

trends On-Boarding: A New Take on an Old Practice

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When most hiring managers are asked how much it costs to lose a high-performer from their company, most counter the question with a blank stare. This is telling considering the cost to replace an employee is estimated at two times their annual salary.

Recently, Booz Allen Hamilton released a study that tracked CEO departure over a period of six years. The study revealed that CEO voluntary turnover had increased to 59 percent, and in that same period, performance related turnover increased to 318 percent. The firm followed data from 2,500 large publicly traded companies, and determined that 357 CEOs had left office in 2006, a number that had increased annually with each subsequent year. As the level of dissatisfaction with CEO performance continues to increase, the trend toward CEO departure showed that more often than not companies are concentrating on grooming in-house leaders and are turning away from outsider and interim CEOs. According to the study, the proportion of departing outsider CEOs grew from 14 percent in 1995 to 30 percent in 2003, but declined by 18 percent in 2006.

The issue of employee retention and performance is a pernicious one with most companies, so human resources professionals have been challenged with finding a solution to a problem that is influenced by a series of recognizable factors. However, one of the key issues that got lost in the equation is how well leaders were being trained. After all, if leadership isn't being trained properly, what can be expected from the staff?



To add, according to a report by the U.S. Department of Labor, Bureau of Labor Statistics, employee turnover has increased across all industries. Overall voluntary turnover increased to 23.4 percent annually, up from 22.7 percent the previous year. Employees are no longer becoming "lifers" when they accept a position with a company. On average, employees stay with an employer for no longer than two to five years.

Human resources experts have determined that most new employees leave in the first six months to a year of being employed. Human resources professionals who are well aware of this fact, are doing everything they can to put an end to early departure from a new employee.

Industries that are falling short of retaining good employees are starting to pay close attention to the quality of their on-boarding program. On-boarding is a program that is designed to increase the productivity of a new employee in less time, in order to prevent an employee from leaving a company prematurely.

The difference between on-boarding and traditional orientation is that on-boarding has a set of metrics that actually serve to achieve a result. These metrics determine the quality of the on-boarding program, and are consistently scrutinized and modified to reach an intricate set of goals. The outcome is an understanding that employees are only as good as the specialization of their training.

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Mary Kier, Vice Chairman of Cook Associates, Inc., a Chicago-based retained executive search and M&A advisory services firm, which specializes in the placement of senior level executives, is also aware of the importance of an effective on-boarding program.

Kier, who has been with the firm for 23 years, has seen recruitment outcomes go awry based on the absence of an adequate on-boarding program. To her, it is a matter of good business sense considering the time and cost it takes to recruit a senior level executive, as well as the cost of various incentive packages that many receive when they are hired. All of which would be lost if the new employee decides to leave. She believes that on-boarding is a key preventative measure in retaining quality performers, and it has a great deal to do with first impressions.

"I find that very few companies have a solid on-boarding program, and most are embarrassed by the lack of one, but without C-level support to put together a definitive program, HR executives are forced to knit something together and then hold it with shoestring and a piece of gum," said Kier.

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“Companies that value on-boarding are proving that employees who come into an organization ‘embraced’ in a professional way are more likely to be successful,” Kier explained. “A new leader deserves to be given as much information as possible about the company, its people and its culture. They can then decide on critical action plans with a deeper level of understanding. Armed with this information, they will have more confidence to provide direction and to show results.”

Those companies that show results are consistent in keeping their turnover under control, and have a growing number of retained employees to prove it.

“Advantages for companies include the fact that the cost of an insurance program in the form of an on-boarding is far less than the cost of placing the talent,” said Barbara Bridendolph, CEO and President of Crenshaw Associates, a New York-based career advisory firm for senior level executives that offers their clients a “first 100 days” customized on-boarding program. The program was one of the first in the nation designed to meet a company’s growing demands for a value-added on-boarding.

“Companies always want to minimize the amount of corporate upheaval in terms of reorganization,” said Bridendolph. “The time executives have to ramp up and start showing results is continually pressed by the board and executive management. A high quality on-boarding program can only help in the assimilation of new employees and get them up to speed in a faster and more efficient manner, saving the company millions of dollars in recruitment costs.”

About Cook Associates, Inc.

Cook Associates’ core business is creating value where talent and opportunity connect. We provide both retained executive search and M&A advisory services that streamline that connection. Our client base ranges from multinational corporations to early stage entrepreneurial companies, private equity and venture capital firms. Brand name clients include American Express, The Blackstone Group, Dover Corporation, GTCR, Heinz, Juniper Networks, Levi Strauss & Co., Pitney Bowes, and Sirius Satellite Radio. For additional information, please visit www.cookassociates.com.

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On-boarding goes beyond simply filling out paperwork and waiting for someone to assign a new employee a desk and computer. The idea of employee autonomy is fading, and now companies are assigning an “on-boarding mentor” to a new employee when they first start the job. The mentor’s primary function is to provide personalized assistance in getting the new employee up to speed by helping them to transition with the culture, the people they will be working with, and the day to day of the job.

Another measure that has been taken to increase new employee retention, as well as keeping production at an optimum level, is a new incentive program that holds a manager responsible for staff performance. The incentive comes in the form of bonuses that are no longer determined by the outcome of the budget. Managers are now at risk of losing personal bonuses if their team is not trained properly. Companies that are practicing this new bonus accountability system have found that taking a hard line with management over how well a new employee is trained is essential to the overall success of the on-boarding program.

“New executive leaders need to be able to meet their challenges without land mines or other traps,” said Kier. “They need to be able to manage themselves as they are managing others, and in order to create momentum they have to have help behind the scenes from their peers.”

She added, “I’ve seen statistics showing that 40 percent of executives who fail do so within 18 months on the job. Professional on-boarding, designed well and structured correctly, will help senior executives get up to speed in their new jobs quickly, both professionally and personally.”