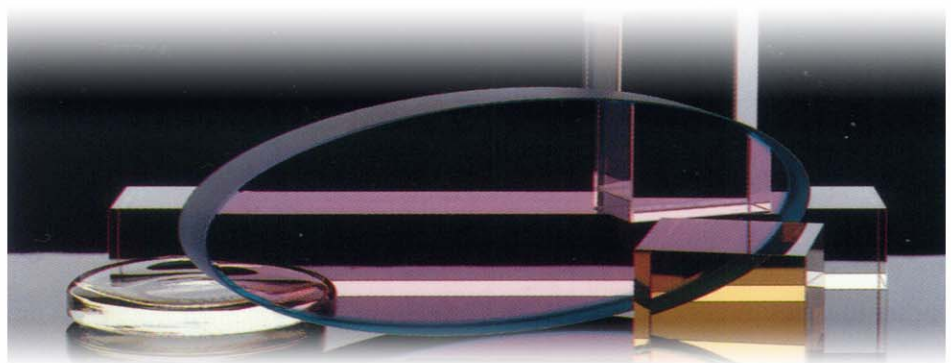




Canadian Labour and Business Centre
Centre syndical et patronal du Canada

Employee Retention, Labour Turnover and Knowledge Transfer:

Case Studies from the Canadian Plastics Sector



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April 2004**

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Executive Summary

Introduction

The Canadian Plastics Sector Council - Conseil canadien sectoriel des plastiques (CPSC) has identified worker retention/turnover and knowledge transfer as issues critical to the sector's efforts to meet its anticipated skill needs. The ability of employers to address employment growth as well as replacement of turnover and retirements pose increasing human resource challenges. The CPSC has identified a strong demand, within CPSC and other sector councils, for research which consolidates available 'best practices' and solutions for dealing with these issues.

This report - commissioned by the CPSC and carried out by the Canadian Labour and Business Centre (CLBC) - provides a comprehensive analysis of best practices in worker retention and knowledge transfer strategies. The report has two parts: 1) a review of the literature on best practices in retention and knowledge transfer, and 2) case studies of best practices within Canadian Plastics Manufacturing firms. Together, the documentation of these best practices can provide helpful and practical guides to other firms dealing with similar challenges.

The Importance of Worker Retention and Knowledge Transfer

When a business loses employees, it loses skills, experience and "corporate memory". The magnitude and nature of these losses is a critical management issue, affecting productivity, profitability, and product and service quality. For employees, high turnover can negatively affect employment relationships, morale and workplace safety. The cost of replacing workers can be high, the problems associated with finding and training new employees can be considerable, and the specific workplace-acquired skills and knowledge people walk away with can take years to replace.

The problem of turnover can be addressed through a variety of pro-active retention strategies: workplace policies and practices which increase employee commitment and loyalty. Knowledge transfer initiatives on the other hand, ensure that the knowledge and expertise of a company's employees—its 'corporate memory'—are systematically and effectively shared among employees. They can offset the negative impact of turnover, but can also work pro-actively to reduce turnover by providing learning and skills development opportunities to employees - factors known to reduce turnover.

Employee retention and knowledge transfer are two elements of a more general concern that might be best termed 'skills management,'—i.e., everything that has to do with recruiting, maintaining and developing *the necessary mix and levels of skill required* to achieve organizational and business objectives.

The Case Study Process

The companies that participated in the studies were drawn from five provinces, varied in size from 26 to 1900 employees, reflected the full range of industry products from packaging, building and construction, electrical components, furnishings, automotive and transportation, and included both unionized and non-unionized workplaces. This deliberate variety reflected an objective of the study, which was to explore the form which retention and knowledge transfer initiatives took in vastly different types of workplaces.

Data were gathered through telephone interviews and a review of relevant documents. For each company profile, interviews were conducted with company officials knowledgeable about the firm's human resource and organizational practices (such as HR managers and VPs, company presidents, CEOs, and owners). Where possible, interviews were held with workers or in unionized workplaces, union representatives, in order to provide an employee/union perspective on the retention and knowledge transfer measures and their impacts on employee satisfaction, career progression, and loyalty.

Best Practices in Retention and Knowledge Transfer

- 1. Competitive and Fair Compensation** is a fundamental starting point in most strategies to attract and retain employees. However, there is general agreement that compensation levels do not single-handedly guarantee employee retention. Common best practices include the use of industry surveys to benchmark and position wage and salary structures to be fair and competitive. (Case study examples: [hyperlink to Baytech](#); [Canadian General Tower](#); [Innotech Precision](#); [IPEX](#)).
- 2. Adequate and Flexible Benefits** can demonstrate to employees that a company is supportive and fair, and there is evidence to suggest that benefits are at the top of the list of reasons why employees choose to stay with their employer or to join the company in the first place. Many companies are responding to the increasingly diverse needs of their employees by introducing a greater element of choice in the range of benefits from which their workers can choose. Flexibility in benefits packages can enhance retention, as it creates responsiveness to the specific needs and circumstances of individual employees. (Case study examples: [hyperlink to Baytech](#), [Canadian General Tower](#), [Innotech Precision](#), [IPEX](#)).
- 3. Innovative Compensation Systems** and practices can have a positive impact on employee retention by motivating membership-oriented behaviour (commitment). Pay systems may also affect knowledge sharing and transfer if sharing, teamwork, suggestions, etc. are rewarded or recognized. Innovative compensation systems include gain sharing, skill-based pay and various types of bonus plans. (Case study examples: [hyperlink to Baytech](#), [Canadian General Tower](#), [Innotech Precision](#), [IPEX](#)).
- 4. Recognition and Rewards** include a diverse range of formal and informal, financial and non-financial, incentives given to individual employees, groups of employees or to an entire staff. They include such things as employee of the month awards, company-

sponsored sports teams and social events, prizes, clothing, and so on. Recognition and rewards can contribute to a workplace culture of respect and appreciation for employees and work well done, and thereby reinforce employee commitment to the firm. (Case study examples: [hyperlink to Baytech](#), [Canadian General Tower](#), [Innotech Precision](#), [IPEX](#)).

5. **Training, Professional Development, and Career Planning** are effective ways to enhance employee retention. Training constitutes a visible investment that the company makes in the worker, providing him or her with new skills, and greater competencies and confidence. Training often leads to work that is more intrinsically rewarding. Combined with effective communication about how an employee's efforts at developing skills will lead him or her to more challenging and meaningful positions *within* the company, training encourages workers to make longer term commitments to their workplace: it permits them to see a future with the company. *All* of the companies we interviewed were very active in the area of skills training and professional development. Many have put in place effective internal promotion programs that allow even their unskilled and semi-skilled workforce to move towards positions of greater responsibility and remuneration within the company. (Case study examples: [hyperlink to Baytech](#), [Canadian General Tower](#), [Innotech Precision](#), [IPEX](#)).
6. **Recruitment & Orientation** practices can be of crucial importance to keeping workers over the longer term. Employee retention is enhanced by ensuring a good "fit" between a company's workplace culture—its way of doing business and the qualities that it espouses as valuable—and the interests, character, and motivations of the individuals that exist within it. Recruitment practices that emphasize not only formal qualifications (job-relevant technical ability) but also more general types of qualifications and dispositions on the part of the recruit can be part of an effective retention strategy. Our own case-based study revealed that employees in some workplaces, particularly the smaller ones, do more than merely work together: they often share similar interests and have a very strong inter-personal rapport, and these in turn help to bind them together as a cohesive whole. Indeed, the quality of interpersonal relations may contribute significantly to retention in its own right. Good initial orientation to the newly-hired employee can not only help to effectively integrate that person into the workplace but can also help to make the new person feel welcome and provide him or her information about how to cope with the demands of the workplace, and any possible problems that may arise. (Case study examples: [hyperlink to Baytech](#), [Canadian General Tower](#), [Innotech Precision](#), [IPEX](#)).
7. **Healthy Workplace or Wellness Initiatives** take on a variety of forms, including those directed at the physical work environment (cleanliness, safety, ergonomics, etc.); health practices (supporting healthy lifestyles, fitness, diet, etc.); and social environment and personal resources (organizational culture, a sense of control over one's work, employee assistance programs, etc.). Healthy workplace initiatives not only improve the health and well-being of individual employees, but contribute to business performance objectives including employee retention. (Case study examples: [hyperlink to Baytech](#), [Canadian General Tower](#), [Innotech Precision](#), [IPEX](#)).

- 8. Work-Life Balance** programs recognize that employees have important family and extraprofessional obligations that compete with their workplace commitments. Practices such as dependent care leave, childcare subsidies, eldercare programs, counseling and referral, and flexible working hours allow people to strike a more meaningful and potentially less stressful balance between obligations at the workplace and obligations at home. Firms that operate on the basis of shift work may have employees who find it particularly difficult to balance family and work obligations. Flexibility and responsiveness on the part of employers can go a long way in helping employees to resolve such conflicts and be more productive at work. Policies that prove to be effective in helping employees to manage work-life balance in a shift work setting include (i) limiting split shifts, (ii) providing advanced notice of shift changes, (iii) permitting employees to trade shifts amongst themselves and, most importantly, consulting with employees about their work-life balance needs while planning shifts. (Case study examples: [hyperlink to Baytech](#), Canadian General Tower, Innotech Precision, IPEX).
- 9. Job Design & Work Teams** can enhance the intrinsic rewards of the job, making work more fulfilling, challenging, interesting, and stimulating. Practices such as autonomous or semi-autonomous work teams, ‘self-scheduling,’ and job rotation can not only improve retention but have also been shown to improve a number of other important indicators such as productivity, accidents and injuries and product quality. (Case study examples: [hyperlink to Baytech](#), Canadian General Tower, Innotech Precision, IPEX).
- 10. Employee Participation & Communication.** Open, responsive, two-way communications are vital to good employee retention, and should be considered as the basic building blocks of any effective retention practice. Most, if not all, of the retention strategies and practices fundamentally depend on a sound approach to communicating with employees. Without communications, many of these practices would be impossible to implement in any effective way. The case studies we conducted revealed considerable efforts to communicate with employees, through a variety of vehicles including employee surveys, regularly scheduled committee meetings, formal postings and newsletters, and personal discussions. Several companies keep their employees regularly up to date on the company’s financial performance, and maintain open-door communication policies. (Case study examples: [hyperlink to Baytech](#), Canadian General Tower, Innotech Precision, IPEX).
- 11. Performance Appraisal** practices that provide good feedback to employees and give them a view of their longer-term progress within the company — particularly in terms of training and career development opportunities — are important ways of enhancing employee commitment. (Case study examples: [hyperlink to Baytech](#), Canadian General Tower, Innotech Precision, IPEX).
- 12. Knowledge Transfer – cross-training, coaching and mentoring, phased in retirement.** While employee retention practices seek to retain *workers*, knowledge transfer practices seek to retain *skills*, through both formal and informal exercises in information sharing and the building of collective knowledge. Mentoring and coaching, phased-in retirements, and cross-training and job rotation, are types of knowledge transfer that

overlap with training. Knowledge transfer also includes the use of technology-based tools—databases, intranets, groupware—aimed to support knowledge sharing among individuals, and to permanently document and keep knowledge that is vital to business performance. (Case study examples: [hyperlink to Baytech](#), Canadian General Tower, Innotech Precision, IPEX).

Conclusions and Recommendations from the Case Study Research

1. Our research found many good examples of successful Plastics firms with high levels of retention, low employee turnover and employee commitment. Our case studies also suggest that SMEs can be just as successful as large companies at keeping their workers.
2. In the cases we studied, low turnover was not necessarily the result of a formalized “retention strategy.” Nor was there a “cookie cutter” approach to employee retention. Instead, many of the firms were using their own knowledge and creativity to develop innovative methods, practices, and programs that were appropriate to their own unique environment and circumstances (i.e. product sector, firm size, workforce characteristics and interests, and so on).
3. There are however, common principles or fundamentals upon which good retention practices are built. The firms we examined all had a strategic understanding of their workforce skill requirements, stressed the importance of responsive and open communications, and worked from the principle of treating people fairly.
4. Outside of these fundamentals, our case studies revealed considerable variation in the approaches and initiatives taken by different firms. Approaches to compensation levels and systems, benefits, training and career development, recognition and rewards, and communications all varied by firm size, industry segment, skill composition of the workforce, and so on.
5. While there is no guaranteed set of practices that will work in all firms, there are “best practices” identified within the HR literature and in our case studies that should be considered by firms looking to improve employee retention and knowledge transfer. Many of the companies profiled in this report have developed their own innovative approaches internally, which have evolved over time into effective strategies.
6. All of the low-turnover firms we examined felt it important to be competitive on wages.
7. Cross training appears to be a widely-used practice among the Canadian plastics firms we examined, and with respect to this particular report, it appears to serve two valuable functions: (a) it creates flexibility within the workforce which, when employee turnover is high, can be effective in offsetting the negative impacts of knowledge loss resulting from the departure of workers, (ii) as with other types of training, cross-training enhances skill levels, employability and job challenges and, as such, it can be a useful tool in building employee commitment.

