VISTAGE

# MANAGING WORKFORCE VELOCITY

Improving Employee Retention

# MANAGING WORKFORCE VELOCITY

## 4 areas of focus for improving employee retention

In the post-pandemic labor market, workers have unprecedented leverage and flexibility. Historically low unemployment, abundant job openings and fierce competition for talent have changed the employer-employee dynamic, giving workers the upper hand.

As a result, the "Big Upgrade" is in full swing. Workers are actively seeking — and quickly finding — jobs that advance their careers, increase their wages or provide the flexibility they desire. Workers are not only free to move, but they're also rewarded for moving. According to the ADP Research Institute, salaries increased by 15.2% for workers who changed jobs in 2022, compared to a 7.3% increase for those who did not change jobs. This movement is accelerated by digital platforms like LinkedIn, which make it easy for workers to market their skills to potential employers.

Together, these factors are fueling "workforce velocity" — disruption to the labor force as measured by quit rates, open headcount and days to fill roles. Recent data points show high levels of workforce velocity. In March 2023, 3.9 million workers quit their jobs (a quit rate of 2.5%), and job openings reached 9.6 million. Those figures are concerning for small and midsize businesses, given that 54% plan to increase their workforce in the year ahead and 39% plan to keep it the same, according to the Q1 2023 Vistage CEO Confidence Index. In addition, 49% of CEOs say a lack of headcount is impacting their company's ability to operate at full capacity.

### IN THIS REPORT





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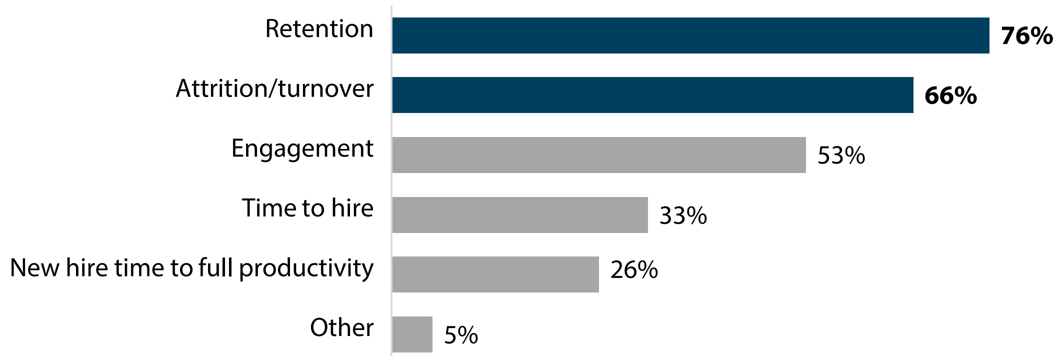
# Measuring Workforce Velocity

Most CEOs have a good handle on their retention rate. Of the 75% who currently measure it, 15% said retention had improved since the start of the year, and only 9% saw a decline according to the [Q1 2023 Vistage CEO Confidence Index.](#) One year earlier, only 12% reported improvements in retention, and a whopping 19% said it got worse.

### Retention rates are the top people metric reported by CEOs of small and midsize businesses

*Which of the following people metrics are you currently measuring for your business?*




Source: Q4 2022 Vistage CEO Confidence Index, n=1,373

On the reverse side of retention is turnover — the number of workers who have left an organization — which drives workforce velocity. Turnover can be involuntary (i.e., a worker is asked to leave) or voluntary (i.e., a worker quits or leaves on their own). While two-thirds of CEOs are measuring attrition or turnover, many are not measuring the rate of change or benchmarking it against industry averages. This metric serves as the canary in the organizational coal mine and is an important indicator of retention problems on the horizon.

Given that U.S. quit rates are trending well above average, it's also important to discern the rate at which people are voluntarily versus involuntarily leaving a business. High voluntary attrition points to the need for exit interviews that explore specific reasons people are leaving. High involuntary attrition raises questions about whether a company needs to improve its hiring practices, onboarding experiences, training programs or ability to find the right hires based on skills, experiences or cultural fit.

Other important variables to monitor include the time it takes to fill open positions (measured by 33% of CEOs) and time to productivity for new hires (measured by 26% of CEOs). Note that these metrics capture workforce movement but do not forecast retention problems.

