employer toolkit

a guide to managing turnover and retention

Introduction

These toolkits offer basic knowledge and simple-to-follow guidance on human capital management (HCM) issues relevant to the finance professional.

Developed by ACCA, each toolkit provides impartial guidance – specifically designed for employers of finance professionals – and includes:

- introductory level knowledge on the subject matter
- brief case study for illustration
- checklist and troubleshooting section
- suggestions for further research.

Use the toolkits when developing new or improving existing HCM practices for finance professionals or when beginning a benchmarking process against best practice. There is no need to read each toolkit from start to finish – the sections are written to be used on a stand-alone basis when required.

Each toolkit can be distributed electronically within your organisation – download them as PDFs at:

http://www.accaglobal.com/employers/approved/services/employer_toolkits

Improve how you manage turnover and retention

This mini-toolkit provides all you need to start enhancing your management of turnover and retention:

- step-by-step guidance on managing turnover and retention of finance professionals
- an example case study to help you build the case for change and gain buy-in
- a checklist to begin a benchmarking process against best practice
- a handy troubleshooting section.

The actions you will be able to take as a result of what you learn are aimed at reducing unplanned turnover – thereby minimising your costs and freeing your time for business-critical activities.

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Effective management of turnover and retention means having the right people in the right roles at the right time. It is a balancing act between a healthy level of change and a stable, productive work environment.

There are a number of activities you can carry out to help you identify and achieve the right balance for your team or organisation.

Analysing staff turnover

Is there a turnover and retention problem in your finance team? Is the turnover you are experiencing typical of your type of business?

In order to identify and determine if any action is required to reduce turnover and improve retention, investigate the following factors.

- How many people are leaving?
- When are people leaving?
- Who is leaving?
- Why are people leaving?

How many people are leaving?

A degree of staff turnover is healthy. Too little leaves an organisation short of fresh blood and vitality; too much – or losing the wrong people – can be expensive, owing to lost productive time and recruitment and training costs.

The degree of employee turnover that damages an organisation depends on the labour markets in which it competes. The finance community is currently facing a general shortage of skills, making turnover and retention issues a critical priority, particularly where in-demand skills – such as regulatory and compliance knowledge, or experience of specific IT systems implementation – are concerned. In the current employment climate, many large employers are not only reviewing their retention strategies but even appointing specialist HR experts (often at board level) with specific remits to improve retention – making it all the more important that SMEs address the issue to remain competitive.

The proportion of people leaving a finance team has less significance, the smaller the team – at least with regard to actions that can be taken to reduce turnover. For instance, if two people leave a team of four in quick succession it may create problems for the head of finance, who may have to arrange temporary cover, ensure deadlines are not missed, find replacements and spend time training half the team. But if one leaver is relocating and another has left for family reasons, it may not indicate fault on the part of the head of finance or the employer. At the other extreme, the head of a finance team of 20 who loses half of that team in a year is either extremely unlucky or needs to take a long hard look at what is happening within the team, and what he or she could personally be doing differently. So be careful to view any statistics you generate (see Appendix) in the proper context.

The cost of losing a professional is approximately equal to 18 months' salary. Typical costs include lost productive time due to gardening leave or working at reduced capacity before the leaving date, recruitment costs and sub-optimal performance as the new recruit settles in.

Source: The Employee Retention Handbook

When are people leaving?

Does your organisation have formal HCM processes and initiatives in place? The existence and effectiveness of these may affect the timing of your leavers' departure. Is it time to introduce or review these processes and initiatives?

For instance, if many people leave within a few months of joining your team, it is worth reviewing your recruitment and induction procedures. If, on the other hand, you are losing long-standing employees, you might examine any career development initiatives, or explore the possibility of flexible working to cater for those employees' changing needs and circumstances.

Of course, the state of the finance job market is another factor. When jobs are harder to find, people will stay in their current role for longer.

Who is leaving?

Try to establish whether there is a pattern. Is it more junior or senior staff, or those in a particular area of the business, who are moving on? Certain patterns may suggest that leavers believed that there were insufficient career development opportunities within the organisation, or that they were not being paid the market rate for their skills.

For instance, if two of your recent leavers worked in payroll, investigate the job market for payrollers. If demand for payrollers has increased, other employers may well have raised salaries for payroll staff in order to attract and retain people with relevant skills. Unless you keep an eye on finance recruitment trends, you may be unaware of such market factors until it is too late.

Why are people leaving?

