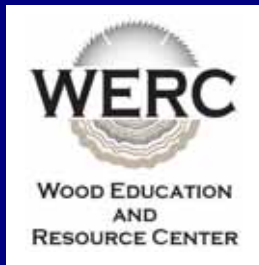


# Executive Briefings

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Volume 1 Issue 4



## **Penn State's CENTER FOR WOOD INNOVATION & SUSTAINABILITY**

FOREST RESOURCES BLDG  
SCHOOL OF FOREST RESOURCES  
University Park, PA 16802

Welcome to the fourth issue of Executive Briefings!

Judd H. Michael, Director

In this issue we are discussing several Human Resources issues that are directed primarily at our industry audience. In the past several years we have done a number of projects related to understanding HR challenges for wood producers that have given insight into the best (and worst) practices of employers, and this month we provide an overview of three of the basic tactics for retaining good employees.

One of our projects investigated whether blue collar production employees care about the "corporate social performance" of their employer. Many managers think that their rough and tough line workers really don't care about any of this stuff, but our results suggest that there are significant numbers of production employees who do care about how their company treats its workers, and will exhibit desired behaviors in return for positive social performance. We'll provide a brief synopsis of this work at the end of this issue.

Plenty of research has shown the importance of attracting and retaining a high quality workforce, and yet we see many wood manufacturers that do not have good HR systems in place. We recently wrote a handbook on Human Resources Best Practices to help wood producers seeking to upgrade their HR system, and will be finishing the second edition of the book this summer. The new edition will be available by the end of July for persons wanting a copy.

If you did not get a copy of the earlier issues of EB please let us know and we will send one to you.

Feel free to pass this newsletter along to colleagues, and if you want to be added to our email list please send me a note.

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# Three Tactics for Improving Employee Retention

By: Jenna P. Stites

Most managers think that human resource (HR) functions are costly and unnecessary, especially during an economic recession. However, effective human resources management (HRM) is still critical during a recession. This is because the quality of your workforce has the potential to differentiate you from your competitors. In fact, many experts believe that employees are the “new” competitive advantage. This means that although your competitors may have the same equipment as you, your workforce has the potential to make your company more successful than competitors. Moreover, it is believed that following Best Practices in HR leads to a high quality workforce, which results in increased performance. Therefore, although business is down, it is still important to focus efforts on successful HRM.

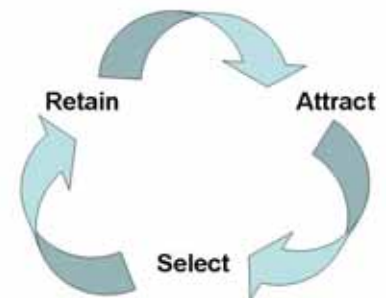


At this point, most, if not all companies, have felt the effects of the economic downturn in one way or another. Many companies have had to layoff many workers or even temporarily close shop to weather the storm. However, during such a dark time, it is easy for managers to get lost in the trees and miss the forest. It is critical to remember that although managers have to act on a day-to-day basis, they must think long-term. This is where HRM comes in. The goal of most managers at this point is, generically, to get through this downturn and emerge as a more successful company.

In order to do this, companies will have to make sure that they are taking strides to retain their top performers. This is because employee attraction and retention is sort of a chicken and egg problem. A company must retain its workers in order to attract future top performers. This is because word gets around and no one that has a choice wants to work for a company that has poor HR practices. Therefore, companies that wish to attract top applicants must be sure they have good HR practices and are able to retain current top performers.

## The three aspects of HRM

- You have to attract in order to retain, but you also have to retain in order to attract...



Although you might think that none of your workers will quit because they have nowhere else to go, this is not a sufficient retention tactic. This is because as soon as the economy begins to perk up and more employers post job openings, employees who are not happy at their current job will begin to jump ship, even for incremental pay increases and in some cases decreases. This turnover is very costly for companies. Benchmark data on the costs of losing one wood production employee are difficult to obtain, however, costs are generally thought to fall within a range from 25% to 50% of annual wages, but may be greater than 100% depending on the position, skills needed, etc. If we assume that a producer has 500 production employees with average annual pay of \$25,000 each, and annualized turnover is 25% (not uncommon for the wood industry), and if we further assume a conservative estimate for the cost of turnover at 30% of annual compensation, this company would have turnover costs of nearly \$1,000,000 per year. If that company were able to reduce its turnover by only 5% then annual savings would total over \$180,000. (For more information about this, ask us for a copy of “Human Resources Best Practices: A Handbook for the Hardwood Industry”)

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“Human Resources Best

Practices: A Handbook for

the Hardwood Industry”.

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Therefore, to help companies weather this economic storm and emerge successfully with their top performers, the rest of this article will be dedicated to three tactics managers can use during downtimes to improve their HR practices, enhance employee retention and help ensure that their top workers will be there when business begins to pick up.

## 1. Provide a Respectful and Caring Environment

Why should you provide a respectful and caring environment for your employees? Research has shown that employees who feel cared about at work are more likely to be satisfied with their job and want to stay with the company. What does respect look like? In the most general sense, it is the age-old “Golden Rule” of treating others like you would want to be treated. A respectful and caring environment can be facilitated by fostering a family-like community. For example, you could have company picnics where immediate family members are welcome, or your company could form a sports team in the community. On a more interpersonal level, respect and care can be shown by asking employees about their personal life and celebrating milestones together (for example birthdays, children’s graduations, promotions, etc.). However, most importantly, respect and care should be shown by providing a decent work environment. Make sure that employees have the time to balance their life and work. Sometimes it might be necessary to allow an employee’s schedule to be a little more flexible (for example, working a different shift).

