WHITE PAPER

sumtotal
A Skillsoft Company

The CEO's Guide to Top Performer Retention

Ensuring You Have The Right Talent To Execute & Grow

Introduction

There is little doubt that recessions breed a "hunker down" mentality among employees. Layoffs, pay freezes and cuts, hour reductions and furloughs, and a dismal job market all contribute to low employee morale and engagement. Once productive environments can quickly become toxic, further deteriorating productivity.

To add insult to injury, as economic recovery takes hold and the job market improves (albeit very slowly), your top performers are lining up at the doors for their next opportunities. Indeed, various studies indicate that 45-50% of all top performers are actively looking for new jobs, a percentage that is significantly higher than for low or middle performers.

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To a typical company, the potential economic impact caused by a mass exodus of high performers is incalculable. How can CEOs expect to weather the economic storms, let alone grow your businesses, when your A-list employees are disengaged and flying toward the exits?

Fortunately, there are steps you can take today to forestall the exodus of your top talent as economic recovery proceeds and the job market improves. This CEO guide provides three key tips for leveraging proven talent management principles, practices, and technologies to retain your top performers.

1. PROVIDE CAREER ADVANCEMENT OPPORTUNITIES

Unsurprisingly, 84% of HR and business leaders believe that providing career advancement opportunities to top performing employees is the most impactful way to retain them. Yet only 43% of organisations have put in place a systematic process for employee development, which indicates a rather serious disconnect. After all, if leaders believe that providing career advancement opportunities is a key retention mechanism, why are they not doing more to institutionalise the process?

Employees are clearly more engaged and motivated when they are empowered with some level of control over their careers and future paths. While HR and business leaders should not be in the business of building development plans for every employee – as there are always a good number of employees who will not embrace the activity – it can be argued that HR's job is to provide the appropriate tools to empower employees to take control over their own careers.

Only 43% of organisations have a systematic employee development process in place.

By bridging employee development and succession planning, employees can more easily develop themselves for future roles of interest, and nominees who are not ready for advancement can be assigned detailed development plans that guide them to improve the competencies and skills required for new job positions.

Learning paths and specific courses can be established for employees to facilitate their career growth. By providing the proper tools to employees, CEOs can take a more active role in reducing high performer flight while promoting growth and engagement.

Action Item
Bridge Employee Development
and Succession Planning

2. IMPROVE ENGAGEMENT TO DRIVE PRODUCTIVITY

Business leaders are more frequently recognising the importance of an engaged workforce and its potential to drive business performance and impact the bottom line. Engaged employees are people that are highly motivated and vested in the success of their organisations and are willing to make an extra, discretionary effort in their daily work.

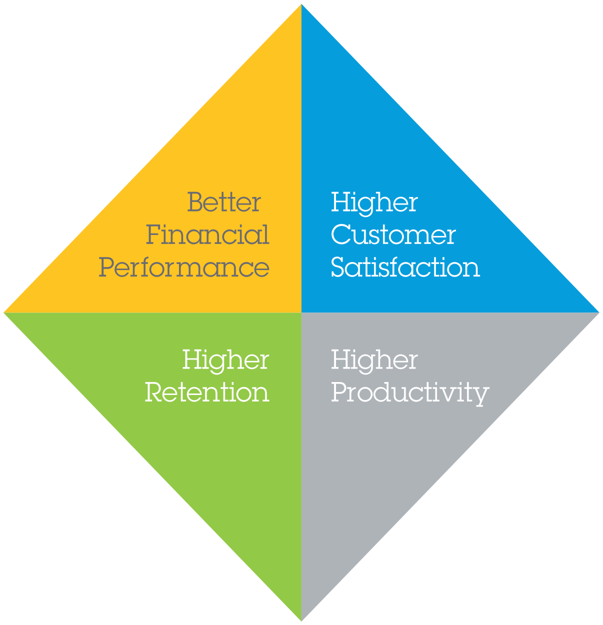
Extensive research over the past decade reveals that an engaged workforce impacts business performance, and ultimately, shareholder value. Put simply, companies with higher percentages of engaged employees perform better than their industry peers. These companies have:

- Better financial performance
- Higher employee retention
- Increased customer satisfaction
- Higher productivity

Action Item
Integrate Your HR & Talent
Processes, Systems & Data

Equally interesting, financial analysts have taken notice. For instance, an equities report focused on a large international bank cited that employee engagement scores are highly correlated with shareholder returns. Further, the report highlighted that the engagement score difference between the bank and its nearest competitor is costing the bank approximately 26 Million USD additional profits per year. As a result, the financial analyst downgraded the bank's stock.

