RETENTION UPDATE

Fighting the war for talent with training: One year later.

One year ago…

Nap rooms, concierge services, on-site chefs, company-sponsored trips to exotic locations, and stock options were among the many inducements employers were using to entice talented workers. With the U.S. unemployment rate hovering at 3.9 percent, the demand for highly skilled workers was pushed to the max as businesses grew and the economy soared. It was tough to recruit employees and even tougher to retain them.

What a difference a year makes.

By Stacey Wagner

Now, companies are shedding workers like sweat in a sauna—5,000 employees laid off here, 12,000 there—in an effort to cut expenses and boost shareholder value. But eliminating human capital has begun to appear short-sighted. After conducting a study of training practices and outcomes of 575 U.S.-based, publicly traded firms from 1996 to 1998, ASTD found that the companies that invested $680 more in training per employee than the average company in the study improved their total shareholder return the next year by six percentage points, even after considering for other factors. ASTD examined the average annual training expenditures of those 575 firms, and the ones in the top half that spent more on training had an average total shareholder return the following year of 36.9 percent, while firms in the bottom half had an average return of only 19.8 percent. Firms in the top half had a total shareholder return 86 percent higher than firms in the bottom half and 45 percent higher than the market average.

For such organizations, investments in human capital reap substantial rewards. Companies that care about their human assets induce potential and incumbent employees to come and to stay, especially for the development opportunities offered by those enlightened organizations.

Last year, ASTD and the Society for Human Resource Management conducted a consortium benchmarking study to determine how organizations use employee growth and career development initiatives to attract and retain workers. The study sought to uncover how and where such initiatives fit into the strategic recruitment and retention scheme.

ASTD and SHRM chose to study companies cited as Exemplary Practice Partners, based on their answers to a screening survey that indicated their dedication to employee growth and career development. The companies studied were

- Dow Chemical Company
- Edward Jones
- Great Plains
- LensCrafters Inc.
- Sears, Roebuck & Company
- Southwest Airlines
- South African Breweries.

At the time of the study, each of those companies was experiencing lower turnover and higher employee satisfaction than the average company in its industry. All of the companies believed it was partly because of their investment in employees through fair and equitable HR policies and practices, and their employee growth and career development initiatives.

But does that still work in a recessionary economy? Is it still possible to offer training and development when money is tight and shareholders are calling for the elimination of extraneous resources?

This year, ASTD conducted follow-up interviews with six of the seven Exemplary Practice Partners to find out if they still provide substantial employee growth and career development opportunities and if those opportunities continue to be a selling point for getting and keeping good workers.

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First, a look back

During the initial study conducted in 2000, analysis of the companies uncovered these human capital initiatives:

- Each company made employees responsible for their own development, while simultaneously providing them with generous support and accountability from managers, leaders, coaches, mentors, and teams. The organizations supported training from the highest levels, realizing implicitly and explicitly that building the knowledge capacity of their workers was a necessary strategy for business success.
- Each company had a strong identity and culture, in which employees were understood to be one of the main reasons for business success. That was communicated ubiquitously.
- Organizational infrastructures supported HR efforts to attract and train employees. For the most part, that was enabled by the sophisticated use of technology, though in some cases the technology was just being put into place. However, the HR and training systems and processes were embedded

throughout the organizations.

- All of the companies had position or role competencies rather than merely requiring that employees fit within a job description. The competencies provided a framework for employees to understand the skills, knowledge, and abilities they needed to have or acquire to advance or move into leadership roles.
- Recruiting "the right kind of employee" was integral to recruitment and retention efforts. Because the companies' cultures were unique and they committed a wealth of resources (money, technology, development opportunities, and people support) to employees, the companies focused strongly on communicating their identity, values, mission, and vision to potential employees and to finding people who would be a good match.

A year later

During the first part of 2001, ASTD followed up to see whether the companies in the 2000 study continued to "walk the talk" with regard to their investments in people. Specifically, ASTD asked these questions:

- Have the rising unemployment rate, recession, and flood of workers now entering the marketplace had any influence on the training provided to incumbent workers?
- Have the needs and desires of potential employees begun to change?
- Are employee growth and career development still considered important recruitment and retention tools?
- Does your company promote or discuss employee growth and career development opportunities during recruitment, initial interviews with job candidates, new-employee orientation, the creation of individual development plans, performance feedback sessions, and exit interviews?
- Has turnover remained steady, increased, or decreased in the last year and to what do you attribute the trend?

