

## Business Problems We Solve

### **Reducing Employee Turnover:**

Employee turnover is a challenge shared by most companies. Beyond the lost investment in training, salaries, perks and reduced productivity, employee turnover is hurting customer relationships. For most companies, repeat customers are highly influenced by the experience your customer had with your employees. To a very real extent, “your employees are your brand.”<sup>i</sup>

The reasons for employee turnover, however, are changing as the workforce changes. Many executives are left wondering why expensive perks like free or subsidized food, onsite gyms with no-cost personal trainers, college tuition reimbursement, bonuses, and many other creative ideas are not satisfactorily reducing their attrition rates. To understand how to improve employee retention, we must first better understand the changing causes for employee turnover.

### **Understanding the Changing Nature of the Problem:**

As Boomers retire (leaving a void of approximately 75 million people in the US workforce) there are insufficient numbers of Gen X workers to fill the gap. Attrition among Gen X will in part be due to the laws of economics (more money, upward mobility, etc).

The same is not true for the younger generations who will need to fill the gap. Young Gen X (ages 27–47) and Gen Y (ages 18-26) have very different definitions of a fulfilling job and why they stay with a company. According to Experience, Inc<sup>ii</sup>, Gen Y is not solely interested in money. This generation is characterized by a desire to receive training and as a result advance to new and higher paying jobs. Experience, Inc has found that most Gen Y employees consider supplemental training a perk. Gen Y desires a sense of community and interaction, which is driven in part by their online activities with social networks like Facebook, MySpace, etc.

Research shows that the solution is multifaceted. Training and development leads to higher retention and productivity<sup>iii</sup> while strong networks help retain fickle Gen Y professionals.<sup>iv</sup> Millennials need to be part of a “tribe” and require the heavy use of technology such as messaging, collaboration and online learning.<sup>v</sup> Furthermore, we find that engaged employees are more likely to stay with their current employer at a significantly higher level than those who are disengaged (85 percent versus 27 percent).<sup>vi</sup>

If companies can reduce employee turnover through ongoing training, helping employees feel they are part of a community, and through better employee engagement, the challenges for companies then become:

- 1) How to affordably train employees to ensure the effective transfer of brain trust to newer employees when only 13% of learning is accomplished through formal training<sup>vii</sup>.
- 2) How to affordably identify what training veteran employees need and provide that training.
- 3) How to measure training effectiveness and retention.
- 4) How to help new hires have a sense of community and engagement when Gen Y’s circle of influence is typically limited to people who sit nearby or people they meet in the hallways or lunchroom. This limited environment leads to islands instead of true networking across departments, locations, and job titles.

So how do business executives affordably and effectively provide the level of training, community building, and engagement needed to recruit and train talent across all generations? The answer is easier and less expensive that you may think.

## **The solution: Engagement, Training & Community**

The architecture of Wi5's LearnSocial combines the learning of a Learning Management System (LMS\*) with a social network that uniquely allows LearnSocial to effectively accomplish all of these objectives.

### Engagement:

- The social component of the system allows management to engage directly with employees in conversation and provide employees with a direct connection to engage management regardless of location or department.
- Analytics, assessments, and reports allow management to better identify employee concerns, foster employee drive innovation, and measure employee level of engagement.
- The LMS portion of the technology allows management to push out communications, instruction, ideas, etc., in online video, audio or written format, which employees can then take and run with in the community.

### Training:

- The architecture uniquely intertwines formal learning with informal learning in an online environment preferred by Gen Y and Millennials. The combination of formal and informal learning allow users to gain deep insights into subject matter at hand and to continually receive training and instruction the younger generations expect.
- Although the company can use the LMS to issue formal learning modules (like new product specs, new policies, etc.), the social aspect allows users to connect, post their suggestions and experiences, share ideas and facilitate perpetual learning.
- The social element draws users back to the learning environment voluntarily without being ordered.

### Community:

- New hires can now connect online with other employees regardless of location, department or title. The more relationships an employee has the less likely they will leave the company.
- The ability to join groups within the community allows new hires to develop stronger relationships as they meet on issues of common interest.

McKinsey emphatically stated, "Companies that don't have a social network will lose the recruiting war to those that do. End of story. Done." <sup>viii</sup> They went on to say that strong networks even help retain fickle Gen Y professionals.