To summarise, companies with more engaged employees have:



Organisations that have fully integrated their disparate talent processes, systems, and data – performance, succession, compensation, learning, recruiting, etc. – outperform those organisations that have not integrated by 41% across twelve key business metrics. Two of these metrics – improving internal talent mobility and decreasing voluntary turnover – are directly related to top performer retention.

A talent mobility strategy in particular enables CEOs to more effectively acquire, align, develop, engage, and retain high performing and potential talent by implementing a consistent, repeatable, and global process for talent rotation. Retaining top performers also provides significant and tangible cost savings (replacement costs range from 100-150% of a departing employee's salary).

3. BUILD A PERFORMANCE-ORIENTED CULTURE

Programs that align employees' compensation – merit increases, bonuses, long-term incentives – to their performance have proven to be very effective in driving actual performance. Often called pay-for-performance (P4P), the concept is to build a culture of top performers by aligning goals, performance, and rewards across an entire organisation. Motivating, rewarding, and retaining top performers is a key business objective for any company that seeks to successfully maintain or exceed growth expectations.

Best-in-class organisations focus on a performance-driven rewards system that compensates individual contributors directly proportionate to what they achieve and what they contribute to the bottom-line. The challenge lies in effectively aligning employee goals with organisational objectives, automating performance management processes, and linking them with complex compensation policies or time-based incentive plans at an enterprise level.

Action Item
Enable Merit-Based Pay-For-Performance
Via Integrated Technology

P4P and merit-based pay programs – especially those that relate to executives – have received renewed interest lately due to emerging legislative and regulatory compliance pressures stemming from the global financial system crisis. Yet less than half of organisations worldwide have made significant technology investments to automate and improve P4P processes. Clearly, there is an opportunity to both adopt the virtues of a merit based culture while at the same time working toward becoming compliant as new regulations are put into effect. The latter issue will be particularly important for publically-traded companies.

With a well-designed pay-for-performance system, employees at all levels of the organisation more clearly understand what they need to do to support overall company objectives. The workforce becomes more accountable – which is increasingly important these days – and can see the impact of their contributions.

The key technology components required to enable P4P, are:

1. **Performance Management:** Automates and optimises performance processes and aligns employee development and goals with corporate objectives. Performance Management enables organisations to plan employee efforts in support of organisational goals and strategic initiatives, and to evaluate outcomes, performance, and core competencies.
2. **Compensation Management:** Simplifies planning, modeling, budgeting, analysis, and execution of compensation policies. Compensation Management enables organisations to develop and apply consistent compensation plans to all employees.
3. **Incentive Compensation:** Motivates employees and manages total financial rewards within an organisation. Incentive Compensation streamlines incentive policy administration and provides long-term planning for both market- and performance-based plans, as well as variable pay flexibility for individuals, teams, sales, or executives.
4. **Reporting and Auditing:** Provides accessible and secure cross-functional compliance reports and audit trails of all transactions related to compensation and performance. Reporting and Auditing aggregates key information to facilitate timely decision making.

CONCLUSION

To summarise, visionary CEOs can take active steps to promote top performer retention by:

1. Providing Career Advancement Opportunities
2. Improving Engagement To Drive Productivity
3. Building A Performance-Oriented Culture

A cohesive HR and talent management infrastructure is a key requirement that must not be overlooked. Effective execution comes down to integration of disparate processes, systems, and data. And as our research clearly indicates, integration provides numerous direct business benefits, least of which is to retain your top performers so that you can effectively execute your strategy and grow your business.

About SumTotal

SumTotal Systems, LLC, a Skillsoft company and a leading provider of integrated HR solutions, is increasing the performance of some of the world's most successful organizations, including AstraZeneca (NYSE: AZN [ADR]; London: AZN), Amway (KUL: AMWAY), and Seagate (NYSE: STX). SumTotal's people-focused Talent Expansion® applications, available on premise and in the Cloud, enable contextual, just-in-time development designed to help organizations discover, develop and unleash the hidden potential within their workforce and business ecosystem. Today, more than 3,500 organizations, including several of Fortune's "Best Places to Work," rely on SumTotal's award winning solutions to empower their employees. Visit the SumTotal Blog or follow @SumTotalSystems at twitter.com/sumtotalsystems and on Facebook at facebook.com/SumTotal.Systems for more learning and talent management tips and perspectives.

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