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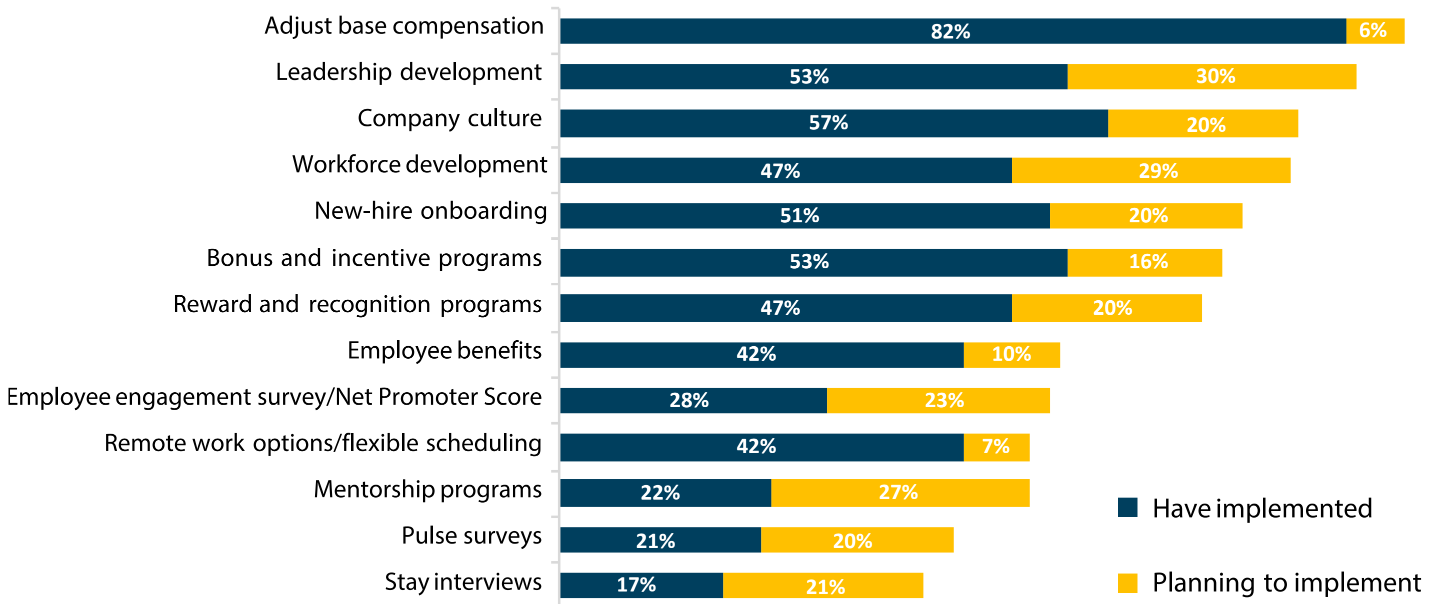
# Quelling Disruption with Retention

To manage workforce velocity, small and midsize businesses need to double down on employee retention, which is foundational to a successful talent management strategy. While hiring gets the headlines, retention gets the work done. When retention is strong, culture and morale improve, employee knowledge and experience are retained, engagement increases, talent losses are minimized, productivity and profits rise and pressure on the hiring function is reduced. When retention is weak, workflow is disrupted, business stability is compromised, culture takes a hit, and companies lose time and money trying to replace the talent they've lost — especially in the [Aftermath Economy](#).

**Our analysis of the Q1 2023 Vistage CEO Confidence Index survey identifies the top areas CEOs can focus on to improve retention at their small or midsize business.**

## Most CEOs report boosting wages and investing in their leaders to support retention

*What improvements have you made to increase employee retention in the past 12 months?*




Source: Q1 2023 Vistage CEO Confidence Index, n=1,405

**We offer four recommendations for getting started, along with expert perspectives to guide CEOs on the journey.**

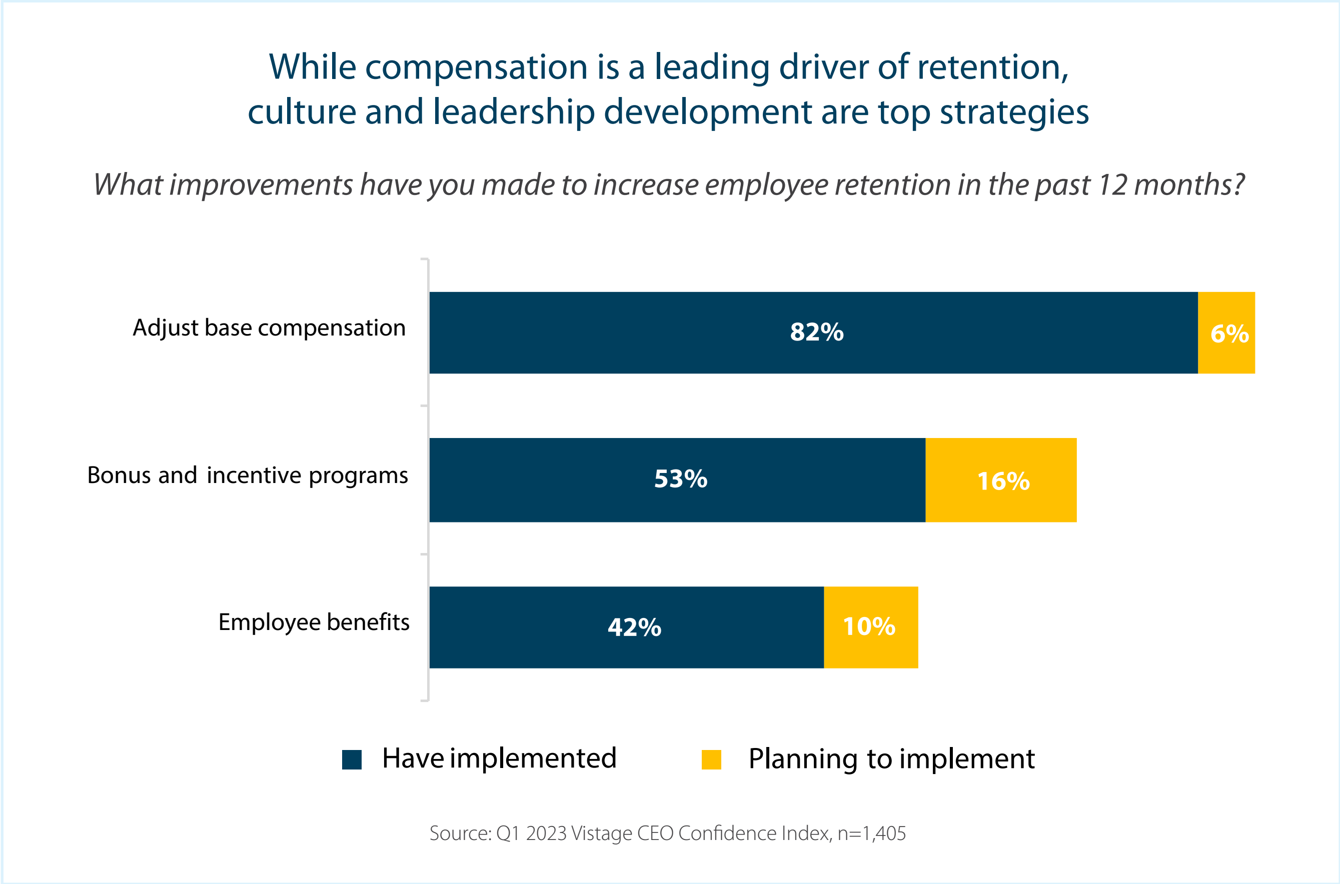
1. Provide competitive compensation.
2. Invest in workforce development.
3. Define, model and reinforce culture.
4. Understand and drive engagement.