Two types of factor influence people's decisions to leave their employer. External or 'pull' factors attract people who may otherwise be satisfied with their job, while internal or 'push' factors are those that prompt them to explore new opportunities outside the organisation.

Recent research strongly suggests that push factors are a great deal more significant in most resignations than

Push (internal) factors	Pull (external) factors
• Lack of training or learning opportunities • Lack of promotion prospects • Lack of support to pursue professional qualifications (eg financial support/time off) • Lack of manager support • Dissatisfaction with pay (eg less than market rate or less than colleagues in similar roles) • Redundancy/dismissal • Unmanageable workload • Dissatisfaction with working hours (eg too long or inflexible) • Work-related stress	• Promotion or more responsibility outside the organisation • Opportunity to move to larger or more prestigious employer • Headhunted after qualifying • Headhunted for in-demand skill (eg specific IT systems knowledge, linguistic ability or compliance experience) • Leaving to have children • Change of career altogether • Relocation • Ill health (or ill health of dependant) • Retirement

Key learning points

- Establish and aim for the right level of turnover.
- Analyse each resignation.
- Ask: how many? Who? When? Why?
- Understand, influence and respond to push and pull factors.

managers appreciate. People generally do not leave jobs in which they are happy, even when offered higher pay elsewhere. Most people prefer stability.

Managing exit

At first, exit strategies may appear to require an investment of your time for the sake of someone who is, after all, leaving your organisation. They can, however, help you identify other 'push factors', allowing you to address those issues and reduce the likelihood that other people will leave for similar or related reasons.

Exit interviews, held before leavers have departed, are increasingly common. They provide a valuable way of collecting information to help develop a retention strategy. Remember, however, that people are likely to avoid direct criticism of someone who may later be required to provide them with a reference, and may give less contentious (or even false) reasons for leaving.

Alternatives to exit interviews include:

- confidential exit interviews held some time after leaving (using independent consultants)
- confidential surveys of former employees by questionnaire or interview
- confidential surveys of long-standing staff and/or above-average performers.

To supplement the exit interview, it is advisable to undertake regular activities to pick up problems before they become a bigger issue. These might include:

- confidential staff attitude surveys
- personal development reviews
- consultation bodies, eg staff forum
- regular internal communications, eg newsletters (including employee input or letters).

Clear grievance procedures are also key to maintaining the trust that underpins successful employee retention.

Key learning points

- Proactively manage exit.
- Do not rely exclusively on exit interviews.
- Anticipate problems before they emerge.

Retention strategies

Flexible working

Flexible working initiatives are designed to accommodate individual staff preferences on working hours and/or environment. Those preferences may be driven by outside commitments beyond the employee's control, or simply by the employee's desire to achieve a better work-life balance.

Flexible working is popular with many employers and employees, and can be a relatively inexpensive way of maintaining staff loyalty and, as a result, reducing turnover. If working hours do not suit employees' needs, they are likely to seek jobs that *do* fit around their outside commitments. Flexitime and part-time working are two of the most common examples of flexible working.

Both men and women are increasingly requesting flexible working from their employers. Factors influencing those requests may include:

- exam and study commitments
- lack of satisfactory childcare
- need to care for dependant(s)
- length/ease of commute
- desire to pursue a particular hobby or interest.

Retention strategies are often most effective when they accommodate individual preferences on working hours.

Many managers are sceptical about flexible working – but it is important to challenge these attitudes. The introduction of flexible working policies is likely to involve a significant cultural change and some training on its benefits to the organisation may be required.

Successful retention strategies often aim to avoid the development of a culture of 'presenteeism' – where people feel obliged to work longer hours than necessary simply to impress management. This can be achieved by evaluating individual commitment based on output and not hours put in. Achievement, of course, is measurable by the performance management process.

Types of flexible working

- Part-time working
- Term-time working
- Job-sharing
- Flexitime
- Compressed hours
- Annual hours
- Working from home on a regular basis
- Mobile working/ teleworking
- Career breaks

Source: CIPD

Note: *Compressed working weeks don't necessarily involve a reduction in total hours or any extension in individual choice over which hours are worked. The central feature is reallocation of work into fewer and longer blocks during the week. (CIPD)*

Reward

The feeling of being underpaid is a classic reason for leaving. Employers who ignore market rates or refuse to address pay issues are likely to have unacceptable turnover rates. Those prepared to pay accordingly (which does not necessarily mean the most) will face fewer problems.