8. A number of our case studies suggest that while compensation, personal and professional development opportunities, and other incentives are important in attracting people and keeping them happy, their decision to stay with the company depends vitally on how well they fit in to the company's way of doing business, how it treats employees, what it expects of them, and how people relate to one another in the workplace.
9. The design or use of various compensation systems, type of benefits offered, rewards and recognitions, etc. should all should reflect the interests and needs of one's employees. Our own observations of Canadian plastics companies suggest that recognition and rewards are strongly tied to the 'culture' of a particular workplace—they support that culture, and they are consistent with that culture—whether or not that culture is something consciously managed or iterated by the company.
10. A number of companies make considerable efforts to communicate with employees for purposes beyond what is immediately necessary for them to do their jobs. Our case studies suggest that many companies—particularly small companies—have little or no formal communications practices, but are nevertheless extremely effective in speaking with, *and listening to*, their employees.

Employee Retention, Labour Turnover and Knowledge Transfer Case Studies from the Canadian Plastics Sector

I. Introduction

Turnover is a critical human resource issue in all sectors of the economy. Turnover affects productivity, product and service quality, and profitability. The cost of replacing workers is high, finding skilled employees can be difficult, and investments in training are less secure.

Within secondary product manufacturing, which includes the sub-sector of plastics manufacturing, total annual labour turnover increased from 15.6% in 1999 to 19.2% in 2001¹. The rate of turnover due to voluntary separations (retirements and resignations) also increased, from 11.8% to 15.7%. More detailed information on the Plastics sector is available only for 1999. It shows that both total turnover and turnover due to voluntary separations were somewhat higher in the Plastics Sector than in the secondary product manufacturing sector overall (16.3% total turnover rate and 12.6% turnover rate though voluntary separations).

However, our analysis of the Plastics Sector shows that there are examples of highly successful plastics firms – profitable, growing, using the latest technologies, gaining market share – that also have below average turnover rates. Some of the firms profiled in this report have turnover rates so low that management does not stringently track them. There is no need to.

Between November 2003 and March 2004, the CLBC developed a methodology for selecting Plastics firms with low turnover rates. Our goal was to identify, interview and prepare best practice company profiles that could be strategically shared among stakeholders within the Plastics Sector².

This report presents those case studies, along with a list of conclusions and recommendations for firms looking to reduce turnover, retain key employees and transfer and manage knowledge and skills. The report begins with a brief overview of the Plastics Industry, a Review of selected literature on retention and turnover.

¹ Based on custom tabulations from Statistics Canada's Workplace and Employee Survey (WES). The authors wish to thank Statistics Canada for their assistance providing further breakdowns on the data by industry sub-sectors.

² The project was carried out by the Canadian Labour and Business Centre, managed by the Canadian Plastics Sector Council, and funded by Human Resource Skills Development.

II. How the Research Was Conducted

Consultations were initially held with CPSC (Canadian Plastics Sector Council) Board Members to prepare an analysis of the context in which high turnover rates were occurring. CPSC Board Members were also invited to put forward the names of companies and contacts who they thought could quite possibly be good examples of low-turnover firms. We also contacted national and regional directors of the Canadian Manufacturers and Exporters³, and relied heavily on support from the Canadian Plastics Industry Association (CPIA). We also spoke with John Margeson of Industry Canada, David Alcock of Humber College Plastics Training Centre, and numerous sector council executive directors representing subsectors in manufacturing. Further contacts were made with representatives of the Communications Energy and Paperworkers Union (CEP)⁴. The information gathered through this initial round of consultations contributed to the development of a conceptual framework for selecting Best Practices, and a list of over 50 plastics sector companies that required further contact. The conceptual framework appears as Appendix A to this report.

Our second step was to vet the conceptual framework back through the CPSC to ensure that CLBC would be choosing the types of firms whose human resource practices and organizational approach would be useful sharing throughout the plastics and wider manufacturing sectors.

With the list of 50 companies gathered through the initial consultations, CLBC reviewed the respective company websites to prepare individual preliminary profiles based on publicly available information⁵. Individual companies were then contacted via telephone and email to solicit participation. Our intended sample size was 30. Relatively short 40-60 minute interviews were conducted with company officials knowledgeable about the firm's human resource and organizational practices (such as Human Resource Managers and Vice-Presidents, company presidents, CEOs, and owners). The results of the interviews were written up and added to the background information collected in the preliminary profiles to produce a series of case study profiles.

Given the constraints of the project time frame, CLBC was able to arrange 15 case study interviews. This was well below our intended target of 30 for two reasons: 1) many of the referred company contacts were unreachable through first attempt through telephone; 2) follow-up contact in some cases involved multiple calls and emails before we could determine whether a firm would participate. Indeed, we found that the plastics sector firms we contacted were very busy. Our target of 30 firms was clearly overly-optimistic in light of these circumstances. We are pleased however, with the quality of the examples we were able to document.

³ Perrin Beatty, President of CME is business co-chair of the Canadian Labour and Business Centre.

⁴ Brian Payne, President of CEP is a long-standing CLBC Board Member. Ken Georgetti, president of the Canadian Labour Congress is CLBC's labour co-chair.

⁵ It should be noted that there was considerable variation in the amount and type of information available on company websites. This quasi-survey of Plastics Sector websites revealed clearly that the larger the firm, the more developed is the website.

III. An Industry Profile of the Plastics Sector

The Plastics industry has been one of the fastest growing sectors of the Canadian economy in the post-war era; it is also one of the largest manufacturing sectors in the Canadian economy. New developments in plastics materials, made possible in part by improved production technology, continue the trend for traditional materials such as metal, glass and wood to be replaced by plastics in applications such as packaging, electronics, auto parts and construction. Increasing demand for new types of plastic products will ensure continued strong industry growth rates.

In 2002, Canadian plastics processors' estimated shipments exceeded \$19 billion – a 8.7% increase over 2001, which outstripped growth for both the manufacturing sector generally and the economy as a whole. The industry's compound annual average growth in output has consistently outpaced other manufacturing sectors as well as the economy as a whole; the period from 2000 to 2002 saw growth of 8.33% for plastics, which compared to only 2.63% for manufacturing generally and 2.23% for the economy as a whole.

The basic raw materials for manufacturing plastics are crude oil and natural gas, which are refined and processed to form monomers – the building blocks for different types of resins. The industry can be divided into three major segments: manufacture of plastics resins (which are sold in the form of granules, powders and liquids), manufacture of equipment and molds for transforming the resins into finished-products, and processing resins to manufacture finished plastic products or components. Some Canadian companies specialize in the manufacture of pigments, reinforcing fibres and stabilizers, which are used to impart special properties such as colour, strength, and heat tolerance. Still others specialize in mixing, or “compounding,” of the various ingredients.

The industry's range of products breaks down as follows:

- 40% Packaging – bottles, containers, tubs and pails, lids and caps, bags, stretch wrap, foam, packaging material, crates, etc.
- 25% Building and Construction – glazing, window fittings and skylights, panels and siding, wall coverings, eaves, flooring, tiles, plumbing, pipes, fittings and conduits, decorative laminates, vapor barriers and insulation, lighting fixtures
- 5% Electrical Components – sockets, connectors, relays, switches, plugs, covers, circuits, chip carriers, coil bobbins, terminal blocks, mounts, brackets, breaker boxes, gears, wire coating and insulation, telephone and computer housings, etc.
- 10% Automobile & Transportation Uses – bumpers, grills, body parts, housings, filters, gaskets, fittings, seals, pipes, hoses, cables, clips, paneling, linings, covers, upholstery, seating, floor-mats, insulation and paint
- 10% Furnishings – appliances, house wares, tableware, mattresses, etc.
- 10% Miscellaneous – organic coatings, adhesives, textiles, pipelines, irrigation systems, medical supplies, biomaterials, surgical implants, toys, sporting goods, suitcases, etc.

Ongoing developments in applications are helping to ensure a growing market for plastics. For example, plastics are now being used in innovative agricultural applications to suppress weeds, protect seedlings, and enhance growth. Fibre optics and digital technology have revolutionized

the storage and transmission of all types of information. And plastics that are stronger than steel can be found in bridge construction.

IV. Workforce Characteristics

Accompanying the industry's steady growth in production has been high employment growth, which has far outpaced overall employment growth. For example, between 1997 and 2002, employment in Plastics and Rubber grew by 22.8%, which was almost twice the rate for the economy as a whole (11.9%). Indeed, over the past ten years, employment in Plastics and Rubber grew by 59.2%, compared to only 20.8% the economy as a whole⁶.

Interestingly, this growth is reflected in all age categories. For example, the number of workers under age 45 increased by 18.6% between 1997 and 2002, while the number of workers near retirement (55+) increased by 74% over the same period. Within each age group, employment growth in the sector exceeded rates found in the economy as a whole.

While the Plastics and Rubber workforce does reflect the general trend of an aging workforce, it is relatively "young," as the proportion of workers aged 55+ increased from 6.1% to only 8.6% between 1997 and 2001. Nevertheless, the percentage of workers near retirement in the plastics sector is still somewhat lower than for the economy as a whole (11.5%).

Although the replacement of retiring workers may be less of an issue, the plastics sector appears to have high rates of turnover relative to other industry sectors⁷. The ability of employers to meet employment demands could be seriously undermined by continuing high levels of turnover, adding enormous human resource costs to the sector.

The problem of turnover appears to be particularly acute among SMEs. Labour Force Survey data show that in Plastics and Rubber Products Manufacturing Establishments of less than 100 people, 25% of employees had job tenure of less than 12 months. In larger establishments (500 or more people), only 8% had job tenure of less than one year. In other words, the job tenure statistics may be indicative of higher turnover within smaller establishments.

⁶ Based on the analysis of Labour Force Survey micro-data files.

⁷ Prism Economics and Analysis, People in Plastics – Update 2001: A Report to the Canadian Plastics Sector Council, April 2001

V. Best Practices in Retention: a Review of the Literature

A review of the HR literature suggests that sources on HR retention can be grouped into the following categories:

- “How To” articles, books and presentation materials on employee retention. By far the most numerous, these sources tend to be highly prescriptive without delving too deeply into specific details about how to implement retention measures.
- Case studies of particular companies that primarily relate what a particular establishment has done with little or no reference to more general sources within the HR literature.
- Works that focus more intensively and exhaustively on specific retention areas. The literature on compensation and benefits systems, for example, is quite considerable.
- A comparatively small body of academic and business literature in which various research methodologies are used in an attempt to link particular HR initiatives to measurable performance outputs such as productivity, worker turnover, etc.

Our primary concern in reviewing this literature was to produce a typology of the many types of HR interventions that are associated, in the literature, with potentially good employee retention. This typology was instrumental in the development of a conceptual framework for identifying, selecting and ultimately documenting “best practices” firms for this study. Information about practices was derived primarily from the shorter reference sources of the “how to” variety. However, case studies and more detailed works on particular areas of employee retention proved valuable in introducing noteworthy caveats, nuances and detail into our considerations.

Based on our review of the literature, we have developed a list of retention practices that captures the main types of interventions discussed in the HR literature. They are as follows:

- 1. Compensation and Benefits**
- 2. Recognition and Rewards**
- 3. Training, Professional Development, Career Planning**
- 4. Recruitment & Orientation**
- 5. Healthy Workplace or Wellness Programs**
- 6. Work-Life Balance**
- 7. Job Design & Work Teams**
- 8. Employee Participation & Communication**

It’s Not Just the Pay ...