## **The Benefits:**

Hewitt Research has found that moving a workforce of 10,000 from a low to high engagement has been estimated to have an impact of over \$42 million. <sup>ix</sup>

An engaged workforce can also drive your bottom line. Research shows that 51 percent of consumers report that outstanding service is the number one reason they continue to do business

with a company, while 80 percent state they will never again buy from a company after a negative experience. <sup>x</sup>

To learn how Wi5's unique architecture can help your company affordably lower employee attrition rates through better engagement, training and community, please contact a Wi5 Consultant.

### **Use Case Scenario:**

Of this company's 840 employees, over 600 worked in the call center. Notwithstanding exceptional perks like subsidized gourmet food from the on-location restaurant, an onsite gym complete with a no-cost personal trainer, bonuses and a long list of fun activities, this company still suffered from a 74% attrition rate. The result was the need to hire and train approximately 70 new employees every month.

Doing the math: This company had a new-hire retention rate of seven months. With the average salary of \$2,000 per month, plus another \$350 per month in health benefits, plus another \$500 per month in related perks, the company would ultimately invest \$19,950 over those seven months. In terms of indirect costs, the company was spending another \$2,500 per employee for an in-house training program (complete with training materials). For every employee who left, the company spent an estimated \$500 on recruiting a replacement. Lastly, coaches and managers and colleagues were spending an average of 5 hours per week helping the new employee get up to speed after the initial training. *In all, for every employee who quit at the average 7 month mark, the company was losing an investment of \$22,950 plus another 140 labor hours of lost productivity.* Over the course of a year, this company would lose 444 of its new hires at a total cost of \$10.1 million and 62,160 unproductive labor hours.

By helping the company retain a mere 10 of the 444 employees anticipated to leave the company (a mere 1.5% improvement in retention), the system would pay for itself in a year. By helping the company improve employee retention by a mere 3%, the company would break even on the Wi5 solution within 6.5 months and yield an annual 84% ROI.

\* LMS or Learning Management System is essentially an online classroom where formal training and education can occur. Lessons take the form of an online video, PowerPoint, papers, PDFs, etc., and any simultaneous combination thereof. After the instruction occurs, participants can be given assessments and assigned exercises.

<sup>i</sup> Marshak, R. T. (2003) Empowered and Engaged Employees: A Critical Requirement for Customer Loyalty. Patricia Seybold Group. Retrieved July 15, 2008 from: <http://www.crmadvocate.com/required/witness10.pdf>

<sup>ii</sup> Boomers to Gen Y: Recruiting and Retention. A whitepaper by Experience, Inc. 2008. Link: <http://tracking.experience.com/opsweb/uncgi/mailaction?type=clickthru&mailing=20080903c&email=ll@studio-element.com&newurl=http%253A%252F%252Fwww.experience.com%252Fpdf%252Femployer%252Fgen%255Fy%255Fboomer%255Fwhitepaper.pdf>.

<sup>iii</sup> BusinessKnowHow: Gregory P. Smith: [www.businessknowhow.com/manage/higherprod.htm](http://www.businessknowhow.com/manage/higherprod.htm)

<sup>iv</sup> Josh Bersin

<sup>v</sup> McKinsey Global Survey

<sup>vi</sup> The State of Employee Engagement: North American Overview. BlessingWhite. Retrieved July 15, 2008 from: [http://www.blessingwhite.com/EEE\\_\\_report.asp](http://www.blessingwhite.com/EEE__report.asp)

<sup>vii</sup> Jay Cross: Informal Learning – The Other 80% Informal Learning. 2007.

<sup>viii</sup> Making talent a strategic priority by Matthew Guthridge, Asmus B. Komm, and Emily Lawson. [http://www.mckinseyquarterly.com/Organization/Talent/Making\\_talent\\_a\\_strategic\\_priority\\_2092\\_abstract](http://www.mckinseyquarterly.com/Organization/Talent/Making_talent_a_strategic_priority_2092_abstract)

<sup>ix</sup> Hewitt Research Brief. Retrieved July 15, 2008 from: [http://www.hewittassociates.com/\\_MetaBasicCMAssetCache\\_/Assets/Articles/DDGEngagementfull.pdf](http://www.hewittassociates.com/_MetaBasicCMAssetCache_/Assets/Articles/DDGEngagementfull.pdf)

<sup>x</sup> (2007, August) Customer Experience Report. RightNow Technologies, Inc. Retrieved July 15, 2008 from: <http://www.rightnow.com/resource>