## 1. PROVIDE COMPETITIVE COMPENSATION

Offering fair compensation is table stakes for retaining employees. It's also the retention tactic most used by small and midsize businesses. Recently, we asked 1,405 CEOs, "What improvements have you made to increase employee retention in the past 12 months?" and their No. 1 answer was compensation.

Fair compensation is, in fact, foundational for both retaining and hiring top talent. When workers hear about colleagues who increased their salary by changing jobs, they're tempted to follow in their footsteps. If a recruiter dangles a higher-paying job in front of your employee, they'll find it hard to turn down.

Consequently, 82% of CEOs have adjusted base pay for their workers, and another 6% plan to do so in the year ahead. CEOs also report making improvements to bonus and incentive programs and employee benefits in response to the state of employment and wages. Ideally, these compensation increases, like price increases, are strategic and guided by data from compensation studies.




Another approach to consider is career pathing, where compensation increases are tied to employee development. When a company publishes compensation ranges for different roles and provides clear paths for moving up, employees can see how they can grow within their existing roles and what they need to get to the next role. This helps them see a path for personal development and the increased compensation that comes with it.

**However, compensation is only part of the equation. Culture, purpose and co-workers also play a role in retention.** Just like hiring, it's a mistake to think that compensation is the solution; often those who leave for higher pay will return for intangible things like culture, people, purpose and other nonmonetary benefits.

# EXPERT PERSPECTIVE | Marc Emmer

**Marc Emmer**
President of Optimize Inc.

Today, securing affordable labor is the most daunting strategic issue for U.S. employers. Open positions continue to outpace the number of workers, and the inflationary pressures of rising wages and compensation have yet to ease up.

Managing wages and compensation is tricky, but consider using these best practices as a guide:

- **Benchmark your wage increases.** Naturally, every company should benchmark its wages and compensation regularly. The size of your business is a key consideration. While wage inflation has impacted businesses of every size, many large companies have increased their wages more than smaller companies. Companies with fewer than 20 employees may have difficulty keeping pace with average wage increases, which currently hover around 6.5%.

- **Leverage employee retention as a competitive advantage.** Job switchers are commanding much higher wages than those who remain with their existing employer. While the curve of wage inflation for job switchers is flattening, there is ample incentive for workers — especially younger ones — to change companies and roles for more money.

- **Consider the demographics of your target employee.** The population segment in greatest demand is women under 25, while the segment in lowest demand is men over 55. Wages for those 24 and younger are growing at almost triple the rate of older workers.

> *"Securing affordable labor is the most daunting strategic issue."*
>
> Marc Emmer

- **Keep pace with wage changes in your industry and geography.** Wage inflation is largely consistent across industries. However, hospitality and warehousing have experienced the biggest spikes in wage increases. Construction, which has been in an extended wage cycle, is in flux as a result of the shift from residential building to infrastructure and civil projects. Wage inflation also may vary across sectors and geographies due to government action. For example, California recently passed a law that may increase the minimum wage for fast-food workers to $22 an hour.