Salary surveys are an excellent starting point for benchmarking your team's pay against the market rate. You can download salary surveys from the employer section of ACCA's website. Alternatively, talk to local specialist finance recruitment consultants, many of whom conduct their own surveys regularly.

■ **Determine your reward strategy** – having determined the market rate (which is likely to be a range rather than a specific figure), you need to decide where you wish to fit within the market. Do you want the reputation for being the top payer, or do you want to be recognised for emphasising other factors – such as providing an enjoyable or dynamic working environment?

■ **Reward good performance** – this can be through annual rises, but remember that the increase will be permanent. Instead, consider adopting performance-related pay or paying one-off bonuses (or giving non-financial gifts) for work well done.

■ **Consider competency-related pay** – where a competency framework exists in an organisation, pay can be related to the achievement of key competencies.

Support

■ **Instil management accountability for turnover** – making managers accountable for their own teams' turnover is increasingly common. Remember, however, that many finance managers will have received no formal training in effective staff supervision and motivation. Providing training support before making promotions will help, and will be a good incentive for managers to learn. Those who then exhibit good records of keeping people can be rewarded by including the subject in their appraisals.

■ **Communicate frequently** – encouraging employees, at all levels, to raise their concerns via regular appraisals, attitude surveys or staff forums will help create a culture of openness. Have an open grievance procedure that allows people to resolve problems as an alternative to resigning. Why not consider a brief weekly get-together for the finance team, where staff can discuss current issues, come up with suggestions and share insights and successes?

■ **Job security is key** – those who feel insecure are more likely to be out looking for other jobs.

■ **Apply good induction procedures consistently** – induction is often neglected, resulting in swift loss of a new recruit's enthusiasm and loyalty. Poor induction can even allow a new recruit to be enticed back by their previous employer. Consider delegating part or all of the induction process to your staff as part of their development – they staff may surprise you by responding positively to this added responsibility and chance to 'shine'.

Development

Development can be defined as the 'process by which people learn and improve their skills for the benefit of the organisation and themselves' (CIPD). For the finance professional, development is often understood in the context of continuing professional development.

Most organisations expect employees to take responsibility for their own careers but recognise that they need support to enable them to do this.

Committing to staff development sends a strong message to employees and potential employees and has become a key factor in people's decision-making when joining or considering whether to remain with an organisation.

Development is a key tool for retaining your people. Consider promoting development by:

- making budget available
- not cancelling courses just because of work pressures
- promoting personal development that may not have an immediate business driver

- winning senior level buy-in and demonstrating it (eg having senior management attend or even deliver training programmes)
- discussing key learning points with your staff when they return from training courses
- identifying opportunities to put those points into practice
- setting – and keeping – dates to review progress on learning points.

Key learning points

- Take advantage of flexible working options.
- Have a reward strategy, not a pay strategy.
- Make supporting your people a business goal.
- Commit yourself to development.

Why finance professionals are different

CIPD research indicates that quality of work, availability of development opportunities and organisational culture are the top three motivators for finance professionals. But further research has identified a number of special 'dilemmas' that can be applied to finance professionals.

Retention and employability

People want to maintain and enhance their employability by updating knowledge and skills that could be transferable to other roles and organisations. Employers, however, want to retain talent and offer career development that ties staff into the organisation.

Competing loyalties

Finance professionals owe loyalties to competing groups (their team, their employer, their clients, their professional body).