While remuneration and other types of benefits continue to be an important factor in the retention equation, it is important to note that the current HR literature treats them as only one

potential area for retention, and not always in and of themselves, sufficient to ensure strong employee commitment. Over the past 10 or 15 years, the business literature dealing with employee participation, workplace wellness, work-life balance and other topics has mushroomed, indicating a strong interest in and recognition of how other aspects of working life influence people's decisions to stay with or leave a company.

Why do people choose to leave or stay?

Setting aside our list of retention policies and programs, it is clear that there is broad agreement in the HR literature about the general features of *any* potential HR program that contributes to good retention. Most of these are directly related to creating a satisfactory work environment for employees and thus, in turn, to good retention. These features — or 'motivators' — include:⁸

- A stimulating work environment that makes effective use of people's skills and knowledge, allows them a degree of autonomy on the job, provides an avenue for them to contribute ideas, and allows them to see how their own contribution influence the company's well-being.
- Opportunities for learning and skills development and consequent advancements in job responsibilities.
- Effective communications, including channels for open, two-way communication, employee participation in decisions that affect them, an understanding of what is happening in the organization and an understanding of the employer's main business concerns.
- Good compensation and adequate, flexible benefit plans.
- Recognition on the part of the employer that employees need to strike a good balance between their lives at work and outside of work.
- Respect and support from peers and supervisors.

Companies that are inflexible, or whose organizational culture is characterized by domination and autocracy are likely to have dissatisfied employees no matter how good the incentives to stay may be (Ashby and Pell, 2001). Or, at the very least, the tenure of their employees is likely to be highly sensitive to changes in specific (usually monetary) incentives: small changes in compensation may lead to numerous departures. There are however other aspects of the work environment or particular jobs that can act as strong 'de-motivators' that can cause people to leave their employment. These include:⁹

- Lack of control over one's work

⁸ For examples, see Beauregard and Fitzgerald, 2000; Butteriss, 1999; Dibble, 1999; Harris, 1996; CPRN, 2001;

⁹ See, for example, Beauregard & Fitzgerald, 2001; Dibble, 1999.

- Feeling bored or unchallenged by repetitive tasks
- Lack of job security
- Lack of learning opportunities
- More generous compensation or benefits package offered elsewhere
- Concerns about the future of the firm.

It is important to note that some of these de-motivators can occur at the best of firms, or can be the result of forces that originate beyond the firm itself. That a particular job description involves many repetitive and boring tasks is not necessarily the result of indifference on the part of the employer, but is rather inherent in the nature of that type of job. That employees are often pulled to other companies or industries by more generous offers is, in part, a result of the broad characteristics of an industry or the segment of the market in which the company operates.

Nevertheless, as some of our case studies demonstrate, there *are* companies that manage to thrive and keep their workers under these types of constraints. Often, attentiveness, responsiveness, and openness of communications on the part of management are elements of the business vision that sustain high retention, even under difficult circumstances.

Workplace Culture & Commitment

There exists a keen interest in the concept of company or workplace ‘culture’ and its connection with an employee’s sense of ‘commitment’ to his or her employer. Authors in the HR field speak increasingly of the need to ensure retention by nurturing ‘affective commitment,’ or, simply put, an employee’s desire to remain a member of a particular organization *for motives beyond compensation or obligation* (Meyer, 2003).

A ‘culture of commitment’ is more than just the sum of particular HR policies or retention initiatives. It is related rather to overall organizational culture, in other words, not just particular programs but rather how such programs fall into a company’s overall values, how it communicates with its employees about those values, and how employees *perceive* their own role within the company and the value that the company attaches to their individual contribution.

Because workplace culture depends a lot on how individual perceptions and feelings hold together, it can of course be difficult to say exactly what decisively makes up a particular company’s culture. Branham (2001) suggests that commitment-oriented corporate cultures depend on a number of objective and subjective elements. Cultures of commitment, he writes:

- View employees as partners.
- Recognize the human needs of all employees.
- Invest in people as the primary source of competitive advantage.
- Communicate clear corporate mission, vision, strategy, goals, and objectives.
- Commit to long-term strategy and the people needed to carry it out.
- Reward system and management styles to support the mission and strategy.

- Focus on “managing the performance contract,” not controlling the people.
- Put a premium on employee involvement in new ideas and innovation.
- Focus on results, not on who gets credit.
- Trust employees enough to delegate.
- Tolerate “intelligent error” and experimentation.

Similarly, Paré et al (2000) confirm a strong link between “affective commitment” and turnover intention, particularly as such commitment is built through (i) skills development opportunities, (ii) systems that allow people to recognize their individual contributions, and (iii) systems that encourage greater participation in decision-making. We may also add to this list the importance of building trust around such values, and this is particularly true for companies that are undergoing major changes (Withers, 2001).

Nevertheless, the literature strongly supports the notion that people stay with their employers if the culture of commitment is strong. Beyond this, however, it is also clear that people are more likely to stay if the perceived workplace culture—however this is communicated—is a good “fit” with the individual’s own interests, orientation and attitudes (Harris and Brannick, 1999). Indeed, a number of our Plastics sector case studies suggest that while compensation, personal and professional development opportunities, and other incentives are important in attracting people and keeping them happy, their decision to stay with the company depends vitally on how well they fit in to the company’s way of doing business, how it treats employees, what it expects of them, and how people relate to one another in the workplace.

Does one need a formal retention strategy?

In contrast to “culture,” the term “strategy” refers to a more formalized and planned system of practices that are linked with an overall vision, a set of values and a mission (although to some extent “culture” and “strategy” are interdependent). Many companies, particularly larger ones with fully developed HR departments, engage in elaborate planning exercises in order to develop a cohesive and unitary strategy to deal with employee retention or, more generally, human resources management (which often includes retention as one objective), and roll out particular programs or interventions with explicit reference to an overall organizing principle.¹⁰

Indeed, many experts within the HR literature emphasize the importance of such exercises, and emphasize that good retention is best assured when companies take a strategic approach to the question. Yet it is clear that taking a strategic approach to HR management can require considerable resources, and may prove to be too resource-intensive for smaller companies, particularly companies that are too small to have a department dedicated to HR matters, or even too small to have an executive exclusively devoted to HR questions.

Can such companies promote good retention without developing an explicit strategy? The interviews we conducted with some Canadian plastics companies suggest that the answer is “yes.” Many of these companies have done an excellent job at keeping their employees without

¹⁰ See for example Felix (2000), “The Canadian Tire Way.”

such formal strategies, and even without having consciously and explicitly addressed retention as a primary issue. A number of companies have simply developed good corporate and workplace practices over time simply by being attentive to their workers' needs and conscious of the value of the contribution they have made. Indeed, because of their size, small companies can benefit from a much closer day-to-day interaction between owners/employers and workers, and this may help to explain why they are well attuned to their employees' needs and interests.

Finally, and related to the above, it should be noted that good retention practices need not be the result of a single, strategic exercise. They often evolve slowly over time, with programs and policies being implemented on an *ad hoc* basis in response to perceived employee needs or the evolving demands of business practice.

What does the evidence say?

Can we definitively say that certain types of HR practices or strategies contribute to good retention? The academic and research-intensive part of the HR literature offers a considerable amount of statistical evidence that there exist strong correlations between the implementations of certain types of practices and indicators of good retention such as reduced turnover, quit rates, job tenure and higher employee satisfaction.

Consider the conclusions of a number of key studies:

- Comparing the incidence of different types of HR management strategies with a number of business performance indicators, Leckie and Betcherman (1994) have provided evidence that indicates a correlation in firms between “good” workforce outcomes (reduced layoffs, quit rates, accidents and grievances) and HR strategies that emphasize employee participation and intrinsic rewards.
- A survey of Canadian IT professionals conducted by Paré et al (2000) demonstrated that IT specialists' retention patterns are strongly sensitive to HR practices that provide competence development.
- In a survey of 1,000 employers, better business performance was observed among employers that emphasized employee responsibility for reducing costs and accountability for developing improvements (Wagar, 2003).
- The adoption of “high involvement” work practices was strongly associated with better economic performance and employee satisfaction, and lower levels of conflict in the workplace (Wagar, 2003).
- In a research study of IT professionals, Kaiser and Hawk (2001) concluded that technical training was the highest rated retention practice.
- Research has also shown that the presence of practices related to internal career development is often the best predictor of an employee's affective commitment. Such

plans include advancement plans, internal promotion and accurate career previews at the time of hiring (Meyer et al, 2003).

These are but a sampling of the sorts of studies that have sought to determine whether ‘good’ employee outcomes could be positively associated with certain types of HR interventions. It should be noted that none of these studies covers all of the potential interventions that companies have come up with. Furthermore, a good number of these try to look for correlations using particular *combinations* of practices, while others in fact make the point that better performance is *best* observed when such practices are contained within a particular system or bundle (Leckie and Betcherman, 1994).

At the same time, some studies have presented evidence that finds no correlation whatsoever between reduced turnover and the introduction of ‘progressive,’ ‘innovative,’ ‘alternative,’ or ‘high involvement’ workplace and HR practices. Morrissette and Rosa (2003) find very little correlation between quit rates and the introduction of different ‘bundles’ of alternative work practices in the Canadian manufacturing sector, and they cite a number of other studies that support similar conclusions.

What is one to make of this evidence? Or, perhaps the more familiar question might be asked: Is there a ‘business case’ for the introduction of certain types of policies as a way of reducing employee turnover? Certainly, there is strong evidence to suggest that retention is associated with *certain types* of HR practices. At the same time, there appears to be reliable evidence to the contrary, indicating perhaps that this area of HR research requires more development.

It seems clear, however, that *none* of the research actually succeeds or fails in making the ‘business case’ for *all* of the possible combinations of retention practices or strategies that are implemented by actual firms, nor has it yet been able to encapsulate in a functional way such intangibles as the quality of the company’s workplace culture or “affective commitment.” Furthermore, as Leckie and Betcherman (1994) point out, it is still unclear whether successful practices engender high performance, or whether strong performance creates the resources for the implementation of such practices (Leckie and Betcherman, 1994).

One of the important conclusions of this report (discussed below) is that there is no “magic bullet” or set formula for ensuring good employee retention. In the same sense, there is little evidence that provides a clearly cut business case for all the particular retention practices a company could conceivably choose to implement. Some of the companies whose practices we have documented have instead relied on understanding the retention challenge by focusing on their unique circumstances and, to some extent, ‘trial and error’ have relayed vital information about how well they are keeping their employees. Others simply practice good retention as a matter of long-standing custom, and rarely, if ever, explicitly address retention as an area of business concern. It is not uncommon to hear the phrase: “This is just the way we’ve always done it.”

Factors Affecting Retention: Observations from the Literature

1. Compensation and Benefits

A. Compensation Levels

The HR literature that covers compensation is quite likely the largest part of the literature that applies to employee retention. Most of the sources consulted in this study stress the importance of compensation in attracting and keeping good employees, particularly for workers whose skills and responsibilities are unique or indispensable to the organization, or for those workers in whom the company has invested considerable resources in recruiting or training. Conversely, authors like Lawler (1990) argue that low wage strategies may be appropriate if work is simple and repetitive and requires little training. These distinctions are very general in nature and do not necessarily provide a clear rule of application to actual companies. Companies in highly competitive local labour markets may well find that they need to pay highly competitive rates — against some industry or geographic benchmark — in each of their job classifications, even for semi-skilled or unskilled positions.¹¹

In addition, some commentators hold that competitive compensation packages can signal strong commitment on the part of the company, and can therefore build a strong reciprocal commitment on the part of workers. However, to the extent that it contributes to retention, competitive compensation is also likely to affect both desirable and undesirable turnover: it will help to retain workers, irrespective of the quality of their contribution to the company.

While there is general agreement about the importance of competitive compensation for employee retention, there is also a growing consensus that competitive, or even generous compensation will not single-handedly guarantee that a company will be able to keep its most valuable employees. Fifteen years ago, experts such as Lawler (1990), maintained that the key issue in retention is the amount of total compensation relative to levels offered by other organizations. “Organizations that have high levels of compensation,” he wrote, “have lower turnover rates and larger numbers of individuals applying to work for them.” Furthermore, he argued, high wage workplaces may create a “culture of excellence.”

