Making it Stick:

The Importance of Employee Retention Programs for Corporate Companies in The Food Service Industry

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Corporate level companies are on a constant search for anything that will give them an edge over their competition in the food service industry. In their quest to maximize profits, many of these large companies fail to see the importance of in-company strategies to keep their employees working for them. To successfully keep their staff, companies need to know the major reasons why their employees leave, how staff turnover financially affects their profits, research specific retainment strategies to lower staff turnover ratios, and establish the human resources role in this process. Exploring these areas will prove how employee retention programs and employee turnover rates are essential to the overall success of corporate level companies in the hospitality industry and ineffective retainment strategies lead to major financial stresses, lowered status among competition, and legal issues that could ultimately destroy a company.

Before any retainment strategies can even start we must figure out why employees leave their jobs. Researchers have found that 88% of employees will leave their job for a reason other than pay (Yazinski, 2009). However, this same study found that around 70% of managers believe that employees mainly leave for monetary reasons (Yazinski, 2009). This means there is a massive communication gap between managers and the employees they supervise. The gap establishes the first major problem in employee retention. Managers are currently basing their retainment strategies on the wrong focus and failing to recognize the actual needs of their employees. This is why over 50% of new staff recruited into companies will leave within two years and one in four newly hired employees will leave in six months (Tejeswari, 2014). The
communication gap creates a flawed foundation in which companies need to first change in order to start correctly viewing how their employees function.

When the majority of reasons for leaving are now known to not be monetary there is a multitude of possibilities why these employees leave. To help with this issue, Leigh Branham wrote a book in 2005 that gives seven hidden reasons why employees leave. These seven reasons are seen and used by numerous other researchers in this field including Yazinski and Tejeswari. The first two reasons that are given in his book are that the job or workplace was not as expected and there is a mismatch between job and person. In a summary of his work on asaecenter.org, Branham states that “Many workers have an unrealistic expectation about the job or workplace or in some cases are deliberately misled during the interviewing process” (ASAE, 2005). Much of these turnovers are from a post-hire shock based on reasons from placement into a different department than thought to finding out there is no avenue for advancement in the position. The hiring process needs to give realistic viewings of the job description to combat this. In the second reason matching an employee with their talents is essential for retention. Rushing in the hiring process and disrespect for low level jobs creates this mismatch problem (ASAE, 2005).

Another hidden reason given by Branham (2005) for employees leaving is when there is too little coaching and feedback. Branham says that these reasons are “hidden from the very people who most need to see them clearly — the line managers in every organization who are charged with engaging and keeping valued employees” (2005). More new employees are saying these days that they are not getting enough feedback. This lack of feedback from line managers creates heightened confusion in new employees and can lead to poor job performance. This discourages new employees and creates an unhealthy environment. Maybe the problem lies with
the managers lack of coaching by their bosses. A company must take more responsibility in teaching their managers how to manage. One thing that can help is using upward evaluations where employees evaluate their bosses. A good example of this from my own experience is how many universities have students do teacher evaluations at the end of a semester.

Two more reasons for leaving that have similar links are when there is too few growth and advancement opportunities and from feeling devalued or unrecognized (Branham, 2005). Branham found that “While 85 percent of employees say career growth is a key reward, only 49 percent say their companies are providing it” (Branham, 2005). This is another link to the communication gap between managers and employees. Employees leave when they are left without reasons to value the job they are doing. No matter the position in a company an employee has, there will always be a need for recognition of a job well done to reinforce and recognize what they are doing. Branham says “The desire to be recognized, praised, and considered important is our deepest craving, yet 60 percent of employees say they feel ignored or taken for granted” (ASAE, 2005). Companies must realize humans dependence on these basic internal values and make sure their companies satisfies this need.

Another hidden, but important reason employees leave is from stress through overwork and having a work-life imbalance (Branham, 2005). This hidden reason can be difficult to see because of the outside influences on balancing life and work, but I believe this reason is very important in the retainment of good hard working employees located in all areas of the company. Managers must attentively watch their employees mood and energy as they continue to work. Branham stated “60 percent would give up some pay in exchange for more personal or family
time” (Branham, 2005). This needs to be known when creating incentives and other employee retention methods.

The last reason Branham lists is the loss of trust in confidence of senior leaders (2005). I believe this is probably the most important hidden reason given. “If you don’t have trust in your senior leaders, you basically have no foundation for becoming an employer of choice” (ASAE, 2005). I think that the heaviest influences in a company’s most core values and ethics trickle down from top level to bottom level employees. Senior leaders will set the standard in all these areas just discussed, whether good or bad. Research has shown that companies with higher senior trust level outperform other companies by almost 200%, yet over 50% of American workers do not trust their senior leaders (ASAE, 2005). It really seems that the majority of CEOs these days are seen as self-centered and money-driven. The change to servant style leadership could provide significant change in the wellness of a company.