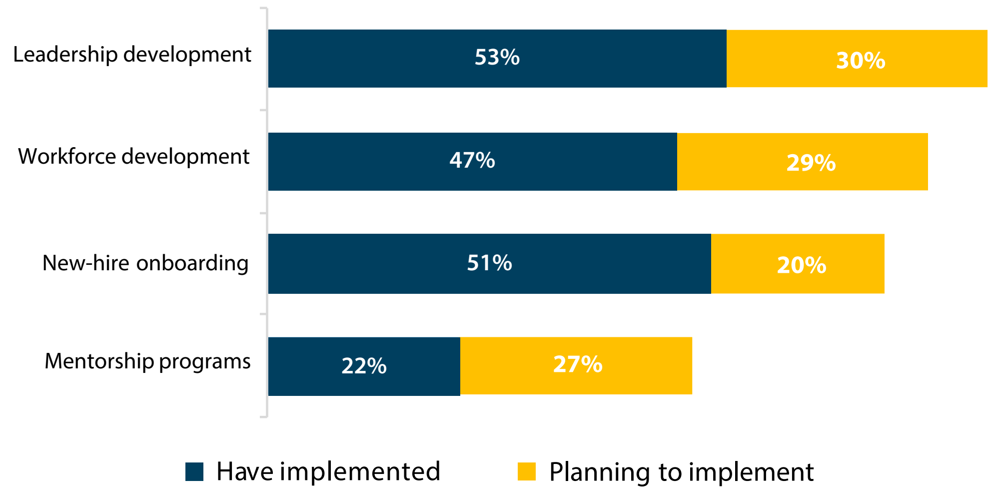
- **Adjust your labor budget.** If that's not feasible, consider whether you need to make changes to your business model, staffing structure or automation capabilities to stay competitive as an employer.

## 2. INVEST IN WORKFORCE AND LEADERSHIP DEVELOPMENT

People are your most important asset. Investing in them demonstrates their value and supports retention. As of Q1 2023, CEOs report their retention efforts included investments in leadership development, workforce development, new-hire onboarding and mentorship programs.

### Majority of CEOs report boosting wages and investing in their leaders to support retention

*What improvements have you made to increase employee retention in the past 12 months?*



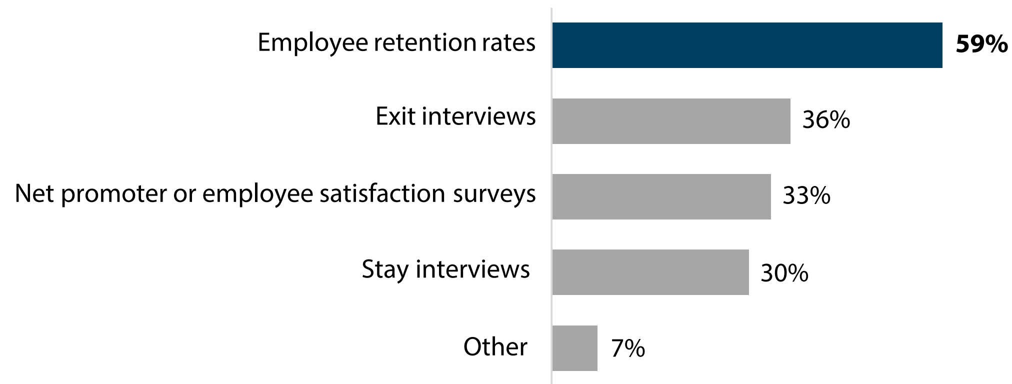

Source: Q1 2023 Vistage CEO Confidence Index, n=1,405

Investments in development can work to your advantage on many levels. They improve the capacity and capability of the team you have today, which can improve productivity when you are challenged by talent scarcity. They improve retention by growing loyalty to an organization that invests in them. And they can serve as a competitive advantage in hiring, helping you differentiate your company in a competitive labor market.

A key component of workforce development that pays off exponentially is **leadership development.** No one has a greater influence on an employee's day-to-day experience than their boss. A boss defines an employee's role, sets and inspects their activities, and judges their performance based on individual and team results. They play a key role in the entire lifecycle of an employee, from application to onboarding, development and growth. One of the best measures of leadership development programs? **Retention.**

## Retention rates are the primary measure of success measure of leadership

*How do you measure the success of your leadership development efforts?*




Source: Q1 2022 Vistage CEO Confidence Index, n=1,584

To build better bosses, CEOs need to provide leadership development opportunities that prepare frontline managers to reinforce culture, motivate teams and coach individuals on performance and results. That means ensuring that leadership development is not just a privilege reserved for upper-level managers, but an opportunity that extends to all frontline leaders. Without that training, frontline managers may pose a threat to retention because workers don't often leave bad companies; they leave bad leaders.

Mentorship programs bind key workers to people outside their workgroup and help them build a deeper connection. **Connection to people is an important part of the next strategy — culture.**

# EXPERT PERSPECTIVE | Amy Marcum

Originally published on the Insperity blog as "Employee orientation vs. employee onboarding: Why you need both."

**Amy Marcum**
Senior Human Resource Specialist, Insperity

Onboarding and orientation are not interchangeable but rather complement each other in the overall goal of increasing employee engagement and helping them feel prepared and ready to work. For new hires, employee orientation is a **one-time event** that welcomes new employees to your company. It's more general in focus. Employee onboarding is a **series of events and training sessions** (including orientation) that can help turn new hires into successful employees. It's more job and department specific.

> *"Onboarding and orientation are not interchangeable but rather complement each other."*
>
> Amy Marcum

## About Orientation

At orientation, human resources personnel and company leadership formally introduce new hires to your organization. Typically, HR and company leadership deliver information through presentations, videos and question-and-answer sessions. Many times, companies schedule time for leaders to greet new employees, introduce themselves and explain their roles within the business.

## About Onboarding

Employee onboarding is more of a strategic plan to help new hires understand their day-to-day job responsibilities and work processes through meetings, starter projects and job-specific training. This is the time when they can acclimate to the company culture and start to live out the mission, vision and values they were introduced to in orientation. They get to know their team members and manager and learn who to go to for questions and approvals. During this time, it's critical for managers to schedule regular check-ins with new hires to share feedback. It's also important for team members to build camaraderie through work or casual activities.