But to recall our discussion on “cultures of commitment,” it is worth remembering that building “affective commitment” (Meyer et al, 2003) involves much more than paying well, and that retention based on the principle of “compensation-based commitment” is of course sensitive to changes in compensation within the company. Employers that base their retention on compensation-based commitment will always be vulnerable to the possibility that their competitors will be able to offer better wages and thus lure away their employees.

Similarly, Smith (2001) argues that “money gets employees in the door, but it doesn’t keep them there.” Ashby and Pell classify money as a “satisfier,” meaning that it is a necessary but insufficient factor in employee retention, while Harris and Brannick (1999) agree that money is

¹¹ However, it is not uncommon for companies in the Canadian plastics sector to hire workers in this segment of the workforce on a contract basis as the need arises from seasonal business cycles.

not the primary motivator for employees. In fact, many companies have done a very good job of retaining their employees without any pay-based retention incentives (Pfeffer, 1999).

Some of the companies profiled in this report have done very well by pegging compensation levels against ‘middle of the road’ wage benchmarks rather than trying to out-pay their competitors. Successful retention under such circumstances seems to depend on a wide number of factors. Clearly, the existence of other HR practices is also a key to retention, and there is a great deal of interdependence between compensation and these other practices.

And, one should not discount the possibility that certain companies get along very well without offering high levels of compensation for reasons that are not of their own doing. Workers in large urban centres where industrial establishments are concentrated may be more likely to move to the competitor down the street even for very modest wage differentials. Companies situated in more isolated areas know that their workers are less likely to move for small increments in compensation. The message, here again, is that companies that wish to develop a successful retention plan that includes compensation and benefits must always understand their own unique characteristics and circumstances.

Whatever their circumstances, companies that successfully incorporate compensation and benefits into their retention efforts have a clear understanding of their business objectives and use compensation as a tool for influencing organizational and employee behaviour (Lawler, 1990). For example, pay systems and practices can have a major impact on employee retention by motivating membership-oriented behaviour (commitment). Pay systems may also affect knowledge sharing and transfer if sharing, teamwork, suggestions, etc. are rewarded or recognized. According to Branham (2001) compensation can also drive commitment-oriented behaviour by:

- Sending employees a strong message about what results are valued.
- Recognize and reinforce important contributions so that employees feel valued.
- Provide a sense of “emotional ownership” and increased commitment that comes from giving employees “a piece of the action.”
- Maintain or cut fixed payroll costs and allocate variable pay to the employees they most want to attract and keep.

Finally, it is important to distinguish between what might be called normal or standard compensation — wages, salaries, benefits, etc. — and what is commonly referred to as ‘performance-based compensation,’ i.e., specific forms of compensation that are paid for workers or groups of workers who attain certain objectives vital to a company’s business strategy. Performance-based compensation — or ‘pay for performance’ — is becoming an increasingly popular form of compensation, particularly since its various forms are closely tailored to very specific company objectives, including employee retention (Butteriss, 1999; Harris and Brannick, 1999).

B. Benefits

Benefits can demonstrate to employees that a company is supportive and fair, and there is evidence to suggest that stable benefits are at the top of the list of reasons why employees choose to stay with their employer or to join the company in the first place (Dibble, 1999; Tompkins and Beech, 2002; Tillman, 2001). However, it is often the case that many employees do not realize the "true value" of the benefits they receive (Meyer, 2003). Nor are they always sure what motivates the employer to provide these benefits. Thus, the link between benefits and employee commitment is not always strong. Adequate communication with employees is, as with most other retention practices, essential (Tillman, 2001).

The range of benefits offered by companies is too broad to mention here, and readers will already be familiar with the main categories: health, dental, vision, vacation, parental/family leave, disability, retirement/pension, employee assistance programs (EAPs), life insurance, extended leave, etc.

Employee benefits are constantly evolving as the workforce itself evolves, and as people identify new priorities as being important. We may note, for example, the growing interest in fitness subsidies or eldercare provisions which are a direct response to changes in personal priorities and demographic changes. In addition, there is also growing concern within industry about the mounting costs of health-related benefits and the magnitude of pension obligations for an aging workforce. Thus, while benefits do not necessarily figure prominently within the literature as a major area of HR innovation, they are the subject of considerable concern among employers and workers, and a few key observations are worth making with respect to employee retention.

It is important to note that the relative importance of benefits will vary according to the specific needs of each individual. The importance of a benefit plan to an employee with dependents may assume far greater importance particularly in an environment where benefits costs are increasing rapidly (Tompkins and Beech, 2002). Companies with an older workforce demographic might see their retention efforts best served through benefit plans that cover health-related expenses, care for elderly parents, etc. Companies with a significantly younger demographic may find education subsidies or tuition rebates to be more effective retention drivers.

Most innovation in the area of benefits appears to be focused on the concept of flexibility. Many companies are responding to the increasingly diverse needs of their employees by introducing a greater element of choice in the range of benefits from which their workers can choose. Thus, the introduction of flexibility in benefits packages can be a key ingredient in ensuring good retention, particularly since it affords greater responsiveness to the specific needs and circumstances of individuals (Smith, 2001).

Some companies have become more creative in the types of benefits they offer their employees, and many such initiatives are focused on allowing employees to strike a better balance between their working and non-working lives. Examples are numerous and include: earned time off, on-site child care, paid paternity leave, sabbaticals, tuition reimbursement, etc (Meyer, 2003). In the interest of facilitating a better work-life balance, Duxbury and Higgins (2001) advise employers to make it easier for employees to transfer from full-time to part-time work and vice versa,

introduce pro-rated benefits for part-time workers, guarantee a return to full-time status for those who elect to work part-time, and protect employee seniority when shifting from full to part-time work, and vice-versa.

C. Performance-based Compensation

In general, the key purpose behind performance-based compensation is twofold. It is (i) a means of modifying individuals' behaviour within an establishment in order to better align their activity with particular business objectives, and (ii) a way of influencing the development of particular types of organizational culture (e.g., team-based pay can lead to a stronger team-based culture, skill-based pay or profit-sharing can contribute to a culture of stability and mutual commitment, etc.; Meyer, 2003)

Even though Lawler's typology of compensation systems (1990) is 15 years old at this point, we have presented it below as it retains the essential categories in which we still think about performance-based pay.

- a. Incentive Pay** systems pay pre-determined amounts for each unit produced (piece-rate).
- b. Merit pay** allocates pay increases based on individual performance. It can play a major role in attracting and retaining particular employees, and can lead both to good retention and beneficial turnover, i.e., good performers stay and poor performers leave.

Where teamwork is an important part of productive activity, individual merit pay may not work well. As with other forms of performance-based compensation, individual merit pay can cause excessive competition for incentives, and can promote counter-productive behaviour, e.g., hoarding important information rather than sharing it widely within the company and other forms of 'zero-sum' behaviour.

- c. Gain sharing.** Financial gains in organizational performance are shared with all employees in a single plant using a predetermined formula measured against a historical benchmark. Gain sharing is usually based on a participative management approach, for example, suggestion systems, shop floor committees, self-directed work teams, in order to enhance the coordination of teamwork and sharing of knowledge. Gain sharing may also may be effective in smaller firms with less than 500 employees.
- d. Profit Sharing:** pay is related to the company's overall financial performance. Profit sharing is different from gain sharing in that it does not necessarily involve participative management, and does not measure employee-controlled or productivity-related financial performance.

Example. Under Canadian Tire's profit sharing plan, full-time and qualifying part-time staff receive a 6.75% share of the company's pre-tax profits. Profit sharing has, on average, vested about 11% of base salaries into investment funds (Felix, 200).

- e. **Employee Stock Ownership Plans (ESOPs).** For publicly traded companies, employees are partly compensated through shares in the company's stock. Employee ownership arrangements can include stock options plans, stock purchase plans, and employee stock ownership plans.

Meyer (2003) cites a number of different studies that positively link ESOPs and organizational commitment. Research also indicates, however, that ESOPs in and of themselves, are not sufficient to increase "affective commitment." For example, measures to increase employees' say in how the company is run might be one type of support needed to increase commitment. (Meyer, 2003)

Example. 80% of Canadian Tire employees participate in the stock purchase plan. Income tax obligations on contributions are assumed by the employer (Felix, 2000).

- f. **Skill-based Pay.** Under this arrangement, the employee is paid according to his or her skills and experience, i.e. the company pays for the person rather than the job position. Skill-based pay can help organizations meet their skill requirements by directly motivating workers to learn specific skills.

The major advantage of this pay system is that it can promote a culture of flexibility. Individuals can perform multiple tasks, including filling jobs in the wake of turnover. Skill-based pay can also contribute to lower turnover since individuals will be paid more for their knowledge and will be unlikely to find similarly attractive pay in firms using more traditional job-based pay systems.

To this list, we would add a number of other well-known forms of compensation.

- g. **Bonus Plans.** These have the advantage of being flexible, and capable of targeting particular behaviours that a company might want to change or promote without increasing fixed costs (Meyer, 2003).
- h. **Retention-based Compensation.** These include bonuses and other forms of compensation based on job tenure. Meyer (2003) notes that a potential disadvantage to this form of compensation is that it can contribute to reduced employee motivation, inhibit behavioural change, encourage risk aversion, and can often be expensive for organizations with long employee tenure.
- i. **Team-based Pay.** Given the increased interest in employee participation and a growing interest in team-based work, our list of compensation options would not be complete without some mention of team-based pay, in which work teams are uniformly compensated for the performance of the team as a whole. Again, team-based pay must be aligned with intentions to promote certain types of behaviour. Properly managed, team-based pay can reinforce cohesion at the group level and generate strong performance by particular work teams.

As with individual performance compensation, team-based pay can also generate conflict and competition among work teams. In addition, some authors note that team-based pay raises concerns about free-rider problems.

A couple of concluding comments about pay-for performance are warranted. The first is that the introduction of pay-for-performance is not an isolated intervention, in the sense that it depends upon—and is to some extent a result of—other HR and business strategies. There is, for example, little sense in introducing skill-based compensation if the employer is not actively engaged in providing learning and development opportunities for its members as a part of its normal business practice. Similarly, individual performance bonuses or pay need to be aligned with a structured process for evaluating and managing employee performance.

Secondly, it should be noted that labour unions are often reticent about embracing pay-for-performance. Pay-for-performance naturally introduces pay differentials among employees with similar job classifications, and this is contrary to the spirit in which unions normally negotiate with management on issues related to compensation. However, Brosseau (2000) has cited instances in which pay-for-performance systems have successfully met with union approval. He notes that the involvement of the union in the design, implementation and operation of skill-based pay systems is essential to successfully implementing such systems in unionized environments. Indeed, union involvement at this level appears to be consistent with what much of the literature has to say about the need for open communications, as well as employee participation and involvement.

2. Recognition and Rewards

Rotundo (2002) argues that reward systems ought to be a significant sphere of innovation for employers. The increasing diversity of the workforce, she says, suggests the need for more creative approaches to tailoring the right rewards to the right people. It would, however, be impossible to list all of the various types of recognition and rewards that companies actually give their workers, and our main concern in this section is to present some of the more important words of caution that experts in the HR literature address. Nevertheless, it is clear that recognition and rewards—as part of a more comprehensive effort at keeping workers or adopting good workplace practices—can contribute to increased retention.

The category “Recognition and Rewards” is in some ways a catch-all phrase as it includes a diverse range of formal and informal, financial and non-financial, incentives given to individual employees, groups of employees or to an entire staff. They come in all shapes and sizes: small employee of the month awards (e.g., gift certificates, recognition plaques), company-sponsored sports teams, company parties, prizes, clothing, etc. They are often incorporated into a company’s overall HR policy, but are just as often awarded “as the need rises” and at the discretion of middle-level managers or team supervisors.

In general, and for the purposes of this overview, “Rewards and Recognition” covers all of those incentives that are not captured under the other categories of retention measures described in this report, and we may tentatively make the observation that while they are not generally seen to be

the decisive elements in ensuring good retention, they often do much to sustain a workplace culture that is aware of the contributions of its members, while at the same time helping to reinforce positive behaviour.