So why is an in-depth description of these seven major reasons employees leave necessary? It is because successful employee retention is not found in tangible, easy solutions that revolve around pay, but rather “the most powerful solutions revolve around the more challenging intangibles, such as good management and healthy cultures” (ASAE, 2005). The first step in creating successful employee retention comes from changing the foundation of a company’s understanding of success. Employers who find ways to understand and inspire their employees will see growth and an overall increase of wealth in their company. Branham finishes his summery with “All employers need to know that 95 percent of voluntary turnover and disengagement is avoidable” (ASAE, 2005). It seems like the capitalistic nature of our world has heavily influenced the head of these large companies in treating their lowest employees like
moving parts in a machine and nothing more. However this research is showing that the opposite of these ideals can lead to much greater success.

So how much does a good or bad staff turnover ratio affect a company financially and how much financial investment should these large food service companies have in employee retention programs? A company’s wealth is defined by its profit margin, that is taking all of its profits and subtracting all costs leaving a hopefully large positive profit left over. Large companies have to be so precise in their checks and balances because profits made and the costs to make it come through so many different avenues. All companies will have differences in their spending for employee retention programs, but an overall look into costs associated with employee retention can show the financial affect.

Correcting these reasons discussed involving why employees leave should not be done just because it is nice. It should be done because “Maintaining a stable workforce by reducing employee turnover through better benefits and flexible workplace policies also makes good business sense, as it can result in significant cost savings to employers” (Boushey, 2012). Heather Boushey and Sarah Glynn compiled thirty case studies from eleven relevant research papers on employee retention between 1992 and 2007 to study its monetary affect. In the first figure they found a median turnover cost between 10% and 30% of an employees yearly wage.

![Figure 1](image1.png)

![Figure 2](image2.png)
These percentages in figure one were based on the average of workers making $75,000 or less annually. This means it costs about one fifth of a workers salary to replace them. Figure two shows the accommodation and food service industry as the highest percentage of employees to quit annually. It shows that 37% of employees quit in the food and accommodation industry in 2011, almost twice the amount of roughly 18% of employees laid off (Boushey, 2012). The facts in these graph help to prove how these high rates of employees leaving companies is now a big problem for companies in the food service industry.

Other costs when replacing someone include recruitment, severance, lost productivity, and lost opportunity (Yazinski, 2009.) The opportunity costs would be the time it will take to find a new employee, train them, and become productive in their job could have been used to increase profits. According to Heinrich Roth (2008), when estimating the total cost of staff turnover, it could actually be anywhere between 50% to 150% of an individuals annual salary. If this were the case then a company with a total amount of 250 employees earning an average of $49,000 annually would pay three million a year from staff turnover costs (Roth, 2008). If this is true then the large corporate food service companies see an incredibly large annual cost from staff turnover.

Roth also says “There is a clear link between successful staff retention strategies and the performance of a company” (Roth, 2008). Even with the many different thoughts on what percentage of a yearly salary is used on turnover, it is clear that the costs of larger turnover ratios greatly effect a companies financial costs. Creating a higher budget to to provide better recruitment and retainment strategies seems like a necessary investment in order to lower
turnover costs. It would be wise for companies look into how much they really are losing from annual staff turnover.

Having the knowledge of the importance in employee retention doesn’t really do a company any good until they are able to create an effective retention program to keep a higher percentage of employees for longer times. There is no one strategy that will always be best because of differences between companies structurally, geographically, culturally, and company size so this research will be based on links and common strategies found among each other. This will also look into the differences in strategies for lower level employees, line managers, and middle management employees.

There has been a shift in the modern workforce from the tradition of minimal shifts in occupations into individuals managing their own careers with a much higher rate of job changes. Today a career is defined as A pattern of work-related experiences that span the course of a persons life reflecting any work whether paid or unpaid (DeCenzo, 2013). This means the key to retention in these younger employees is to get them excited and interested early in the exploration process of the job. Managers should be giving solid clear feedback and try to find a job best suited for the employees talents. This will help motivate younger employees.

Many of the retention methods Tejeswari (2014) offered in his article seemed to heavily connect with the seven reasons why employees leave previously discussed. He first posed a dilemma on whether organizations should invest more time and money to create a better recruitment strategy or to pay more attention in keeping the the talented employees they already have (Tejeswari, 2014). Though both are important, I think it is more beneficial to make sure to keep the talent employers already have. He says to “Think of Retention as re-recruiting your
workforce” (Tejeswari, 2014). Two of his methods were providing a clear career path opportunity for continued career development and executive coaching. Two similar areas that were previously discussed by Branham. A good executive coaching strategy for leaders in the company would provide many incentives. I believe the trickle-down method for leadership is very effective when combined with servant style leadership of top level staff. There should be standardized teaching method for each level of leader within the company teaching them early on how to inspire and encourage their employees. Motivating across generations is also mentioned by Tejeswari, where each generations different expectations of the workplace, motivations, and engagement should be understood and handled differently by managers (Tejeswari, 2014). He also mentions that employee surveys, exit interviews, and employee retention consultants can be effective tools used to keep a company connected with its employees needs.