ASTD found that the six companies it followed up on are continuing to provide and, in some cases, ratchet up employee growth and career development. LensCrafters and Edward Jones are expanding at a fast clip, need to hire a lot of new employees, and must get their new employees trained quickly. Southwest Airlines and Sears are taking advantage of newly available, hard-to-acquire talent such as information technology specialists and technicians from now-defunct companies that provided similar services, such as Montgomery Ward.

All of the companies in the follow-up study continue to focus on training incumbent workers. Dow Chemical says it will focus more on developing its internal talent and will push to be more organized regarding who it hires and how it adds to staff.

The companies continue to value their current workforces and seek to create a healthy mix of internal and new external talent to ensure that they meet business objectives and keep skill bases current. Employees and potential employees still desire, as they did in the bull market, opportunities to grow.

"One of the top motivators for workers entering the market is the ability to continue learning," says Rita Bailey, head of the University for People at Southwest Airlines. Susan Andrews, director of Learning Centers of Excellence at Sears, agrees: "The training investment and such benefits as tuition reimbursement are important factors in attracting talent."

At South African Breweries, career development is considered fundamental as a retention tool. At LensCrafters, training and development continue to be valued by employees, as is the company's philanthropic culture.

All of the Exemplary Practice Partners continue to discuss employee growth and career development opportunities during recruitment, initial interviews with job candidates, new-employee orientation, the creation of individual development plans, performance feedback sessions, and exit interviews.

Dow Chemical is using new media for recruitment to ensure notice of its development opportunities. Edward Jones is listed in "Best Places to Work"

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by *Fortune* and *Working Mother* magazines. LensCrafters has begun to hold managers and executives accountable for training provision by emphasizing personal accountability and putting measures into place to ensure that all associates have a personal career development plan.

Turnover is monitored by these companies, and they've been tracking their figures closely as the economic situation has changed. It's a mixed bag for our Exemplary Practice Partners as turnover in some has declined and in others climbed. At Sears, turnover is steady overall and has improved in some areas. At South African Breweries, turnover has remained steady although the company feels it must watch areas in which skills shortages can lead to labor turnover. Dow is experiencing a slight increase in total turnover (0.5 percent from 1999) as a result of mergers and the continued impact of globalization but sees little change in the rate of voluntary departures. At LensCrafters, there is a downward trend in turnover.

Labor turnover at Southwest Airlines is at its highest in 10 years—12 percent. Prior to that, the number was in the single digits. Some of the increase is attributable to a period of rapid growth in Southwest's employee base, which followed a period in which attrition was allowed to nibble at the workforce. With fuel prices skyrocketing in early 2000, an appeal was made to Southwest's leaders to hold down costs wherever possible. Although that was well intentioned, some leaders probably held the line on adding headcount well after it was justified by operational requirements. That resulted in significant overtime requirements for line-level staff, leading to burnout and more than the usual number of resignations. Southwest experienced a hiring crisis due to a tight labor market and difficulty in attracting people in cities that are key areas for its operations. So, the airline made extraordinary efforts to add a significant number of people. The much greater than anticipated crop of takers were difficult to train and get up-to-speed quickly. That resulted in higher than normal turnover in the first 30 to 60 days of employment for that group.

Having lived through the pain of that shortsighted effort to hold the line on staff costs, Southwest's leaders set new projections and target numbers and instituted a stronger internal focus on getting new employees up-to-speed. That's expected to help bring turnover back in line.

When ASTD asked what challenges the companies face regarding recruitment and retention, they said their strategic focus remains the same, but they need to continue to source new talent; create diverse, high-performance work teams; provide competent staff to ensure quality and manage costs; and keep their employees motivated in the continued fast-paced environment and recessionary economy.

In short, they'll continue to invest in their human capital as a means to business success. TD

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