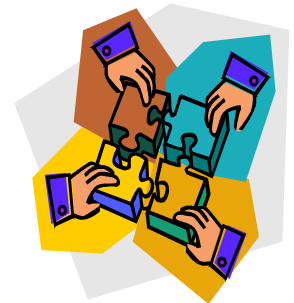
However, in terms of the current economic crisis, there is one way to show respect and care to your employees that stands out from among the rest: be transparent. Make sure that employees have enough information to make informed decision about their work and personal lives. Also, do what you can to cut costs without laying off workers. For example, ask employees for their ideas and what they are willing to do to avoid layoffs. Some companies have found that by being transparent with their employees, some employees actually offer to take unpaid vacation time or reduced hours in order to alleviate the need to layoff a fellow worker. Other ideas include taking a percentage cut from wages across the board (including managers), or reducing hours across the board. Although these are not panacea solutions, they show employees that you care about their wellbeing.

*The Bottom Line:*

*Employees who feel respected are more likely to stay with your company*

## 2. Demonstrate Meaningfulness of Work

When employees understand the company’s goals and how those goals relate to them, they are more willing to work towards those goals because they feel a sense of meaning. How do you demonstrate meaningfulness of work to your employees? First, managers need to continually remind employees of the “big picture” and how their job contributes to the overall function of the company as a whole. Additionally, oftentimes when employees are placed into groups or teams it is easier for them to see how their work impacts the work of others. Additionally, redesigning jobs for skill variety and task significance can also help employees to see meaningfulness. This can be done via simple job rotation where employees are cross-trained in order to work in other positions. This simple act helps employees to see not only how valuable they are to the company, but also how valuable their coworkers are as well.



*The Bottom Line:*

*When employees are shown the meaningfulness of their work, they are more willing to work harder to meet their goals*



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### 3. Give Feedback and Recognize Efforts

What is feedback? It is the flow of information between people and can be positive or negative. Feedback is important in the work environment because it can help to reinforce good performance or redirect poor performance. In addition to giving feedback, it is important that managers are also able to receive feedback. The most important point is that managers listen to the other party's issues and keep an open mind. Further, managers should accept responsibility or calmly share their own view of the situation. Next, they should ask for suggestions on how to improve, create an action plan, and, finally, implement the action plan.

There are five steps to giving successful corrective feedback:

1. Identify a specific behavior that is problematic
2. Stop talking and start listening to the employees' side
3. Agree on what the issue actually is
4. Develop an action plan to correct the issue
5. Follow up to see if the action plan has been implemented



In addition to giving corrective feedback, it is also important that managers give employees recognition of a job well done. Recognition refers to the acknowledgement of an achievement and can take the form of money, verbal praise, or anything in between. However, it should be noted that managers should be aware of how employees prefer to receive feedback. Some employees may not like a public statement of accomplishment; others may value such a statement. However, regardless of its form, recognition is important because it makes employees feel special and increases job satisfaction.

There are four characteristics of effective recognition:

1. It comes from someone who is important in the company
2. It is contingent on performance
3. It is fresh, relevant and sincere
4. It is given according to employee preference.



#### *The Bottom Line:*

*Feedback and recognition are essential for discouraging negative behaviors and encouraging positive ones*

In conclusion, it is important for companies to focus on employee retention, even during a recession. There are three key tactics that managers can use in order to improve a company's HR practices: providing a respectful and caring environment, demonstrating the meaningfulness of work, and giving feedback and recognizing efforts. These are important initiatives during downturns because the overall goal is to emerge from a recession as a stronger company. And, in order to be a stronger company, you will need the support of your top workers. In such times communication is paramount. Managers need to be sure that their communication is clear, precise and honest as well as respectful and consistent. If you do not communicate openly with your employees, they will not trust you and they will look for opportunities to jump ship. Given the high costs of turnover, it is imperative that managers work towards creating a work environment that fosters positive employee retention. In addition, by retaining top performers, your company will likely be differentiated from among its competitors.



## A Note on Corporate Social Performance: How corporate actions can influence your employees

Recent research has shown that a company's social and environmental performance can have a positive impact on its professional, or white-collar employees. However, some of our latest research has shown that the same is true for hourly production workers, or blue-collar employees, in the wood products industry! Specifically, our study examined the relationship between a company's Corporate Social Performance and the job satisfaction and organizational commitment of its employees in the context of secondary wood production facilities. Corporate social performance was defined as the actions taken by a company with respect to its employee relations, community relations and environmental-product relations.

The main implication of this research is that companies can use their corporate social performance in order to gain employee commitment and satisfaction, both of which reduce turnover and have the potential to increase corporate profits. In particular, it is important that companies make these actions known to their employees. In terms of employee relations, companies should ensure that decisions about pay and promotions are made fairly and transparently. In addition, the company's community involvement and environmentally friendly activities should also be made known. In sum, a company's corporate social performance is positively related to employee commitment and job satisfaction, both of which have the potential to increase company performance!

For more information about this, please contact us!

-- Jenna P. Stites

Need advice on how to manage Human Resources in your company?  
Check out our book:

### **Human Resources Best Practices: A Handbook for the Hardwood Industry**



Available for purchase.

Contact Judd Michael at [jhm104@psu.edu](mailto:jhm104@psu.edu) for more information

This publication is available in alternative media upon request.

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