To function properly, rewards must be well justified, everyone must have a fair chance at getting one, and that reward must be something that the recipient employee values. According to the Canadian Council for Human Resources in the Environment Industry (CCHREI, 2000)

Everyone who keeps your company productive deserves a fair share of awards, interesting new assignments, honours or the other motivational treats that you hand out. Whether they are part-time, casuals or telecommuting, make sure they are all included. Morale will plummet if employees see you as arbitrary, unfair or playing favourites.

As with many other authors, Harris and Brannick (1999) offer the general principle that “What get rewarded gets done,” and they emphasize that that principle must be connected to the organization’s core culture. Our own observations of Canadian plastics companies suggest that recognition and rewards are strongly tied to the ‘culture’ of a particular workplace—they support that culture, and they are consistent with that culture—whether or not that culture is something consciously managed or iterated by the company. Rewards must, in other words, ‘fit in’ with people’s perception of their employer and their workplace. In workplaces where labour-management relations are strained or where workers are distrustful of management’s intentions, people will often react with skepticism when rewards are suddenly introduced.

Writing from the employer’s perspective, Susan Dibble (1999) does include money in her discussion of financial incentives but she also points out that money is not always an appropriate reward. In a survey that she conducted, almost a quarter of respondents said that they left their previous job because they did not feel valued or appreciated. In her view, showing appreciation “is not related to money, flexible work hours or career opportunities. It is more personal.”

Beauregard and Fitzgerald (2000) also note the drawbacks with some types of incentives. They write:

For some employees incentives designed to motivate may actually demotivate if they seem to be unfair or too difficult to obtain. Also, incentives can sometimes cause unhealthy competition among employees and either force employees to cut corners or sabotage their colleagues. Incentive programs should be well thought-out before implementation and used with care.

Finally, Gregory Smith (2001), who also includes rewards and recognition in his list of high-retention practices, also argues that incentives and rewards can turn out to be counter-productive:

I know several companies that have relied so heavily on incentives that before any action is taken, employees ask, “What’s in this for me?” They have robbed their employees of the intrinsic motivation of pride and self-respect — a dangerous malady that is very difficult to change. Too many gimmicks and too much extrinsic motivation will eventually harm their creativity and initiative.

Smith also cites the work of Alfie Kohn who, in *Punished by Rewards*, comes down hard on incentive and bonus plans. Smith cautions:

Used incorrectly, rewards, recognition, praise, and bonuses can be manipulative and controlling and amount to little more than a bribe for behavior. In many instances, these behaviorist techniques create an effect opposite from that intended.

It's true that rewards can undermine intrinsic motivation. I've seen companies wipe out initiative and turn their employees into Pavlov's dog sitting ready for the next bone thrown their way.

Smith concludes by stressing that "goal-setting and training" ought to have a greater impact on productivity than rewards and recognition, and this tends to support our reading of the literature which is that recognition and rewards, to be effective, must support and be supported by a number of other practices and structures.

3. Training, Professional Development and Career Planning

We treat all activities and employer investments related to learning — which encompasses training and development issues — as perhaps the most important retention factor among the ones mentioned in this report. Gregory Smith (2001) unambiguously states:

Make no mistake about it: all organizations will do a better retention job by spending more resources on training and development.... A business that provides education and training will be more competitive and productive and will win the loyalty of its workforce.

That training and development are so enthusiastically embraced as key factors to good retention is no doubt due to the fact that well-developed training programs are becoming ever more essential to the ongoing survival of most modern companies, whether or not retention is an important issue to that company. To the extent that operational paradigms such as "The Learning Organization" or the "Knowledge-Based Organization"¹² continue to take hold in the contemporary business world, training is only likely to become more important.

In any event, retention reflects a desire to keep one's valued *people*; but it is just as much about keeping and managing the *skills* that a company needs to meet its goals. The provision of training is a way of developing those skills in the first place. The fact that providing it also turns out to be a benefit that is highly valued by those who receive it makes for a very powerful approach to doing business.

Because training and professional development are so fundamental to the operation of a business, it goes against intuition to suggest that training and development are to be thought of primarily as "retention" tools. We have encountered few examples in which the development of skills at work

¹² See Drucker (1998) and Garvin (1998).

was ever consciously introduced as a way of retaining people. Nevertheless, countless studies tend to confirm the fact that a good part of the satisfaction or dissatisfaction of workers is associated with issues related to their professional development. A recent study by Linda Duxbury and Chris Higgins, quoted in Beauregard and Fitzgerald (2000), found that over 40 per cent of small business employees are dissatisfied with the amount of training they receive. The study also found a strong correlation between the dissatisfaction and frustrations surrounding the lack of opportunities to develop skills, and both an employee's intention to leave as well as the incidence of absenteeism. Similarly, a 1999 Gallup poll named the lack of opportunities to learn and grow as one of the top three reasons for employee dissatisfaction (*B.C. Business*, 2001), and other studies have offered similar conclusions (BHRC, 2002). Furthermore, the evidence seems to confirm that the link between training and retention is even stronger for more highly skilled workers (Kaiser and Hawk, 2001; Paré et al, 2000).

Meyer et al (2003) suggest that employee learning — which encompasses training and development but is also related to *socialization within the workplace* — contributes to retention by (i) building employee commitment through a show of support, (ii) providing employees with the means to deal with stress related to job demands and change, (iii) serving as an incentive to stay, and (iv) creating a culture of caring. Thus, training and professional development are seen as ways of building employee commitment in that they allow employees to “see a future” where they work, and provide them with the support necessary to face the on-going challenges related to their work.

Many employers will of course voice the familiar concern that there is a risk that once trained, workers may be tempted to leave the company for other opportunities. This is no doubt a valid concern amongst many employers, particularly those in large industrial centres in Canada where even semi-skilled workers often operate in a high-demand labour market. As such, companies are only willing to provide training at the minimum level or to provide more extensive training on proprietary equipment and processes. The picture may be somewhat different for more highly-skilled segments of the workforce, where employers appear to be more willing to make greater investments.

However, our review of the literature suggests that the increased employability that is developed through employer-sponsored training does not inevitably lead to voluntary departures. In particular, it is doubtful that employees in whom the company invests training resources will simply gravitate to another employer because of modest differences in pay or benefit offered by the other employer. Investing in training can be interpreted as a strong signal that the employer values the employee and wishes to keep that individual with the firm. To the extent that employees perceive this to be the case, and provided that the way the company actually behaves in such a way — by ‘putting its money where its mouth is’ — employees may in fact be more likely to stay. The training incentive is further reinforced if it falls within well-defined and adequately communicated plans for professional development within the company.

There is a good fit between training and a number of other retention-related practices, such as career development and planning, skill-based pay, and others. Taken together such practices can usefully complement one another. Training can be a particularly strong retention tool when it is combined with measures designed to allow people to develop and progress within a company

(Butteriss, 1999; Meyer et al, 2003). We have seen a number of Canadian plastics producers that have put in place effective internal promotion programs that allow even their unskilled and semi-skilled workforce to move towards positions of greater responsibility and remuneration within the company. Such programs are inextricably linked with the provision of employer-sponsored training opportunities that directly support personal and professional development. And again, they send a very strong signal to employees that they are important to the company, and that the company is willing to make real investments in keeping them there. In addition, the advantage to training-related incentives is that they can allow companies to focus particularly on employees who demonstrate a strong potential for growth and contribution to the company.

Such arrangements end up being to the advantage of both parties. The company is able to secure the skills it needs while at the same gaining some reassurance that its skills development investments are also creating the conditions that will keep those skills in the company. The employee, meanwhile, gains the opportunity to securely move towards better pay and more challenging responsibilities.

The reader may be disappointed to see that we have not included an extensive discussion of the types of training and professional development that could be implemented. But it should be kept in mind that training is always unique to the circumstances of each company, and that there is no formula that dictates how much and what kind of training is given. No evidence was found to suggest that specific forms of training or training content were necessarily more conducive to good retention, nor is any type of training necessarily conducive to retention. However, it does seem plausible that training, when combined with well-communicated plans for advancement and ongoing professional development within the company, can help companies to keep their valued employees.

4. Recruitment and Orientation

Our review of the HR literature seems to confirm that good retention is about more than what a company does once an employee has been hired and established within an organization. How companies recruit and how they provide orientation in the first days on the job can be of crucial importance to keeping workers over the longer term. Failure to effectively recruit and orient employees may impose significant separation and replacement costs down the road. Smith (2001) attributes 60% of undesirable turnover to bad hiring decisions on the part of the employer. “Bad hiring decisions” may cover a number of considerations, including overly hasty selection processes that fail to ensure that the job candidate really has the adequate skills and qualifications to do the job for which she or he is hired.

The research we reviewed also confirms that good employee retention is in part a result of a good “fit” between a company’s workplace culture — its way of doing business and the qualities that it espouses as valuable — and the interests, character, and motivations of the individuals that exist within it. In terms of recruitment, companies should therefore put an emphasis on not only evaluating formal qualifications, job-relevant technical ability, etc., but also more general types of qualifications and dispositions on the part of the recruit. If work in the company involves being part of a highly cohesive team, the company may want to recruit individuals who are

interested in and capable of working in such an environment. Our own case-based study revealed that employees in some workplaces, particularly the smaller ones, do more than merely work together: they often share similar interests and have a very strong inter-personal rapport, and these in turn help to bind them together as a cohesive whole. Indeed, the quality of interpersonal relations may contribute significantly to retention in its own right.

It is equally important for the individual job candidate to have a fair chance at deciding whether the company is a good fit for him or her. Meyer et al (2003) and others have emphasized the importance of providing “realistic job previews” to potential employees. These previews provide potential new hires with more than just a cursory glance at a company’s operations, providing the candidate with enough information to make a decision about whether it is the right workplace for her or him. Harris and Brannick (1999) cite the example of a number of companies that,

simply relate the positives and negatives of the job and the organization in an objective, non-evaluative manner and let the candidate decide whether this is an opportunity that she wants to pursue In the long run, getting real maximizes the fit between candidate and organization.

This is not to downplay the importance of other traditional and non-traditional recruitment methods such as structured interviews, multiple and panel interviews, pre-employment testing, biographical data analysis, simulations and work samples; these are all potentially useful tools that appear in the HR literature (Meyer, 2003). The company must have at its disposal the right tools to enable it to make reasonably accurate evaluations about the type of people it might hire; and there exist a great number of evaluation tools at the employer’s disposal. We simply wish to suggest that allowing both parties to the employment contract to make informed decisions can help to ensure that the right hiring decision is made. Of course, the underlying assumption in the literature is that the cost of recruitment will more than compensate for the costs associated with unwanted turnover; naturally each company must also engage in making such calculations.

Many Canadian firms, including some of the firms we have profiled, place great trust in candidates referred to them by members of their own firm, and some even support this process by awarding bonuses to employees who refer a candidate who eventually gets hired by the company (Kaiser and Hawk, 2001). While less formal in nature, employee referrals seem to accomplish both of the objectives just described. The employee who provides the referral is able to provide the candidate with a realistic preview of what it’s like to work in the company based on personal experience and observation. Meanwhile, because they usually know the person they refer reasonably well, and would be hesitant to refer someone whose performance would reflect badly on them, employees can often provide critical information that resumés, job applications and interviews might not reveal.

Including one’s employees in helping to evaluate candidates may also be particularly effective with respect to retention in workplaces where team-based work is the norm (Meyer, 2003). Allowing employees to have a say in who they will be working with, and asking for their assistance in evaluating whether that person will be a good fit, may prove helpful in ensuring that the candidate not only has the requisite experience but will also be an effective member of the work team.

Finally, providing a good initial orientation to the newly-hired employee can not only help to effectively integrate that person into the workplace but can also help to make the new person feel welcome and provide him or her information about how to cope with the demands of the workplace, and any possible problems that may arise (Dibble, 1999). These can be important elements of the socialization process, and some companies spend two weeks or more on orientation, during which they provide information about the company, its values, structure, goals, objectives, clients, customs, and history (Foundation for Enterprise Development, 1994).

5. Healthy Workplace and Well-being Programs

There is a growing body of evidence that workplace safety, health and wellness initiatives can make a fundamental contribution to business performance as well as the improved health and well-being of individual employees. Our examination of the HR literature tended to support this argument although most authors did not delve into this area in any considerable amount of detail.¹³ Healthy workplace practices take on a variety of forms, including those directed at the physical work environment (safety, ergonomics, etc.); health practices (supporting healthy lifestyles, fitness, diet, etc.); and social environment and personal resources (organizational culture, a sense of control over one's work, work-family balance, etc.).