## Comparing Orientation and Onboarding

Let’s compare the focus, duration, content, outcome and overall value of orientation and onboarding.

| ORIENTATION | ONBOARDING |
|---|---|
| • **Focus:** Role in the company<br>• **Duration:** One-time event<br>• **Content:** Big picture<br>• **Outcome:** Ready for training<br>• **Value:** Get employees familiar with your company’s mission, vision, values, policies and other general requirements. This enables them to feel welcomed, included in the organization and committed to your company as a whole. | • **Focus:** Role in department or smaller team<br>• **Duration:** Sequence of events over a period of time (months)<br>• **Content:** Individualized<br>• **Outcome:** Actively contributing<br>• **Value:** Employees gain clarity about their role and are invested in their work and goals, with an understanding of how they and their team contribute to the larger picture. They feel integrated within their team and empowered for success. This is the critical first step to fostering long-term employee engagement while lowering employee stress and reducing turnover. |

## 3. DEFINE, MODEL AND REINFORCE CULTURE

Culture is the gravitational force that attracts top talent, binds good workers to a business and ejects those who are not a good fit. Creating a conscious culture starts with you as the CEO. By defining, modeling and reinforcing culture at the executive level, you help ensure that your cultural ideals ripple down to the level of frontline managers and across to the workers themselves.

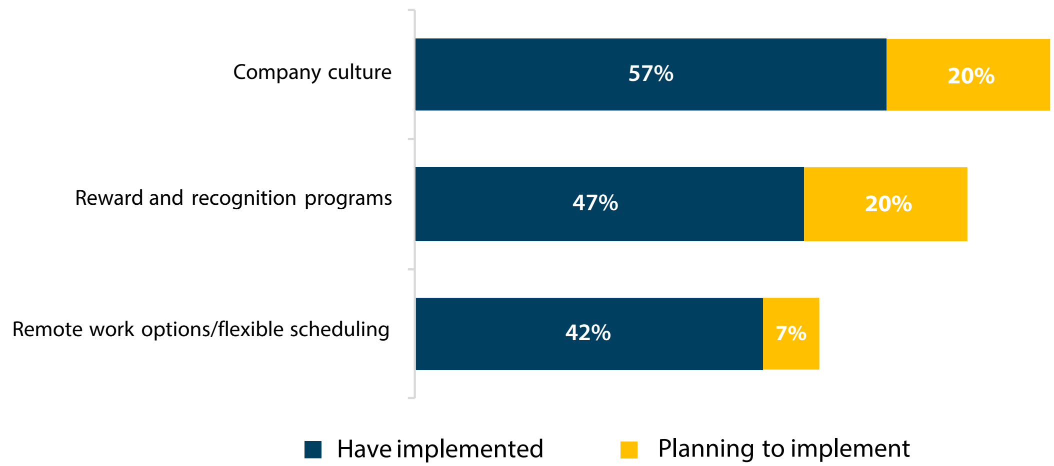
To that point, everyone in the organization plays a role in embracing and solidifying culture. Senior leadership is responsible for communicating the culture and clarifying the mission, vision, purpose and values to team leaders, who are responsible for bringing that culture to life. They teach their direct reports how to demonstrate company culture and hold them accountable by rewarding the behaviors that align with the culture and coaching when there is a lack of alignment.

Culture is evident in how an organization recognizes and rewards individuals for both work performance and demonstration of organizational values. These small rituals have big payoffs. Recognizing work-life balance through flexible hours for on-site employees and remote work options for hybrid employees is another way to create a culture that pays off.

How your organization promotes diversity, equity and inclusion (DEI) is another foundational part of culture that impacts retention. When asked about the objectives of DEI programs, 62% of CEOs reported their objectives were to attract and retain talent. DEI efforts are an important way to create psychological safety.

### Culture is a key driver of retention, and recognition programs and flexible scheduling contribute to culture

*What improvements have you made to increase employee retention in the past 12 months?*




Source: Q1 2023 Vistage CEO Confidence Index, n=1,405

# EXPERT PERSPECTIVE | Keisha A. Rivers

Keisha A. Rivers
President of
The KARS Group

Diversity, equity, inclusion and belonging (DEIB) — the piece that I always add — must be an integral part of your talent optimization strategy. The most successful companies are people-centered, people-focused and people-first organizations.

## Thinking Diversely About Diversity

When most people think of DEIB, they think of representation. Representation is one piece of this, but your strategy must go beyond representation and look at diversity in other ways — diversity of thought, diversity of background, diversity of experience, diversity of perspective and diversity of styles. People want to be in communities where they feel psychologically safe to take risks, to learn, to grow and to challenge themselves and others. They need to feel seen, heard and valued.

CEOs really need to have a variety of different perspectives that inform them about the different ways to think about their workforce. Take the work-from-home debate. Studies show that neurodiverse workers thrive in work-from-home situations because they don't have as much stimulation and can control their working environment. Also, consider accommodations for the otherwise-abled, such as people who have physical challenges, are hearing-impaired or are vision-impaired.