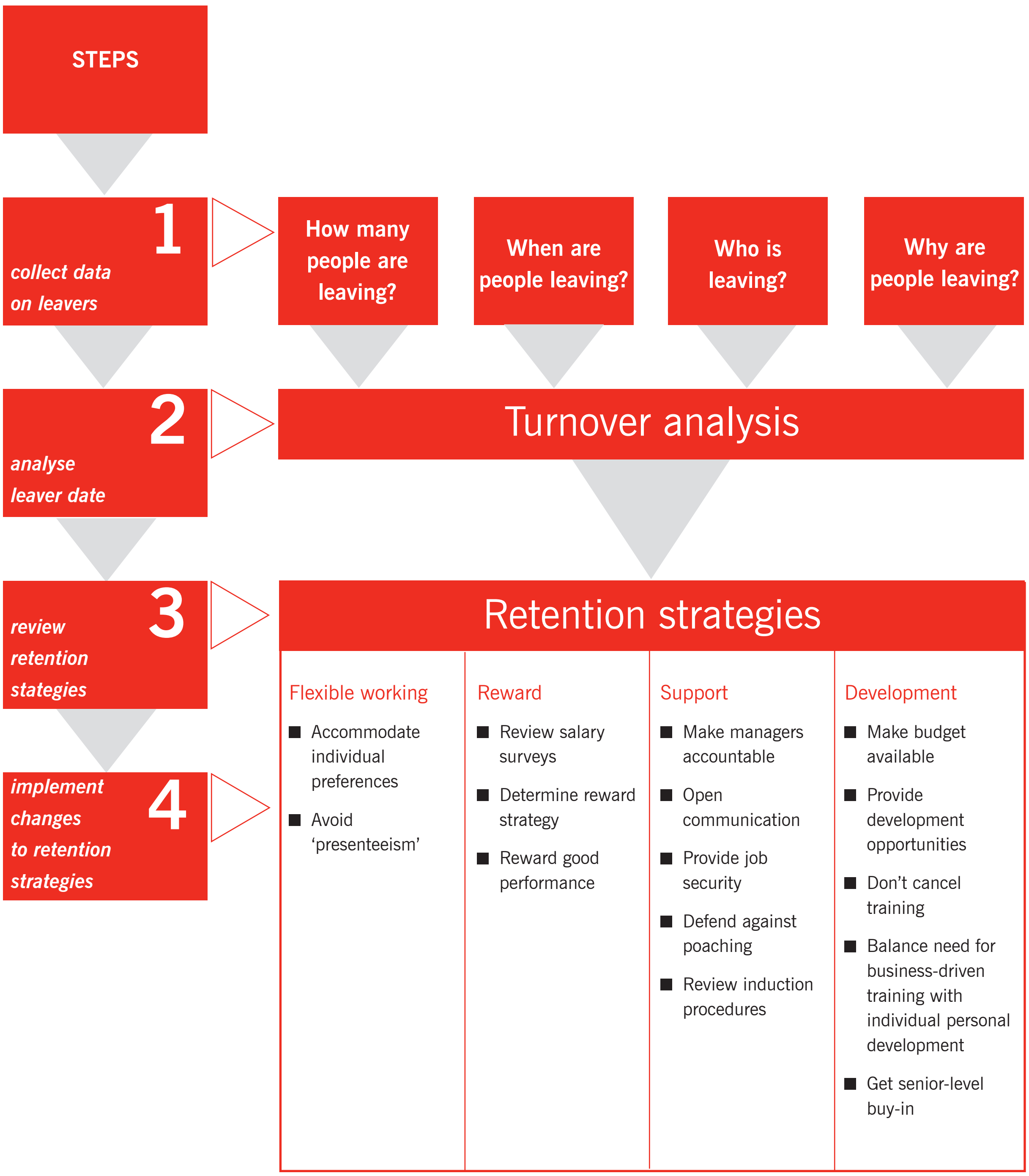
Finance professionals are likely to have the following characteristics – and will therefore demand a high degree of freedom and autonomy:

- they need to apply highly structured technical knowledge to ambiguous client demands
- they work in an autonomous fashion within fluid leadership structures
- they are normally ambitious, upwardly mobile and focused on the development of their own careers.

These factors may specifically need to be considered (on an individual 'case-by-case' basis) when devising and implementing retention strategies around the finance team, particularly where qualified and part-qualified accountants are concerned.

Summary map

The figure below is a summary of the guidance in this section.



Example case study: issues and solutions

The problem

Nilesh Ray, a financial controller who oversees a finance and administration team of 18, is concerned at the amount of time his managers are spending on recruitment. Too many meetings have been cancelled and deadlines not met because his managers are:

- briefing recruitment consultants
- conducting first and second job interviews
- asking for budget to increase salary offers
- covering for leavers, a number of whom left on a week's notice.

The analysis

After analysing each departure in the last year, Nilesh discovered that, of his three direct reporting managers:

- Manager A lost four staff in the last year – three within the three-month probationary period; the fourth left for greater responsibility at a rival firm
- Manager B lost two staff – one had five years of service, the other had recently passed a number of ACCA papers
- Manager C lost no staff at all but six months ago took on one of Manager A's probationary leavers during the leaver's week-long notice period – that 'leaver' is still with the company.

The investigation

Nilesh talked to each of his managers and made the following discoveries.

- Although Manager A had a reasonable induction programme, unlike Managers B and C, he preferred to conduct it himself. Because of work pressure, he failed to conduct the induction programme and his new recruits were left to their own devices.
- Manager A's fourth leaver – an ACCA affiliate – had formally asked for greater responsibility three times before resigning.
- Manager B's long-term worker left to accompany his father on a three-month trekking trip in South America to raise money for charity.
- Manager B's part-qualified accountant was tempted away by a rival who awards salary rises to students for academic success.
- Manager C spends an hour with all new recruits on their first day. Recruits then spend two or three hours each with different colleagues to find out how their job fits into the team and department's function and objectives.