Many "healthy workplace" researchers have become increasingly convinced that organizations must also become more attuned to the negative consequences of workplace stress and other psycho-social factors. Lowe's (2003) analysis of data from a survey of some 2,500 Canadian workers indicated that many Canadian workers link psycho-social factors, including interpersonal relationships, relations with supervisors and the availability of other forms of support to perception of how healthy a workplace may be. A survey of 16 Canadian CEOs also suggests that business leaders are also becoming increasingly aware of the importance of reducing stress in the workplace (*Report on Business, 2004*).

Thus, to the extent that emotional and mental wellness is important to good retention and other indicators of business performance, companies might be well-advised to turn their attention to factors in the workplace that cause stress in the workplace. Potential remedies to poor workplace health may, in fact, come from a number of the other retention areas described in this report, e.g., vacation benefits, flexible time, a good work-life balance, effective and open communications, job enrichment, etc.

The Canadian Labour and Business Centre recently completed a series of in-depth case studies of Canadian companies with strong healthy workplace practices¹⁴, and found that all of the companies studied sought to measure the impact of their workplace health initiatives on employee health and/or workplace performance. Workplace health and wellness initiatives were seen to reduce health and safety costs, facilitate good labour management relations, and improve

¹³ See, for example: Beauregard & Fitzgerald, 2000; Branham, 2001; Kaye & Jordan-Evans, 1999.

¹⁴ Case studies of Healthy Workplace Practices at 12 Canadian companies are available on the CLBC website: http://www.clbc.ca/Research_and_Reports/Case_Studies.asp

profitability and customer satisfaction. They were also viewed as key factors affecting employee recruitment and retention.

6. Work-Life Balance

Work-life balance programs cover a variety of interventions, and include such practices as dependent care leave, childcare subsidies, eldercare programs, counseling and referral, and flexible working hours (Withers, 2001). As the list suggests, the concept of “work-life balance” recognizes that employees have important family and extraprofessional obligations that compete with their professional commitments; benefits that may be grouped under this concept therefore allow people to strike a more meaningful and potentially less stressful balance between obligations at the workplace and obligations at home.

The literature we have reviewed suggests that the concept of “work-life balance” is an area of growing interest. Duxbury & Higgins (2001) note that the 1990s saw an intensification of work-life conflicts for many Canadian workers. “Jobs,” they note, “have become more stressful and less satisfying, and employees generally exhibit less commitment to their employers and higher absence rates from work.” They add that high levels of “role overload” and “work to family interference” play a significant role in frustrating recruitment and retention in Canadian companies.

“The fast track has lost much of its luster in recent years,” say Harris and Brannick (1999), reflecting a perhaps common perception that we are witnessing a change in culture in the way people are choosing to live their lives, and organize their careers accordingly. In a survey of 448 employees reported on by Dibble (1999), “flexibility in hours” was the third most frequently mentioned reason why employees remain with their current employer. A survey of 1,862 employees in the U.S., cited in Ashby and Pell (2001), reported that most workers wanted a job with flexible hours and that allowed them to take care of personal concerns, while a substantial number cited similar reasons for their preference for working at home. Similarly, *B.C. Business* (2001) reports that the amount of salary and number of work hours workers say they are *willing to give up* to achieve a work/life balance has doubled.

Whether or not we are in the midst of a cultural shift, many employers have begun to respond to such demands by implementing “work-life balance” initiatives in their workplace, and have done so out of a conviction that providing such benefits can substantially enhance productivity, revenues, and employee retention and commitment (Withers, 2001). In a survey of 300 small businesses in Canada, the Centre for Families, Work and Well-Being (2000) asked “what are the work-life strategies that make small companies successful in concurrently meeting their business objectives and being a good place for employees to work?” The survey found that:

- over 80% of companies offer at least one flexible work arrangement for employees, and flextime is the most common arrangement.
- 83% provide time off to care for sick family members
- 80% provide extended health care benefits

- 70% offer time off for "eldercare"
- 21% offer an EAP.

Such arrangements hardly require a detailed explanation. It is worth noting, however, that some of these practices — particularly those related to ‘time off’ and flexibility for addressing particular needs — need not be a part of some formal benefits program. Our research on Canadian plastics companies, particularly the smaller ones, suggested that discretionary time off is a common ad hoc practice, as is building in a measure of flexibility into work arrangements.

The key to success in this area appears to be, first and foremost, a good channel of communications and a workplace culture in which employees feel comfortable in asking for time off to deal with pressing family matters, and employers are willing to recognize that granting time off in such a manner ultimately may contribute to greater employee commitment and productivity in the long run.¹⁵ Duxbury and Higgins (2001) argue, in this vein, that employers can help to create more supportive work environments by (i) working with employees to identify and implement the types of support they say they need, and better inform them about policies that may currently be available to them, and (ii) encouraging employees to use the supports that are readily available and ensure that employees who could make use of such assistance do not feel that their career prospects would be jeopardized by doing so (Duxbury and Higgins, 2001).

Finally, it should be noted that organizations that function on the basis of shiftwork — manufacturers particularly — may have employees who found it particularly difficult to balance family and work obligations. Again, a certain degree of flexibility and responsiveness on the part of employers can go a long way in helping employees to resolve such conflicts and be more productive at work. Duxbury and Higgins note a number of policies that prove to be effective in helping employees to manage work-life balance in a shift work setting. These include (i) limiting split shifts, (ii) providing advanced notice of shift changes, (iii) permitting employees to trade shifts amongst themselves and, most importantly, consulting with employees about their work-life balance needs while planning shifts.

7. Job Design and Work Teams

Our discussion of employee retention thus far suggests that workers stay with a company for reasons other than just good pay, benefits and other sundry perks. With respect to retention, the literature suggests that “intrinsic” rewards are just as important as material rewards. By this we mean that workers value their jobs not only when they are well compensated, but often because doing the job is in itself a rewarding experience — in other words, it is fulfilling, challenging, interesting, and stimulating. Along this line of thinking, much of the contemporary HR literature reflects a growing interest in practices that enhance such intrinsic rewards, and a good part of this interest has focused on business practices that hand over a certain degree of autonomy control and managerial responsibility to the workers themselves. Practices such as autonomous or semi-autonomous work teams, ‘self-scheduling,’ and job rotation can not only improve

¹⁵ See also Branham (2001).

retention but have also been shown to improve a number of other important indicators such as productivity, accidents and injuries and product quality.

The HR literature seems to confirm the growing enthusiasm for greater autonomy on the part of workers. CCHREI's guide-book on HR planning, for instance, emphasizes the importance of allowing more "self-scheduling" and empowering work teams to take on a greater discretion for making key decisions. Gregory Smith (2001) speaks generally about the retention benefits of "high-involvement" work environments. Harris and Brannick (1999) list "allowing employees freedom to control their work" as a major 'best practice' in retention, while Ashby and Pell (2001) report that "the highest turnover rates are those in which the corporate culture is one of domination, autocracy and inflexibility." They also report on a survey of 3,000 American employees, quoted in the May 2000 issue of *Bottom Line Business's* May 2000, which listed the reasons why employees stay in their current job, and the evidence seems to suggest that the intrinsic rewards of a challenging job, including good relations with co-workers, meaningful work, team-based activity, and a degree of autonomy often guide workers' decisions to stay with their employer.

CCHREI (2000) points out, in addition, that the benefits of greater autonomy through teamwork go beyond simply retention. One's goals in promoting teamwork, according to CCHREI, are to:

- Use the joint knowledge and skills of teams to solve problems
- Encourage cooperation among employees
- Increase productivity by sharing the work load
- Motivate teams to achieve the goals of the business, and
- *Increase job satisfaction for employees.*

Most commentators in the HR field are quick to point out that *if* the intention behind implementing work teams is to allow a greater degree of flexibility and autonomy in making decisions, then work teams must also take on a corresponding measure of responsibility and accountability for the work they do. For example, teams must be willing to have their efforts measured and evaluated as part of their taking responsibility for success (there are a variety of methods for measurement, e.g., revenue generated, customer survey results, etc.; CCHREI, 2000). Each member of the team must also recognize that she or he has specific responsibilities to the other members of the team, and so there also exists a measure of individual *internal* accountability for results. At the same time, if autonomous teamwork is valuable to a company, then that company may also be well advised to reward and recognize behaviour that generates positive results through autonomous teamwork.

From the point of view of retention, the concept of the autonomous work team is one among a number of practices that contribute to what is called "job enrichment" (Kaye and Jordan-Evans, 1999), which we can define as: ways of organizing work so as to maximize the benefits that employees derive from a job's intrinsic rewards. In this sense, autonomous work teams are only one form of job enrichment, and there are many other ways to enrich a job, such as:

- Seeking to combine related tasks under one job description so as to create a more unified sense of purpose for the person who carries out that job.

- Rotating people through assignments so as to introduce an element of task-diversity for workers whose normal assignments involve a high degree of repetitiveness (Kaye and Jordan-Evans, 1999)

In any event, if promoting good retention is one of the objectives in allowing for greater autonomy on the job, presenting more interesting challenges, or increasing the diversity of tasks, then the entire exercise must clearly begin with two questions: “How can one design this particular job assignment or position in such a way that is more interesting or intrinsically rewarding to the individual who occupies it?” and “What forms of job design or work organization are appropriate to the workplace?”

The first question is obvious, but the second question is crucial in translating intentions into sustainable practice. A company scarcely distinguishes itself from its competitors by saying that it values ‘teamwork’ or that its employees are ‘empowered’ to make a contribution to the company’s success — these are boiler plate statements that one can easily find in any company prospectus or job advertisement. Our case studies of Canadian plastics companies, however, made it absolutely clear that teamwork and other forms of job enrichment are appropriate to certain types of workplaces and not to others. And certainly, such practices are seldom embraced solely for the sake of retention but rather because companies perceive that they will also translate into better performance in other areas such as productivity. This is not to downplay the value of re-designing the nature and scope of work with a view to making it more challenging, interesting and intrinsically rewarding. Rather, we simply wish to suggest that such practices will be effective *and* sustainable only if they are integrated into work processes through a careful consideration of how they will impact business activity.

8. Communications and Employee Participation

Our discussion of best practices in retention would be far from complete if we did not address the importance of communications. Open, responsive, two-way communications would appear to be vital to good employee retention. “The fastest way to transform a top-performing staff into a group of disgruntled, discouraged job-seeking workers,” according to Harris and Brannick (1999), “is to shut them out of the loop of corporate information.” Conversely, they say, the feeling that one is in the loop reinforces the employee’s connection to the organization.

Most, if not all, of the other types of practices described in our review of the HR literature fundamentally depend on a sound approach to communicating with employees. Without communications, many of these practices would be difficult to implement, or it would at least be difficult to implement them with the goal of retaining employees. We may consider a few illustrative examples:

1. Employees are often unaware of exactly how competitive their wages and benefits really are. If the employer is not effective at communicating the content of total compensation and benefits, employees may lack the information to form judgments about the company, and may end up not forming a strong commitment to the company.

2. The need for good communications is especially great under pay-for-performance plans if employees are to align their behaviour at work with the intended rewards and outcomes.
3. Professional development and career tracking must rest on a solid foundation of communication if employees are to understand their place and their future within the company, and what they need to do to follow a developmental path.
4. Almost all of the efforts we have described in our section on “Recruitment and Orientation” are fundamentally about communicating with prospective and new employees.
5. A good system of employee referrals relies upon a workplace environment where management is receptive of suggestions from employees and actively uses open communication channels to secure vital feedback from its workers.
6. The incidence of high stress and its attendant consequences for employee health and wellbeing is in part a function of inter-personal relations in the workplace (which mediate and are mediated by communications) and the availability of open and trusted lines of communication that can help to identify potential health problems before they become too severe.
7. The implementation of autonomous work teams, self-scheduling, job rotation, etc. depends on effective adherence to forms and standards of communication that are appropriate to and supportive of such ways of organizing work.