## Be Proactive, Not Reactive

It's better to be proactive and think about these things before there's an issue. When people are interviewing at your company, they will ask questions about how you support working mothers or people of different sexual orientations or gender identities, or how you're preventing harassment. If you're not creating a clear message of how your company treats its people, someone else will. Remember, in the absence of a clear message, people will create their own.

## Consider Policy and Process

Talent optimization and DEIB are about policy *and* process. Often there's no process in place that allows you to stop and recognize, "Oh, we need to think about this." Ultimately, if you have not created a psychologically safe environment, people are not going to stay.

## Optimize the Environment to Attract, Engage and Retain People

Talent optimization and DEIB are not coddling your people. They are important in creating an environment that allows them to be their best. If we want to attract, engage and retain talent that we can optimize now and into the future, this must be an important part of who we are and what we do.

## Four questions to ask yourself as a CEO

1. **Diversity:** How do you support diversity of thought, background and experience beyond representation?
2. **Equity:** What policies do you have in place to ensure equity and fairness and to address nepotism, favoritism, and bias?
3. **Inclusion:** What avenues do you use to capture feedback and provide opportunities for active participation in strategy and execution?
4. **Belonging:** How do you help employees understand their role as part of something bigger?

*"People want to be in communities where they feel psychologically safe."*

Keisha A. Rivers

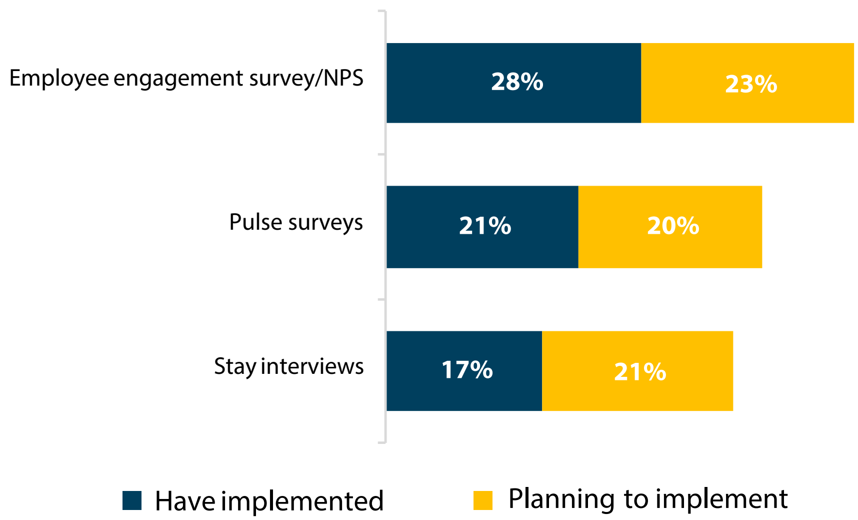
## 4. UNDERSTAND AND DRIVE ENGAGEMENT

A leading indicator of workforce velocity is engagement. **Employee engagement** is the only metric that captures how invested and committed employees are to their work, colleagues and company goals. Just as a Net Promoter Score captures the customer experience, employee engagement captures the employee experience. It indicates how employees feel about their employer and whether efforts to improve retention are working.

There are many ways to capture this feedback, which acts as a leading indicator for retention. Formal employee engagement surveys are often conducted annually or biannually. They can provide a view of engagement across the organization as well as by department and leader, identifying trouble areas. Pulse surveys, which prompt employees to answer three or fewer questions in short intervals, are useful for keeping tabs on engagement on a more frequent basis throughout the year. One-to-one stay interviews can lead to new strategies for strengthening retention.

### Efforts to measure engagement are leading indicators of retention

*What improvements have you made to increase employee retention in the past 12 months?*




Source: Q1 2023 Vistage CEO Confidence Index, n=1,405

**Why should you make engagement a priority?** Because research shows that engaged employees are more productive than disengaged employees. They are more likely to feel valued and satisfied with work, have a sense of purpose and come up with new ideas or solutions. They are less likely to call in sick or miss work. This contributes to a positive work environment, higher employee satisfaction and lower turnover rates. Most importantly, it helps ensure that employees will stay with a company long term.

Disengaged employees, in contrast, are more likely to leave their organization. They may feel unfulfilled or unappreciated in their work, leading them to look for other job opportunities. Additionally, disengaged employees may have negative relationships with their co-workers and managers, which can further erode their loyalty to the business and be toxic to employee morale.

# EXPERT PERSPECTIVE | Kathleen Quinn Votaw

**Kathleen Quinn Votaw**

Author, Speaker and CEO of TalenTrust

To build an employee experience that engages employees, a CEO needs to think about the employee journey from attraction to attrition and everything in between. Here are 10 important steps.

**Step 1: Manage your digital reputation.**
How you present yourself in the digital world is incredibly important for making your company attractive to applicants. Make sure that your website and social media pages reflect who you are, what you stand for and what you do in the community. Own any company reviews that appear on websites like Glassdoor and get in the middle of the conversation in a positive way.

**Step 2: Use data to vet your applicants.**
Be thoughtful about how you pre-screen and select candidates from your applicant pool. Are you using data to drive selection? Are you vetting for corporate values? The big question is not whether someone can do the job but whether they fit your community.

**Step 3: Treat interviews like a courting process.**
Interviewing is like dating. Every single touch point is an opportunity to either move forward or exit stage right. Make the interview experience positive and transparent and don't over interview people.

