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Strategic Recruitment and Retention: Competitive Advantage and Return on Investment

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Organizational commitment to employees, demonstrated by a focus on cultural factors, such as improving cooperation, leadership development, refining decision making processes, and effective communication systems, will result in an organization which is better prepared to thrive in a more competitive marketplace.

This article discusses the outcomes of effective recruitment and retention strategies which, when aligned with the norms of organizational culture, can minimize the risks inherent to selection decisions in the changing world of work. Strategic recruitment and retention initiatives, designed with organizational cultural norms in mind, will give organizations both a competitive advantage and a significant return on investment (ROI).

A Significant Shift in the World of Work

While we continue to live in a global economy which is recognized by continual change due to mergers, acquisitions, downsizing and significant breaches of trust, we have observed at least one significant shift in Human Resources demands in recent years. There is now a greater focus on the necessary development of strategic Human Resources initiatives to address recruitment and retention issues. Several significant factors contribute to this shift: an aging workforce; organizational refocusing to build on core business; the fact that many employees take a transient rather than a life-long approach to workplace commitment; and, an increased need to find employment which provides a positive 'culture', along with a place to constructively utilize interests, skills and abilities.

The risks that have evolved from the major shifts in the world of work are recognized in higher turnover costs, decrease in competitive advantage through the loss of high performers, and the failure to develop a strategic succession plan to ensure the future performance of the organization.

We maintain that organizational leaders who execute well planned and measurable strategies to acknowledge the value of people, and therefore improve organizational culture, will counter this trend, and help their organization to successfully face the recruitment and retention challenge which has emerged in recent years.

Improving Organizational Culture: Strategic Recruitment and Retention

To describe the culture of an organization is to explain the interaction of people at all levels, and to understand how this interaction defines the organization's attitude towards people and process. Understanding organizational culture is central to strategic Human Resources and ought to lead to initiatives which develop the organization as a whole.

Our experience indicates that it is normally cultural issues which cause people to leave an organization. For this reason we suggest the following as strategic Human Resources initiatives which can have a positive impact on organizational culture, and concomitantly increase retention rates.

- Prior to developing an employment relationship, engage in a candid conversation about your organization's cultural values and norms, to determine if an alignment exists between your organization and the potential new hire. This conversation can result in fewer misconceptions and expectations about your culture, and increase the commitment and length of tenure of new hires. Alignment of individual and organization values is a crucial factor in successful assimilation of new organization members into your organization's unique culture.
- Develop recruitment initiatives designed to align the competencies required in the position with those of candidates. This will result in more successful hires, which will be recognized in the superior impact of the new employee on the organization. Successful hires, those with competencies aligned with the goals and culture of the organization, will stay longer, contribute more to the organization and enhance overall business performance; a positive and measurable ROI.
- As a leader, promote a high level of organizational awareness and openness; let your employees know what is happening, or will be happening. This needs to be more than a public relations exercise. Organizations with high internal and external awareness tend to engage in organizational development, which enhances employee development and contributes to positive retention through mutual commitment.
- Support the 'well-being' of employees; express gratitude, appreciation and understanding (with both tangible and intangible rewards). Organizations which do this are normally considered among the best places to work. Fewer people leave these organizations, and incumbents contribute at a consistently higher level.
- Support employees to develop the skills required for the job and to generally improve their lives. It is well recognized that employees are most satisfied when they see tangible support, and they respond by increased productivity, commitment and willingness to go the extra 'mile' for the organization.

Strategic Human Resources initiatives such as those noted above, when carried out with integrity throughout the organization, demonstrate a commitment to employees, which is reciprocated. These initiatives enhance the culture of the organization, by addressing and resolving relevant issues which improve overall organizational performance.

Employees who are supported in their work, and who have a substantive role in meeting organizational goals, are not concerned with moving out of the organization. Such strategic Leadership and Human Resources initiatives contribute to reducing retention issues for the organization. These outcomes result in increased competitive advantage and greater ROI.

Competitive Advantage

Strategic Human Resources initiatives can result in a competitive advantage by building upon the strengths of an organization's 'greatest asset'. The competitive advantage attributed to technology, market penetration, product, and capital, is often short lived because of the ability of competitors to imitate these 'tangible assets'. Strategic Human Resources interventions, which focus on the uniqueness of the people, 'intangible assets' within an organization, enhance competitive advantage because the outcomes are difficult to imitate.

Investment in people will result in a greater and more enduring competitive advantage, and a more positive ROI, when Human Resources initiatives are based upon the strategic goals of the organization, and enable employees to align themselves with these goals. Strategic Human Resources investment made in this way will lead to greater stability in the workforce, which reduces turn over costs, increases productivity and morale and contributes to a strengthened organizational culture.

Return on Investment (ROI)

Investment in strategic Human Resources initiatives can, when done effectively, produce a positive ROI.

For example, coaching Managers and Human Resources professionals to conduct hiring interviews in a manner which accurately assesses candidates against the competencies required to be a top performer, will result in hiring more above average performers. If top performers produce, for example, 10% more than average performers, the organization will realize a significant ROI. Consider this:

If the cost of coaching managers to effectively interview candidates is \$8,000.00 per year and the managers are successful in filling two sales positions each year with top performers who produce 110% of sales targets (i.e. target = 200,000.00/year) the ROI would be 400%. (Benefit [2x20, 000.00 = 40,000.00] – Cost [8,000.00] / Cost [8,000.00] x 100).

A second example: assessing candidates for promotion to determine if they have the required competencies to transition from the technical or hands on side of the business to management, can reduce the risk of promotion failure, ensure effective succession planning, reduce turnover costs, and maintain functional operations. When assessing for interests, skills, abilities and attitudes of individuals reduces failed promotions, the ROI can be significant:

If the cost of assessment is \$1,500.00 per promotion candidate, and two candidates are assessed to determine the differences between them and, as a result, the best candidate is chosen and is successful in the position (i.e. productivity, quality and retention ratios increase in the first year) then significant savings are accrued (turnover costs alone, which include lost productivity, cost of new hire, severance etc. can be conservatively estimated at \$20,000 per employee). (Benefit [20,000.00] – Cost [3,000.00]/ Cost [3,000.00] x 100) ROI in this example is 566%.

Conclusion

Human Resources initiatives which impact organizations by more strategically aligning people and the strategic goals of the organization, will implicitly enhance the relationship of employees and the organization, strengthen the culture and lead to greater efficiency and productivity, resulting in a stronger and more enduring competitive advantage and significant ROI.

Owners and leaders of businesses of any size can develop this effectiveness and profitability by acknowledging the importance of employees, and making their organizations places which provide opportunities for people to use their skills, interests and abilities to contribute to corporate goals, which in turn, will have a significant and positive impact on retention.

Marathon Human Resources Consulting Group Limited is an Atlantic Canadian firm of Professional Human Resources Consultants focused on increasing organizational effectiveness through strategic interventions in the areas of Organizational Development, Employee Development, Candidate Selection and Support and Career Transition. Call 902.421.4400 or visit: www.marathonhrcg.com for more information.