The action

As a result of his investigation, Nilesh:

- convinced Manager A to delegate responsibility for induction to his next most senior member of staff, who was asked to adapt Manager C's method for the team – Manager A's involvement in induction is now minimal
- decided to consider building opportunities for taking sabbaticals into the firm's benefits package, holding jobs open for employees, conditional upon factors such as length of service and performance
- asked Manager B to ask local accountancy recruitment consultants about how to structure an attractive student remuneration package, incorporating conditional incentives for passing exams
- talked to the company's chief executive about providing financial incentives to his managers based on retention success – starting with an immediate one-off bonus for Manager C.

The results

Six months later, only one member of staff had left the finance department – a purchase ledger supervisor with three years' experience who worked for Manager A.

The supervisor left a month after Nilesh had implemented his retention strategy, and as a result of being unhappy about her salary. She had on several occasions voluntarily worked overtime without additional pay, including covering for Manager A's probationary leavers. Nevertheless, her performance has been less than satisfactory overall, and she had earned a reputation in the office as a troublemaker. Manager A advised Nilesh that, although he would ideally prefer not to have to lose another member of staff, he was willing to risk it and, if necessary, bring in new blood. The salary rise was refused and within two weeks, the supervisor resigned.

Manager A has since found a replacement for the supervisor. The new recruit's induction week, under the guidance of Manager A's second-in-command, went well and he has recently successfully completed his probation period.

Basic guidance checklist

Assess your team's or organisation's turnover and retention management against the best-practice criteria below.

For each criterion, tick the first column, if currently in place; tick and date the second column, if planned but not yet implemented; or tick the last column, if there are no plans to implement.

Review the checklist and determine where resources can be most effectively allocated for enhancements to current practice. To avoid subjectivity, also ask a colleague or colleagues to complete the checklist.

	Criteria	Currently in place? (Tick for yes)	Planned for? (Give date)	No Plans? (Tick for yes)
TURNOVER ANALYSIS	**Measure and monitor turnover rates:** ■ on a regular basis ■ by voluntary and non-voluntary turnover ■ by employee level (junior and senior staff) ■ by length of service (recent recruits and long-term staff) ■ at organisational, departmental and team levels			
RETENTION STRATEGIES	**Regular staff retention activities** ■ Confidential staff attitude surveys ■ Personal development reviews ■ Exit interviews ■ Consultation bodies (eg staff forums) ■ Internal communications (eg staff newsletter)			
	Flexible working options ■ Part-time working ■ Term-time working ■ Job-sharing ■ Flexitime ■ Compressed hours ■ Annual hours ■ Working from home ■ Mobile working/teleworking ■ Career breaks			
	Reward strategy ■ Salary benchmarking ■ Good performance rewards ■ Non-financial rewards as part of package			
	Employee support: ■ Managers accountable (and rewarded) for own staff turnover ■ Regular, open communication (eg via staff forums, personal development reviews) ■ Job security provided and communicated ■ Organisation is defended against poaching ■ Induction procedures regularly reviewed			
	Development ■ Transparent career development strategy ■ Personal development planning ■ Career planning ■ Development opportunities provided & monitored ■ Development budget available			

Common problems and suggested solutions

Many potential problems and issues will be identified during retention activities. Nonetheless, surprises sometimes occur.

This table outlines common problems related to turnover and retention and suggests remedial actions.

Remember, however, that the external environment will also have an impact on turnover and retention and is less easy to control.

Problem	Action
Unacceptable numbers leaving within a few months of joining	• Ask them why – and don't ignore the answers. • Review recruitment processes – are job descriptions and people specifications suitable? Might jobs be being mis-sold? • Review induction programme – does it meet the needs of joiners? Is it delivered shortly after joining? Is it applied consistently? • Ask recruitment consultants for frank feedback on your organisation's profile as an employer in the local market.
Unacceptable numbers of long-term employees leaving	• Ask where they are going and why. • Review career development opportunities. • Review reward strategy (financial and non-financial benefits). • Review the 'employer value proposition' – what is good and bad about working here?
Significant numbers of professional trainees leaving	• Ask what prompted them to seek work elsewhere. • Review your organisation's 'study package' – what support is offered, eg paying for tuition fees, providing time off for study and exams, financial and other incentives for passing exams? Could you be more generous or provide further conditional incentives? • Check line managers' awareness of their students' exam commitments – could work be re-organised to accommodate the needs of trainees without disrupting other colleagues?
Significant numbers leaving a single team or department	• Ask where they are going and why. • Review effectiveness of line management – is performance management effective? Check for grievance records. • Has workload increased significantly or have deadlines been tightened without provision of additional resources? • What else is happening in the team? Disruptive rumours? Significant changes of objectives? • Check the job market for people with those skills – has demand (and market pay rate) increased?