*"A CEO needs to think about the employee journey from attraction to attrition and everything in between."*

Kathleen Quinn Votaw

**Step 4: Don't botch the offer.**
The price of everything is through the roof, so don't be cheap with your compensation offer. Also, ask the candidate to explain what's important to them in an offer, which may or may not be cold, hard cash. Sometimes you can negotiate paid time off or work location instead.

**Step 5: Keep your new hire close.**
Statistically, most people who take a job offer are still going to keep their options open. I call this "post-traumatic job syndrome." To manage this risk, show your new hire that you value them. Send them a gift with some company swag — a branded t-shirt or coffee mug, for example — to say, "Thanks for choosing us." Make people feel like they're part of the team before they even start.

**Step 6: Onboard for at least six months.**
I recommend a six-month structured onboarding program that is centered around four building blocks: Compliance, Clarification, Culture and Connection. Conduct in-depth check-ins, give your new hire a mentor to rely on and make sure there's still a fit.

**Step 7: Develop the relationship.**
Treat people with human kindness. Understand what your employees' needs are and know something personal about them. The employee experience should be a mutually beneficial relationship between a leader and their employee.

**Step 8: Recognize good work.**
Real, authentic recognition shows that you've noticed when an employee has gone above and beyond. Send them a note, give them a book that's important to you, or grab a cup of coffee and go for a walk. Sometimes, attention and time are more valuable than money.

**Step 9:**
**Have the courage to let underperformers go.**
Don't be afraid to hold people accountable for underperformance. Have the courage to say, "I think you're a great person, but it seems like you are not interested in the work you are doing because you are missing deadlines. Let's figure out what you could do to be happier." If you tolerate underperformance, that will affect your other employees' experiences.

**Step 10:**
**When people leave, celebrate their successes.**
If your employee decides to leave, celebrate where they are going — as long as there's respect and dignity on both sides. Communicate the news to the rest of the team within 24-48 hours. And listen to the reasons why the employee is leaving so you can learn from them.

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# RESEARCH PERSPECTIVE

There will never be enough workers to satisfy the growth potential for small and midsize businesses. Hiring challenges are still preventing 49% of CEOs from operating at full capacity, although it has improved from 72% one year ago. Humans remain the fossil fuel for the growth engine. Through the next growth cycle and into 2030, workforce velocity will remain extremely swift.

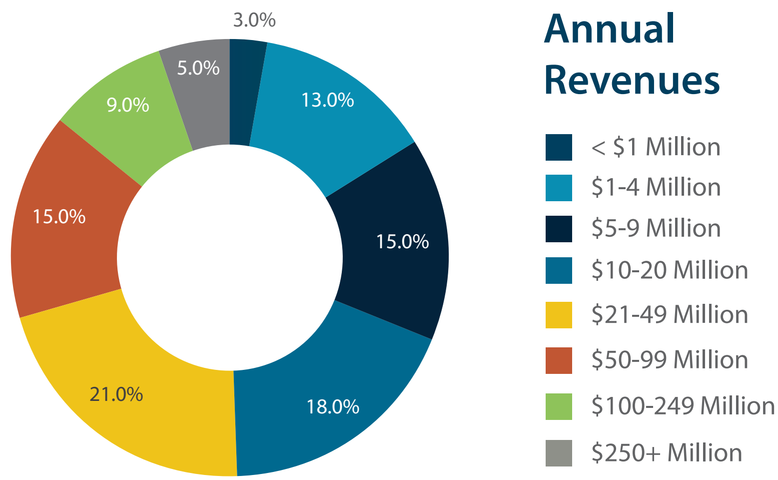
Hiring will continue to get the headlines, get the investments and remain a leadership challenge, but employee retention is the foundation for long-term, profitable growth.

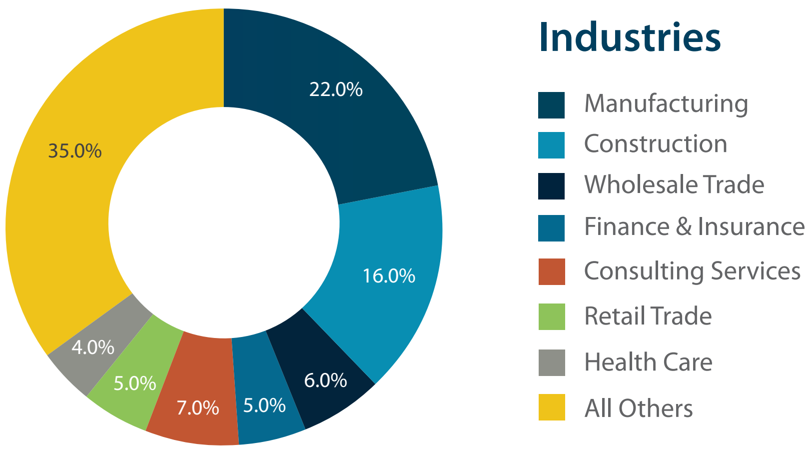
Stability is a hallmark of a high-performance workforce, one that's capable of scaling to meet peak demand while maintaining its culture through growth. Experience, collaboration skills and highly engaged employees will quickly accelerate companies toward their next growth cycle.