This is hardly an exhaustive list, but it does underscore the conclusion that *communication is a basic building block of any effective retention practice*. The HR literature we consulted was emphatic about the need to keep employees “in the loop”, and the case studies we conducted revealed that a number of companies make considerable efforts to communicate with employees for purposes beyond what is immediately necessary for them to do their jobs. Thus, many Canadian manufacturers will keep their employees regularly up to date on the company’s sales performance. In addition, many companies have an open-book policy through which employees are kept up to date on the financial performance of the company — good or bad — and are equally keen to apprise employees of changes to business strategy.

The rationale for good communications is best summed up by Kaye and Jordan-Evans (1999):

Conspicuously withholding information can lead to deleterious consequences within the organization. When top leaders share information and expect other managers to share it with employees, employees tend to feel more included and their trust is reinforced, resulting in smaller dips in productivity during crises. Additionally, informed employees are sometimes able to provide solutions to otherwise unresolved problems. Information sharing includes: strategic directions, the organization's and industry's future, emerging trends that could affect career possibilities, and other cultural political realities affecting the organization. These types of information help to support employee career development and advancement.

Indeed, the more companies want to devolve decision-making, promote innovation and creative problem-solving, and address problems in the workplace before they become bigger problems, the more innovative and responsive they have to be in the ways in which they communicate with employees. And as the Kaye and Jordan-Evans quotation suggests, innovative communications involve processes that allow employees to communicate with employers, rather than just the other way around.

Again, there is no magical formula for effective communication. It is clear, however, that the success of any communications practices will hinge upon management's commitment to and belief in the value of good and open communications in the first place; the lack of leadership will otherwise ensure that communications practices are dropped or not adopted as a part of the company's culture. Thus, implementing practices in the absence of a willingness to communicate — about both positive and negative matters — will not likely contribute to retention.

Communications is, in the end, a general feature of a company's culture, and not reducible to particular practices, systems or interventions. Our case studies suggest that many companies — particularly small companies — are extremely effective in speaking with, and listening to, their employees. It is in these small companies that we have observed 'open door' policies wherein employees are encouraged and able to walk into the president's or owner's office to discuss any issue of concern. However, 'open door' policies work because workers do not feel apprehensive, fearful or awkward about walking into the boss's office in the first place: and that in turn depends not on the existence of the open door policy but a basic disposition that allows, and indeed encourages, people at all levels to speak openly.

9. Performance Appraisal and Performance Management

Performance appraisals are not uncommon to Canadian organizations.¹⁶ However, what counts as an appraisal or performance management varies a great deal in sophistication and organization. Here, we seek to characterize 'performance management' as a type of HR practice that can effectively help an organization to meet its retention objectives, in addition to other important business goals. As such, we are referring to a process of employee performance evaluation that is closely tied to strategic objectives, that provides good feedback to employees and gives them a view of their longer-term progress within the company, and is potentially married to training and other development opportunities.

Generally speaking, performance management seeks to:

- Develop an objective basis for talking about performance;
- Let employees know the difference between acceptable and unacceptable results;
- Increase job satisfaction by letting teams know when a job is well done;
- Let new staff know about expectations regarding job performance, and;
- Encourage an open and trusting relationship with employees.

(CCHREI, 2000)

¹⁶ Wagar (2003) reports that 64% of Atlantic Canadian organizations conducted regular performance appraisals.

Performance appraisals inform a number of HR decisions related to compensation, training, promotion, and even termination. However, as part of a human resources policy that values open communication and employee commitment, performance appraisals also allow objectives and values to be effectively communicated to employees and can ensure a steady stream of critical feedback about business processes (Rotundo, 2002). When closely aligned with ongoing training and career development, performance management can be a successful retention tool.

According to Meyer et al (2003), performance management aligns the goals of individual members to those of the organization with which they are associated. It requires clearly articulated and well-communicated strategic goals for the organization as a whole. The design of a performance management system, according to Meyer, involves five essential components:

- i. *A Strategic Plan.* Set by the top of the organization, it serves as the starting point for division, unit, team and individual goal setting.
- ii. *Individual goals are set jointly by managers and employees.* Managers play an important role in communicating how these goals relate to goals in successively larger units of the company. Managers may also help to relate performance goals to employee development concerns.
- iii. *Monitoring, Feedback and Coaching.* Managers are instrumental in helping employees to monitor their performance and development, and make changes where necessary. Performance management requires more of a coaching role for the manager, and greater participation by the employee. Training is required to support these expanded roles.
- iv. *Formal performance reviews* should take place at regularly scheduled intervals and should focus on progress with respect to goal attainment, and to setting goals for the next cycle
- v. *Evaluation.* The performance management system must itself be the subject of evaluation.

As with other retention practices, employee perceptions about the performance appraisal system can have an important impact on their decision to stay with a company. Most importantly, effective performance management requires a system that is fair, and that employees *trust* as being fair, both in terms of procedure (e.g., consistent and well-communicated evaluation criteria) and in terms of the potential benefits arising from such evaluations (e.g., training, professional development). Indeed, fairness and openness about the evaluation process are of paramount importance when performance management is tied to specific rewards or advancement.

VI. Knowledge Management and Knowledge Transfer

Employee turnover is a normal and expected part of business, no matter how good the incentives to stay may be. It can result from retirements or for other reasons that have little to do with the employer. For a company, the loss of employees — whatever the causes — is a loss of their valuable skills, knowledge, and potentially vast years of experience working with plant equipment, manufacturing processes, and business strategies — not to mention potentially large, accumulated financial investments in training. The workers who replace them may eventually reach the level of experience of those who preceded them, but in the interim a company can experience skills and knowledge deficits that may have a significantly negative impact on business performance. If the market for skilled workers is tight or employee turnover is high, the problem can be seriously prolonged and compounded.

At the same time, the increasing technological sophistication of production processes often requires greater amounts of skill on the part of workers, ever greater investments in training on the part of employers, and in some cases, ever greater efforts to keep track of ‘who knows what’ within a given organization. And more and more, many manufacturers are finding that remaining competitive in the market depends on their ability to employ the knowledge, experience and unique abilities of their workers in order to remain innovative, solve problems creatively, respond to customers’ needs, save on costs, and add high value to end products. As these priorities become more important, many firms find that they have no choice but to pay very close attention to what their people know, to take stock of this knowledge, and to effectively manage it.

The concept of knowledge management — the process of gathering value from the intellectual and knowledge-based assets available to a firm — attempts to address the two main concerns described above. Knowledge *transfer*, as a part of knowledge management, refers more specifically to processes that achieve the effective sharing of knowledge among individuals, business units, departments, or even different branch plants of the same company. Thus, while employee retention practices strive to retain *individuals*, knowledge transfer policies serve as a retention policy for knowledge and experience (although that is not its only purpose as we shall see). These are reviewed briefly in the following section of this report.

A. Knowledge Management: An Overview of the Literature

“Knowledge is tacit—it is held so deeply by the individual that it is hard to express or document. If ways can be found to transfer that knowledge to others in the firm, either through personal interaction or by recording it, then that knowledge becomes . . . a key source of advantage.” (Birkinshaw, 2001)

1. Understanding Knowledge Management and Knowledge Transfer

To understand what the literature means by knowledge management and transfer, one must first understand the distinction between *tacit* and *explicit* knowledge. These concepts were first introduced to the business literature by Ikujiro Nonaka (1998), who explains the two concepts in the following manner.

Tacit knowledge, according to Nonaka consists of technical skills that are of an informal nature or at least “difficult to formalize.” It also consists of individual “mental models, beliefs, and perspectives” that tend not to be explicitly articulated. In other words, *tacit* knowledge is made up of skills and experiences that are not always easy to point out or identify, but may be important components of job performance. Even the individuals who possess such skills may not be able to identify them or communicate them easily to others. Because tacit knowledge is so hard to identify, companies often do not realize what knowledge is held by which people, and to what extent it contributes to business performance. Unfortunately, many companies only come to these realizations after particular people leave and production problems begin to emerge.

Explicit knowledge, on the other hand, is objective and quantifiable, and covers all forms of knowledge, relevant to business operations, that a firm has already made efforts to collect and document (Ednie and Mottola, 2002). On the one hand, then, explicit knowledge may be contained in performance evaluations, competency examination results, training reports, psychometric testing, or formally documented certifications (to name but a few examples). Explicit knowledge can also be, following Nonaka, *tacit* knowledge that has been successfully identified, recorded and made understandable to other people. At the heart of knowledge *management* is the question of how explicit and tacit knowledge can be brought together as a single resource that can contribute to organizational performance. Knowledge *transfer* is simply the *process* by which different types of knowledge are transformed into useable knowledge.

But most importantly, to return to the heart of our discussion, knowledge transfer is about how the sharing of knowledge *among individuals* can be augmented and improved. Thus, the focus of this section of the report is on the tools that can facilitate the sharing of information among people, whether they are inside an organization, outside of it, or making transitions between the inside and the outside.¹⁷

¹⁷ Nonaka’s discussion of knowledge transfer has been greatly simplified here for the sake of brevity. The reader is referred to his work in this area, cited in the bibliography.

2. Knowledge Transfer Policies, Programs and Practices

The Importance of Values and Communications

Practicing effective knowledge management and transfer requires, first and foremost, that a company have a good sense for what strategic role *knowledge* has to play in its operations. Some authors in fact caution that there is often a temptation for companies to get caught up in the lure of new knowledge management technologies without having spent enough time considering corporate values, knowledge management objectives, and communications with employees to reinforce the value of knowledge sharing (Stantosus and Surmacz, 2001).

Many if not most of the knowledge management authors consulted in this study emphasize the importance of *recognizing* the knowledge assets vested in workers as valuable, and *understanding* what business targets or objectives could be supported by making better use of them. Referring to these literature sources one can clearly note the importance of:

- understanding the role of knowledge management objectives relative to broader business goals and strategies, and providing the resources needed to integrate these effectively;
- creating a workplace culture that recognizes the value of tacit knowledge;
- creating a workplace culture that encourages those within the organization to share their knowledge and collaborate;
- communicating openly with employees about why their knowledge is important and valued, and how they are expected to align their professional behaviour accordingly;
- recognizing the good knowledge sharing practices of individuals.¹⁸

It is important to emphasize that achieving such goals does not require that companies formally lay out their strategy for managing knowledge. But it does seem to require, above all, that companies communicate effectively with their employees about what is expected of them, and why the company is placing so much emphasis on their knowledge. One of the case studies examined for this project demonstrates that good communications in the area of knowledge management may be something as simple as letting one's employees know that their employer expects them to share whatever external training they may have been sent on with their colleagues.

The recognition of good practices is also an effective way for a company to communicate what practices it considers to be important. Whether a company wants to strategically use organizational knowledge for the purposes of innovation, responding to customers' needs more effectively, or preventing knowledge loss through turnover, it can also take useful steps to reinforce the importance of knowledge sharing practices by rewarding and recognizing workers who do this well (Cameron, 2003). Thus, many companies offer financial or non-financial rewards to employees who devise particular solutions to business or operational problems, distinguish themselves as trainers or sharers of information, etc. Some companies integrate

¹⁸ This list is a composite of ideas appearing in multiple sources. See, for example, Santosus and Surmacz (2001); Bontis (2003); Cameron (2002); Ednie and Mottola (2002); Birkinshaw (2001); Manasco (1996).

financial rewards for good knowledge sharing practices into overall performance-based pay systems.

Communications must also strive to address workplace cultural factors that might impede effective knowledge management. For knowledge management and transfer to be successful, firms must encourage individuals to work together, interact and share ideas (Birkinshaw, 2001). Business environments in which individual teams or departments compete intensively amongst themselves may lead to the hoarding of information and knowledge to gain a competitive edge of other business units. To ensure good knowledge sharing, a company must be attentive to *how* people are accustomed to working within that company, and to take measures to address the factors that drive the hoarding of information. Otherwise, different units or departments may develop isolated and protected information ‘silos.’

Mentoring and Coaching

Mentoring and coaching are already familiar to most firms as a training tool, but they also are valuable in transferring intangible and tacit knowledge (Frank, 2002). They achieve this by pairing experienced workers with less experienced workers over a period of time, allowing the less experienced partner to observe and absorb the actions of the mentor or coach. Mentoring and coaching are also effective inter-generational knowledge transfer tools, and may be particularly important to companies facing the retirement of key staff (Frank, 2002). Frank also mentions that mentoring and coaching are useful ways for workers to share “lessons learned,” as the mentoree will often have the chance to benefit from the mentor’s trial and error experience.

