POINT OF VIEW

The talent toll: How to avoid an exodus when the market recovers

Richard Gegenwarth, Satori's Organizational Effectiveness practice lead, has over 15 years of change management and organization design experience across several industries. In a recent Q&A session, Richard shares his insights on the importance of employee engagement during economic challenges.

Q. What are typical patterns of behavior for talent management in tough times?

Gegenwarth: In a downturn, organizations make near-term tradeoffs focused on optimizing financials, by necessity. Since talent management activities are viewed as a cost component, organizations tend to finish out work in progress, but delay other investments until the economy recovers. Consequently, they quickly cut training and other development expenditures and there is less discipline around goal setting and performance management.

During economic downturns, managing attrition becomes less of a priority because companies feel they do not have to-- attrition takes care of itself. Employees have fewer alternatives available, become more risk adverse, and tend to hold on to their jobs, even if they are unhappy with their development and career advancement opportunities.

However, the behaviors of organizations and the emotional responses of employees during a downturn can create a perfect storm as both can support each other in a positive or negative way. When the market rebounds, there is usually a spike in voluntary attrition as result of pent up frustrations. Although the organization's decisions and tradeoffs may be necessary, those actions are not always clearly communicated and employees have a limited role in changing the fortunes of the firm. When the market improves, employees' opinions on talent management, training, development opportunities and career progression have been redefined by their recent experiences. If they believe the organization no longer has their best interest at heart, they will be more inclined to leave.

Q. What is the impact of this behavior?

Gegenwarth: An exodus of talent can be very costly. One needs to consider the expense of hiring talent in an increasingly competitive market, orienting, training, and developing those resources, and the costs of lowered productivity during that period. For many roles it can take months or years before a new employee is working at the performance level of the previous employee – and each new hire is an unknown entity.

Other costs to consider include knowledge drain and opportunity costs, especially when employees leave to work for a competitor. This can be especially costly when seasoned employees exit. It is often impossible to quickly transfer critical knowledge. The loss of key technical experience and industry expertise can impact an organization's ability to take advantage of new business development opportunities.

Even the loss of junior and mid level employees can create breaks in continuity that affect service delivery. This means that organizations lose the ability to execute work in a predictable manner. This has a direct impact on customer experience which has a financial impact. Typically these levels of employees are twice as likely to leave after a downturn. Depending on how many people leave the firm at one time, impacts can be felt relatively quickly.

Q. Can firms avoid an exodus of talent when the economy improves?

Gegenwarth: Yes they can, if they manage employee engagement. During the down cycle, there is typically a “bunker mentality” that occurs on the part of organizations and employees. Companies are not as likely to make large investments. They are also likely to freeze spending on employee development programs and training. Organizations and employees, both, take more of a day-by-day, tactical approach to work as they wait out the economic cycle. While this pattern is understandable, it usually results in lower levels of engagement. Fortunately, there are ways to break out of that mentality and provide opportunities for employees to grow professionally, and increase their engagement.

Engagement is a better indicator for retention and productivity than employee satisfaction so this is important. Of course one tries to keep employees happy in a downturn but it may be unrealistic. However, it is definitely possible to engage them and, by doing so, organizations can redefine development expectations, give employees more control of their own skill building, and mitigate the risks of future attrition.

Q. What can organizations do right now to better engage their talent?

Gegenwarth: There are a number of ways organizations can engage employees during a downturn and many of them cost very little to implement. They include things like instituting and encouraging open door discussions and round tables, encouraging grass-roots employee action teams, providing coaching, and continuing to make performance management a priority even when reward elements are thin.

Leader involvement is a common thread to each of these engagement tactics. Ultimately, this is like any other relationship – in hard times it is more important to communicate openly. Employees want to understand how they can contribute and to feel like they have been a part of the solution, if possible. When communication lines fail, people feel disenfranchised and, if that happens, improving productivity and retention becomes an uphill battle.

Q. What can be expected from action teams or other grass-roots efforts?

Gegenwarth: The benefits of action teams and other types of grass-root efforts where efforts are voluntary and cut across levels and roles are twofold. First, organizations can focus on a broader set of known issues in a relatively low-cost manner and even find some operational efficiencies and insights along the way as talented resources pool their thinking and collective innovation. Some priority projects are “shelved” during downturns but the issues they are intended to address remain. Allowing action teams to pursue them may lead to smaller scale changes, but collectively such improvements can add up to significant savings and they keep improvement efforts on the front burner.

Second, employees can continue to share existing skills and develop new ones, while building an internal network. A bit of leadership interaction, mentoring, or coaching can keep these efforts aligned to the broader firm agenda, and will go a long way to demonstrate that the organization values and appreciates employees’ talents. Tough times provide a “moment of truth” for leaders - those leaders who engage employees will do a better at retaining them when the market improves.

Q. How does Satori help organizations engage their employees?

Gegenwarth: We help organizations assess how they communicate and engage employees to understand the gaps. Any solution needs to be tailored to their needs. We can help address issues with team dynamics, talent, performance and change management, or other workforce challenges.

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