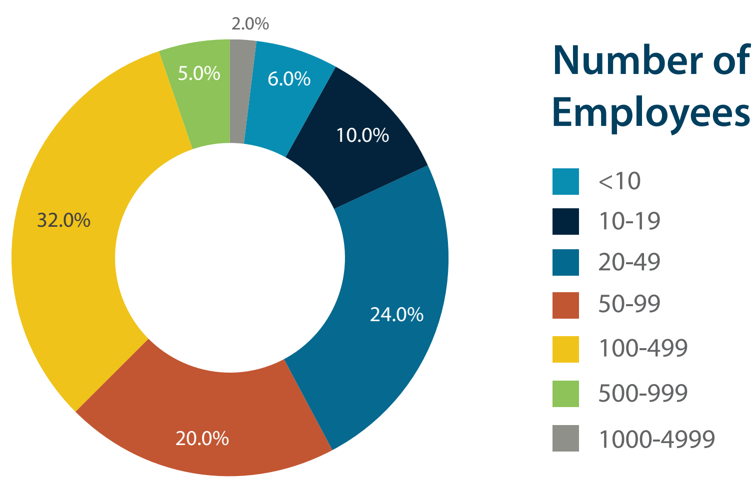
> *"Employee retention is the foundation for long-term, profitable growth."*
>
> Joe Galvin

# STUDY METHODOLOGY AND DEMOGRAPHICS

The Q1 2023 Vistage CEO Confidence Index survey was conducted March 6-13, 2023, and gathered 1,405 responses from CEOs and key executives of small and midsize businesses.



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# CONTRIBUTORS

**Joe Galvin** | Chief Research Officer, Vistage Worldwide

As Chief Research Officer for Vistage, the world's leading executive coaching organization for small and midsize businesses, Joe Galvin is responsible for providing Vistage members with current, compelling and actionable thought leadership on the top issues, topics and decisions of small and midsize business CEOs.

**Amy Marcum** | Senior Human Resource Specialist, Insperity

Amy is a manager of HR services for Insperity. Her main areas of expertise are employee relations and HR infrastructure, including policy development and implementation, performance management, and liability management. Amy received certification as a senior certified professional from the Society of Human Resource Management.

**Kathleen Quinn Votaw** | Author, Speaker and CEO of TalenTrust

Kathleen is an engaging and authoritative speaker on culture, talent, and human capital strategy. With 30 years of professional experience, including 10+ years as a Vistage member and 15+ years as a CEO, Kathleen offers invaluable advice to executives on how to find and keep their most valuable asset — their people. She is Founder and CEO of TalenTrust, a consulting firm that is revolutionizing how companies across the U.S. recruit, retain, and engage employees. Kathleen's book, titled "Solve the People Puzzle," and related talks feature her expert advice on how to create a strong company culture, attract employees who fit within that culture and keep those employees for the long term.

**Anne Petrik** | Vice President of Research, Vistage Worldwide

As Vice President of Research for Vistage, Anne Petrik is instrumental in the creation of original thought leadership designed to inform the decision-making of CEOs of small and midsize businesses. These perspectives — shared through reports, blogs, webinars and events — are grounded in her analysis of data from Vistage CEO Confidence Index surveys and complemented by insights curated from experts and partners across the Vistage community.

**Keisha A. Rivers** | President & Chief Change Officer, The KARS Group

Keisha A. Rivers harnessed the lessons learned while leading during a harrowing Hurricane Katrina experience to become a successful international speaker, change agent and learning leader. As President and Chief Change Officer of The KARS Group LTD, she facilitates successful outcomes by equipping people to embrace, manage and lead through change. Through a focus on engagement, learning, leadership and talent optimization approaches, her company has successfully worked with organizations and communities to navigate "the people side of change" and create safe spaces where people can be seen, heard and valued in the midst of uncertainty.

**Marc Emmer** | President, Optimize Inc.

Marc Emmer is President of Optimize Inc., a management consulting firm specializing in strategic planning. Emmer is a 19-year Vistage member and a Vistage speaker. The release of his second book, "Momentum: How Companies Decide What to Do Next" was covered online by Yahoo Finance, Business insider, CBS and NBC. Emmer has crafted strategic plans for over 150 organizations, including more than 70 Vistage members, and is also a frequent contributor to the Vistage Research Center, Forbes and Inc.com.

# ABOUT VISTAGE WORLDWIDE, INC.

Vistage is the world's largest CEO coaching and peer advisory organization for small and midsize businesses. For more than 65 years, we've been helping CEOs, business owners and key executives solve their greatest challenges through confidential peer groups and one-to-one executive coaching sessions. Today, more than 45,000 members in 35 countries rely on Vistage to help make better decisions for their companies, families and communities. The results prove it: Vistage CEO members grew their annual revenue on average by 4.6% in 2020, while nonmembers with comparable small and midsize businesses saw revenue decrease by 4.7%, according to a study of Dun & Bradstreet data.

Learn more at vistage.com

# ABOUT VISTAGE RESEARCH

Vistage conducts original research and curates subject matter expertise from thought leaders to create actionable, thought-provoking insights for leaders of small and midsize businesses. Our analysis of surveys we conduct, including the WSJ/Vistage Small Business CEO survey and Vistage CEO Confidence Index survey, informs various reports. Since 2003, Vistage has published the CEO Confidence Index, which has been a proven predictor of GDP two quarters in advance. Vistage provides the data and expert perspectives to help SMB CEOs make better decisions.

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