usually takes about eight weeks before a person really starts to settle in and begin getting some serious work done. During this time, I usually figure that about 40% of their hours are spent dealing with these kinds of issues, during which they will

also absorb about 10 to 20 hours of my existing staff's time being guided and mentored. Therefore, we additionally have:

8. Ramp-up time (8 weeks * 40 hours * 40 % = 128 hours).
9. Time lost by staff mentoring (20 hours).

This would bring us to a grand total of somewhere around 245 hours, which is over 6 work weeks.

Okay, that is beginning to be a more sizable number. Now, if you want to see something really scary, let's show what that number actually means. Many companies, mine included, tend to assume that the average employee costs them somewhere in the range of \$100 an hour. This includes health benefits, costs for equipment and maintenance, infrastructure servers, IT staff, cleaning crew, building rent, facilities, etc. In other words, the cost to employ a person is far more than that person's salary — it's everything that is needed to support them as well.

If you now multiply our hourly figure of roughly 245 hours by \$100 per hour, you come out with a grand total hiring cost of roughly \$24,500.00 to hire one person.

Now think about what your attrition or turnover rate is at your company. As we said, many companies lose upwards of 30% of their people each year. Let's consider my organization — I have roughly 20 people on staff. If I lose and have to replace 30% of my staff each year, that means that I will have to hire six people yearly. If you figure it will cost me \$24,500 for each hire, then I basically need to account somehow for nearly \$150,000 each year in lost productivity and other expenses. I don't know about you, but there is a really slick Porsche 911 Twin-Turbo that I've been wanting that costs less than that. I figure my company could just buy me one and call it even; per my calculations, they owe me one a year, and I'm not figuring in the fact that the attrition rate was closer to 100% before I got there.

What's worse is that this figure doesn't get into the harder-to-nail-down aspects of opportunity costs (guns vs. butter — basic economics), expensive loss of knowledge and familiarity with experienced members, revenue losses in useful and possibly proprietary information traveling with ex-employees to competitors, etc.

So we've managed to put a reasonably disturbing dollar figure on the cost of losing employees. Unfortunately, I'm afraid there is even more to consider.

What about the fact that losing employees is really harrowing for the people in your environment? Many people who leave a company also leave behind a lot of friends who appreciated them not only on a professional, but on a personal level as well. These people left behind will feel the absence, and morale can suffer because of it.

Additionally, people leaving tend to create quite a wake, dragging with them at least one or two other employees. Sometimes it is to go to the same company; other times, it was just seeing someone get free of the unpleasantness of the work environment that inspires others to do the same thing. It brings to reality the prospect of a better world someplace else, and this pushes a lot of people over the edge.

The loss of a key person or two in an organization also creates feelings of distress for those left behind to "take up the slack." They can be riddled with feelings like, "I'm alone and have no one to ask questions or learn from, I need to leave," or "I cannot possibly fill this role, I need to leave," or "I really want to step up to the plate and fill this role, but the boss feels I am unable, so I will leave."

On the more sinister side, while many people are professional, there are a great many more people who, on the way out, are likely to share their feelings about the workplace a little more openly with their staff members. This can be bravado, it can be a last dig at the management, or it can just be venting. Whatever the case, this behavior is common and quite destructive, as it quickly and easily causes huge morale problems among the remaining staff.

While there are certainly many more examples, I believe I have made my point sufficiently: losing good employees is always a very bad thing. It's expensive to your organization in many ways, and more often than not it's also fairly unpleasant for all involved.

Please look for part two of this series, where we will go into the specifics of how to keep your employees happy within your organization.