Sarah Yazinski (2009) mentions The idea of mentoring in the workplace. She said that “A mentoring program integrated with a goal-oriented feedback system provides a structured mechanism for developing strong relationships within an organization” (Yazinski, 2009). The pairing of a new employee with someone more experienced and older can remove anxieties and develop a more competent new employee. She also discusses benefits from instilling a positive culture and using communication to build credibility. “A company that creates the right culture will have an advantage when it comes to attracting and keeping good employees” (Yazinski, 2009). Constant communication is essential in eliminating the gap between managers and employees. Another common method discussed is the encouragement of referrals and recruitment from within the company. Promoting managers from within the company paired with defined management training develops a leader with compassion for the staff they are in charge
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This helps in achieving a positive culture where employees feel valued. I think a developed corporate structure that allows movement within the company should always be incorporated in large businesses.

One specific approach to better retainment of top level employees that is growing in popularity is the talent management approach. Julia Hughes (2008) wrote that “A 2007 search of the term talent management on Google revealed approximately 5,750,000 hits” (Hughes, 2008). Much can be found about this approach, but this also means it holds numerous differences in definitions and practices which can create confusion. Nancy Lockwood (2006) defined talent management as “The implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining, and utilizing people with the required skills and aptitude to meet current and future business needs” (Lockwood, 2006). She then claims that effective talent management without question provides one of the most critical points of strategic leverage today (Lockwood, 2006). Julia Hughes identified three primary concepts to the term talent management. They are that it is made up of a collection of typical human resource department practices, it implies a systematic approach that involves the whole enterprise to carrying out these functions, and that it focuses on sourcing and developing their employee’s talent (Hughes, 2008).

So why has the talent management approach, though very complex and confusing, become a popular system for retention. I think it has to do with the recent shifting of ideals of companies to focus more on their lowest level employees because they are the ones who interact with customers most and create the company’s brand. Julia Hughes (2008) said “Emotional drivers such as one’s relationship with one’s manager and pride in one’s work had four times
greater impact on discretionary work effort than did the rational drivers, such as pay and benefits” (Hughes, 2008). Examples of some of these top emotional drivers are trust and integrity, the nature of the job, the connection between individual and company performance, attitudes of co-workers or team members, employee development, and the personal relationship with one’s manager (Hughes, 2008).

This means that the success of these emotional drivers in employees are directly dependent on the company’s overall management philosophies (Hughes, 2008). Hughes also said a company has to make sure that “Managers at all levels of the organization are expected to behave with integrity, treat employees with respect, communicate effectively, involve employees in decision making, foster personal relationships with direct reports, and engender pride in employee work” (Hughes, 2008). This continues to show how the talent management approach can only be effective when leaders of the entire company our on board, connecting to the same vision and focus on improving the talents of all its employees (Hughes, 2008). Only then can the organizational outcomes become successful. “Day and Lord (1988) and Hunter et al. (1990), Morton (2005) stated that leadership quality has been found to account for as much as 45 percent of an organization’s performance” (Hughes, 2008). I saw many ways during research of why this approach could fail within companies. It involves many cogs working in the right direction in order to see overall success, but when it is done correctly the level of success is very large and a company’s wealth and status could see great leaps forward (Hughes, 2008).

So far many approaches with common themes have been discussed, but no one has found one ultimate strategy all companies should use to successfully increase their employee retention rates. This is probably because there truly isn’t a one size fits all option for employment
retention strategies, but there is an in depth guide given by Dr. Jack Phillips (2004) in his book, Managing Employee Retention, that could help companies find and correctly use specific strategies they can use effectively. Dr. Phillips (2004) said that “Finding a new approach requires shifting paradigms, changing perceptions, and throwing out old habits. A more rigorous, analytical, and strategic approach is often needed.” He first discusses some of the major problems in existing approaches still in use. He follows with an in depth description of an eight step model known as his strategic accountability approach to address employee retention. Note that this was written eleven years ago, but can still be applied in current business plans.

Phillips (2004) states that the outdated approaches still mostly used have created a couple of major problems. These problems are being reactive to the retention issue, developing too many preventative programs, searching for solutions, having too many solutions, mismatches between the need and solution, a lack of payoff (Phillips, 2004). When a company reacts to the retention issue instead of being proactive “The turnover issue results in severe stresses and financial impact in the organization before steps are taken to resolve it” (Phillips, 2004). He also wrote that other issues arise when a company implements multiple solutions with a try-and-see mentality thinking that at least one of them will effectively maintain turnover (Phillips, 2004). When this is done most of the results will blur between programs and a company won’t be able to tell one’s effectiveness from another (Phillips, 2004). Dr. Phillips writes that these problems can be solved by the transition to a strategic accountability approach.