Problem	Action
Significant numbers leaving at the same time each year	• Investigate seasonal workload – are extra resources (eg temporary cover) made available for holiday seasons and for financial year end? • Does the 'leaving season' correspond with announcement of professional exam results? Are incentives in place to reward those who have passed? Is their success communicated and celebrated internally? • When do rival employers mostly review salaries? Is your own annual salary review out of synch? Does the timing place you at a disadvantage compared with your rivals?
Significant numbers leaving as a result of headhunt calls	• Ask leavers what prompted them to meet the headhunter. • Have they been poached by rivals? What attracted them? • Ask recruitment consultants.
Insufficient turnover	• Consider exit strategies for the worst performers (eg bottom 5%). • Review reward strategies – are people rewarded with annual pay increases, which amounts to a loyalty reward, or according to performance?
Valuable people leaving owing to changed personal circumstances eg becoming a parent or carer	• Review flexible working options and assess capacity to be more flexible. • Review non-financial benefits – do you offer, eg childcare vouchers or the opportunity to buy-back additional holiday?
Significant numbers of junior staff leaving for promotion or greater responsibility elsewhere	• Assess those to whom your leavers directly report –are they regarded as 'going nowhere'? How might you re-structure responsibilities to clear the path for brighter, more ambitious staff? • How might you add to or vary the responsibilities of those you regard as managers of the future?

ACCA services

ACCA offers a range of resources for finance professionals and managers of finance professionals. For more information, please visit the Employer section of the ACCA website.

http://www.accaglobal.com/employers/approved/services/

Suggested further reading

Clarke, E. (2006), 'Safety in numbers', *People Management*, 13/1 (11 January):, 44–6.
(A description of the revamped retention programme at the UK National Audit Office, set in place with the Centre for High Performance Development as attitude surveys revealed a mismatch between job and expectations, post-qualification, and reality.)

McCracken, D.M. (2000), 'Winning the talent war for women', *Harvard Business Review*, 78/6 (November/December): 159–67.
(A description of Deloitte Touche Tohmatsu's ground-breaking initiative on gender equality. Originally set up to stem the tide of able women leaving the firm before partnership, the training and awareness programme has changed attitudes throughout the company and within clients' companies.)

The Economist (2006), 'Survey: Talent. Everybody's doing it', (5 October).
(This article explores the methods companies are employing to manage their talent in a hyper-competitive labour market and argues that professional-service firms have become more preoccupied with talent than ever before.)

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Griffeth, R.W. and Hom, P.W. (2001), *Retaining Valued Employees* (Thousand Oaks, CA: Sage).

McKeown, J.L. (2002), *Retaining Top Employees* (New York: McGraw-Hill).

Taylor, S. (2002), *The Employee Retention Handbook* (London: CIPD)

Calculating turnover rates

Some larger employers, where patterns and trends can perhaps be more easily identified, use approximate calculations to measure turnover rates. You may attempt a comparison of your organisation's turnover rates with industry averages and those of other similar organisations. Company reports increasingly include information on staff turnover, although remember, of course, that these figures represent entire workforces, rather than specific departments or functions.

The following simple calculations may help.

Crude turnover rate/wastage rate

$$\frac{\textit{Total number of leavers in the year to date}}{\textit{Total number of employees at date}} \times 100$$

This is a snapshot of your organisation at the time of measurement, so may not be representative. It also draws no distinction between voluntary and involuntary leavers. It may be useful to calculate separate figures for voluntary and involuntary turnover.

Annual turnover rate

$$\frac{\textit{Total number of leavers in the past year}}{\textit{Average total number employed in the past year}} \times 100$$

This figure can be a useful comparator with your competitors.

Stability rate

$$\frac{\textit{Total number of staff with one year's service or more}}{\textit{Total number employed a year ago}} \times 100$$

Use this figure to monitor the level of experience being gained by or lost from your organisation.

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