The strategic accountability approach is an eight step model created by Dr. Jack J. Phillips (2004) that considers retention as an important part of strategy, measures retention with bottom line results, moves logically from one issue to another, is scene as a discipline and a
methodology, and forms a continuous cycle of improvement (Phillips, 2004). He states that the first step in this approach is to measure and monitor the company’s turnover (2004). Phillips says to use the definition of avoidable turnover when measuring and separate the turnover rates into multiple categories from demographics, regions, devisions, and branches to more accurately see specific turnover problems (Phillips, 2004). Dr. Phillips also writes that it is very important to report the turnover rates with actual costs so a company can actually see how much money they are losing (2004). The turnover information should then be compared within its industry, to other best-practice firms if possible, with the company’s historical data, and amongst previous expectations in order to successfully see the effect of the company’s turnover (Phillips, 2004).

The second step involves developing a fully loaded cost of turnover which means involving a complete cost profile covering all categories that relate to the total impact of an organization (Phillips, 2004). This is important because many companies only use costs for recruiting and training which can create a skewed vision of total impact of costs for a company (Phillips, 2004). The next three steps in the process are to diagnose the causes and needs for retention improvement, explore a range of solutions, and match solutions to needs (Phillips, 2004). These steps take a large pool of possible solutions and slowly take out mismatches based on its needs until a solution for maximum return is found (Phillips, 2004). This process cannot be rushed and needs much attention in order to find the best potential solutions. The next step is to forecast the value of solutions (Phillips, 2004). Dr. Phillips writes that this involves “Developing a forecast for the value of a solution allows the team to establish priorities, work with a minimum number of solutions, and focus on solutions with the greatest return on investment” (Phillips,
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2004). He says that this step should ideally offer a range of ROI, rate of impact, values and is one of the most difficult but necessary parts of this process (Phillips, 2004).

According to Dr. Phillips (2004), the seventh step in this process is to measure the ROI for turnover reduction solutions. He writes that this step is often omitted because it appears as an unnecessary add-on process, but this step is needed in order to show what the actual measure of success of the solution is. This figure taken from the ROI institute shows the ROI process that will generate six different types of data to measure the effectiveness of the retention strategy used (Phillips, 2004).

Dr. Phillips (2004) wrote that these types of data are the reaction to the solution, the skill and knowledge acquisition, the application and implementation process, the business impact improvement, the return on investment in ROI formula, and the intangible measures not converted into monetary values. Dr. Phillips (2004) said “This ROI process is comprehensive and accurate and can provide assessment of the impact of any turnover-reduction strategy.” The final and eighth step in the strategic accountability approach is to make adjustments and continue (Phillips, 2004). He writes that all of this information lays a structure for adjusting and/or repositioning the retention solution so that it can be revised, discontinued, or amplified (2004). Then the company goes back to the first step and begins monitoring this new data continuing the
cycle. I think that this process creates an in-depth and extensive approach that any company can use in order to find a successful retention strategy specific to their needs. It is the best universal strategy I have found in my research of effective retention programs.

The last component for companies in effective employee retention is the need to have a developed structure of the role their human resources play in the employee retention process. Nancy Lockwood (2006) writes that HR, or human resources, lead the way for the organization to implement, as a whole entity, the specific retention strategy of the company. They work closely with the board, CEO, and senior management to ensure they are committed to performing the strategy effectively (Lockwood, 2006). This is directly linked with the theory stated earlier in this paper of the trickle down effect when employees attitudes will reflect the attitudes of their managers. Lockwood says that it is the role of human resource to be the checks and balance system for management ensuring they are leading by example (2006). HR also plays a major role in the recruitment process for their company (Lockwood, 2006). Regardless of the strategic approach chosen, the company’s human resources team plays an important role in keeping the holistic ideas of the approach being preformed (Lockwood, 2006).

In conclusion, the results from this research have provided numerous insights into employee retention strategies and turnover rates among corporate level companies in the hospitality industry. As predicted this research demonstrated that there is a link between lower employee turnover rates and the overall success of a company financially and in their brand quality. As a result high turnover rates in large hospitality companies are losing millions of dollars a year on the fully loaded cost of their turnover. Along with this linkage, research in this paper found successful methods companies could implement to lower employee turnover rates
effectively and use their human resources department successfully. This paper has found that large companies in the hospitality industry who have high employee turnover have the ability to apply effective strategies specific to them and improve their overall wealth.
References