Job Rotations

Already a familiar training and development practice, rotating employees through different positions, and often different departments, permits experience and knowledge to be shared among areas of a firm that might not normally collaborate closely with one another. For example, a job rotation in which technicians or engineers in the manufacturing area of a company are temporarily posted to positions in sales would allow for a greater dissemination of knowledge between these two departments and allow them to benefit from each other’s knowledge. In our example, the sales department would acquire a better understanding about the product manufactured and the process involved (thereby improving its ability to communicate with customers), and the manufacturing side would have an opportunity to learn more about customer’s expectations and requirements. In addition, the individual employee acquires a broader perspective of the company’s operations which can then be shared with colleagues.

Similarly, cross training (where, for example, manufacturing operators are rotated through positions that allow them to acquire competency using different machines and equipment) allows for a more limited form of knowledge sharing, usually within a particular area of a company (particularly manufacturing, for the purposes of this study). It should be noted that cross-training also has the added benefit of developing an increasingly flexible skilled workforce.

Phased-in Retirements

Phased-in retirement is “any arrangement that enables employees approaching normal retirement age to reduce their work hours and job responsibilities for the purpose of gradually easing into full retirement” (Smolkin, 2001). In addition to being a useful retention tool, phased-in retirements can be effective knowledge transfer tools, particularly for companies concerned about waves of workers retiring in a short period of time. Phased-in retirements can allow for increased lead time in bringing in new recruits, while temporarily retaining the knowledge of a company’s most experienced workers. The worker going through phased-in retirement will see a reduction in work hours and responsibilities, and some companies choose to use a part of that person’s remaining time on the job on activities related to coaching, mentoring and providing other forms of training. This in turn allows for a longer period of time to achieve inter-generational transfers of knowledge and experience.

Communities of Practice

Communities of practice are a form of online teamwork that, particularly in larger organizations, can be effective at sharing experience and allowing individuals to build up one another’s knowledge base. Usually developed through a computer-based system that allows discussion and the sharing of documents, communities of practice bring together people with different skills and from different areas of a company or different project teams (or even different plants in different regions), to converge on particular issues or problems to be solved (Ednie and Mottola, 2002). Discussion and the exchange of ideas are usually tightly focused on an issue or problem, and individual roles and accountabilities within the community may be defined strictly (Hasanali et al, 2000), but even in doing so, communities of practice also allow each member to contribute his or her individual experience in the process of collective problem-solving. Numerous companies currently offer software applications for hosting and administering communities of practice.

Documenting Knowledge: The Role of Technology

A very large part of the knowledge management literature is devoted to discussions of particular types of technology that support knowledge transfer. This may be driven in part by the fact that many of the major and well-known studies of knowledge management are about relatively large, and often high tech, companies, companies with considerable technological expertise and large budgets for technological infrastructure.

To what extent the technologies discussed below can be implemented by smaller firms is a serious question that each company would need to assess according to its own capacities. It should be noted, however, that the implementation of knowledge management technologies should never be seen as a substitute for the social interactions that are the foundation of knowledge transfer and sharing (Birkinshaw, 2001). Thus, for example, practices such as mentoring and coaching are equally effective ways of sharing knowledge, depending on a company’s particular characteristics and requirements.

Technology does play an important role in knowledge management, but its role is essentially limited to two functions. Firstly, technology plays the role of documenting, archiving and making available records that “contain” knowledge that has been made explicit. It provides a tangible, explicit record of knowledge that can be *permanently* held and used by others. Its second function is to serve as a written or graphic medium for exchanging and building knowledge in the first place. This can be particularly useful when it is not possible to bring people together to share knowledge face-to-face (consider the example of a company that wants to promote knowledge sharing among employees in plants spread out across a region). It can also be useful for permanently recording the actual exchanges that make up knowledge transfer (e.g., discussions, debates, visual explanations).

Currently, there are a great number of providers that specialize in the design and implementation of knowledge-based technologies, and the products they sell are diverse and numerous. We therefore provide here a brief listing of the most common types of tools used.

- (1) Databases, customized to the purpose, provide the means of storing recorded knowledge. They are used to contain whatever types of knowledge that are considered worth retaining. The greater the extent of knowledge to be gathered, the more important it becomes to catalogue it in a central repository where it can be easily retrieved.
- (2) Intranet systems function much like the internet, allowing people to communicate with one another (e-mail) and to make documents available through a computer network (an internal web). Intranets are common to many firms, and can contain a wide range of materials, including training documents, materials management information, scheduling, client information, job orders, etc. (usually stored on a linked database). Companies such as Interquisa Canada (interviewed for this study) use their Intranet for many of these purposes, but also to catalogue retained knowledge. In the case of Interquisa, such records also contain information about who entered created the record, thus allowing other people to identify repositories of knowledge in particular individuals.
- (3) Groupware is web-based software for online collaboration that “integrates work by several concurrent users at separate workstations.”¹⁹ Groupware is often the environment used for hosting “communities of practice” (see above), but more generally provides computer-based tools that allow people to collaborate on projects, share knowledge, and create a permanent record in the process.

B. Knowledge Transfer: A Retention Strategy

The sources consulted in this study suggest that most of the literature on knowledge management tends not to provide the reader with immediate steps or solutions that can be quickly and easily implemented. Most commentators tend to emphasize the highly conceptual and abstract nature of the issue and the fact that knowledge management requires, in their view, a considerable amount of strategic thought about a company’s needs, capabilities, and its available financial and

¹⁹ This definition appears at www.wikipedia.org, an online collaborative environment of sorts in its own right.

intellectual resources. As such, the bulk of the literature on knowledge management tends to deal at the level of concepts and general planning guidelines rather than immediate, practical solutions. We have therefore tried, as much as possible, to isolate examples of practical applications.

Although knowledge management and knowledge transfer are rarely undertaken with the singular goal of coping with the negative effects of turnover, this does not mean that they do not have potentially positive effects on retention. As Bontis (2003) points out, knowledge management practices can have a strong, positive effect on retention. They are usually premised on good communications, the development of skills in the workplace, and the valuing of employees' inputs and contributions. Our previous discussion of retention showed that such practices are not only important but often crucial to building strong employee commitment, and this was in evidence in a few of the case studies conducted.

As was the case with retention, many of the companies profiled in this report do not have explicit knowledge management strategies; indeed, some of them are only familiar with the notion in a general sense. In practice, however, many of their practices, particularly in the area of training, effectively achieve knowledge transfer objectives. This is not surprising, as knowledge management and training share a common root in the broader concept of "skills": when firms engage in training, they change the *level* of skills in individual workers (providing new knowledge through training), and when they engage in knowledge transfer (for example, by effecting inter-generational transfers of skill through mentoring), they change the *distribution* of skills.

The overall issue of retention is just as much about retaining the skills people possess as it is about retaining people themselves. Having considered these conclusions, it became increasingly apparent to us that our efforts throughout this project were really directed to a single overall concept, which we understood to be one of *skills management*, in other words: the practices put in place by organizations to help them to effectively use the skills available to them. This has helped us to understand the many practices undertaken by the Canadian plastics companies we studied as being part of a single overall goal.

VII. CASE STUDIES

The firms profiled in this section are presented in no particular order. They come from a variety of product sectors and niche market areas, and they reflect at least some of the diversity that makes up the plastics sector. Each profile begins with some background information on the company, gathered mainly from company websites. The profiles then examine the nature and magnitude of employee turnover within the firm. We then present the policies, programs and practices used by each firm in an effort to increase employee retention, and discuss the extent to which management attributes their turnover performance to their strategic approach.

The case studies begin on the next page.

Baytech Plastics

A. The Company

Baytech engineers, manufactures, finishes and assembles high-quality, custom-molded plastic components for domestic and international markets. Located in Midland, Ontario, Baytech operates in the midst of the largest plastic producing area of North America.

Baytech's customers include manufacturers of household appliances, telecommunications equipment, electrical and electronic equipment, business machines and automotive components, and many others. Baytech ships throughout North America and the world.

Baytech Plastics has experienced considerable success since it was founded in 1953, and has responded well to changing market conditions. About four years ago, Baytech went through a major crisis when it lost about 30% of their business due to a customer bankruptcy. In the last several years however, sales have doubled, and they have completely recovered from the loss.

Strategic Employment Profile

Baytech employs 260 people and manufactures from two facilities in Midland, Ontario. Baytech's hourly employees are unionized with the Union of Needletrades, Industrial and Textile Employees (UNITE).

Baytech's industry research shows that for buyers of custom molded plastics, engineering support is third in importance after quality and delivery. For this reason, Baytech employs a high ratio of engineering support staff relative to its competition. In fact, Baytech's emphasis on skills means employee retention and knowledge transfer are key elements in their business strategy of pursuing higher value-add niche markets.

On the salary side, Baytech's sales group consists of technical-sales people, such as mechanical engineering technologists from college. Their engineering group consists of process, tool and program technologists. General office staff, human resources, and supervisory staff complete the salary group. The hourly group consists of moulders and technicians, set up people, the quality group, maintenance and tool room technicians. Taking advantage of seasonal contract opportunities, Baytech has also, for the past two years, added 50 employees who work between July and December.

Retaining employees and managing skills is critical to Baytech's developing business model. In the last few years, Baytech has migrated to more assemblies and high levels of value add. In some cases, products are assembled to 90% completion, as customers find this service extremely cost effective. This move to value-add niche markets differentiate Baytech from other moulders, and has a positive impact on margins. It also improves customer retention; since higher value add work is more difficult to transfer to international producers, particularly those in lower wages countries such as China. Baytech understands this first hand, as a current customer in the

appliance industry has made the strategic decision to produce out of China, and Baytech will lose this contract as of the end of this year.

Baytech believes that the move to higher valued added markets reduces the likelihood of that happening. Considering trends in international trade and competition, Baytech's strategic move was perhaps less an option than it was essential. Baytech provides customers with more skills, the ability to meet unpredictable supply requirements, flexibility, high quality products and services, things it believes customers will be less likely to find elsewhere.

We need to increase the skill levels. It can't just be labour, if it's just labour then it goes to China. We've had to recognize that.

It is for this reason that Baytech pays close attention to the kinds of skills it needs within its organization, and the kind of business and human resource practices that help it to effectively manage skill requirements, including practices aimed at employee retention and knowledge transfer. For Baytech owner/president Anton Mudde, the rationale for their particular approach is obvious.

It just makes sense. I don't think we could live with turnover. If you have high turnover, you can't have consistency of product quality and customer service. And in this day and age, that's a must. Part of our success has been picking up programs where people/companies haven't done that. They haven't been successful in maintaining customer service, delivery and quality.

Turnover not an issue

Baytech's turnover runs at a rate of around 1.2 to 1.3 percent, and is not a problem for the company. Management attributes this turnover performance to a number of factors, including the nature of their work environment, their location within a smaller community, and their corporate philosophy of treating employees well. The company has no need of a formally defined retention policy or program, but has in place a number of practices that keep employee retention high.

B. Programs and Initiatives Affecting Employee Retention

Compensating Success

Baytech's HR group monitors compensation levels in the area, and in the plastics sector specifically through CPIA surveys, to benchmark and offer competitive and better than average wages. The company also has a pension plan, health and dental benefits.

Baytech has also introduced an innovative type of pay-for-performance bonus system it calls "rewards for success". The development of this reward system is something that was developed internally and has evolved over the past few years. Working with the union, Baytech began by identifying the measurables of success, the things were important to the firm and the employees.

A set of 10 measures of success include such things as quality, delivery, profitability, loss time accidents, and absenteeism. They then set targets for these, and added rewards for meeting the targets. Today, Baytech employees can make somewhere around \$1,000 bonus meeting these targets. Baytech recognizes success in other ways as well, through annual awards banquet with long service awards, perfect attendance awards, and so on.

Training, Development and Career Planning

According to Baytech, low turnover gives them the opportunity and confidence to invest more in training. In fact, they will generally pay for any training related to the business. In the case of longer term programs, Baytech pays for training on the understanding that that the employee will finish and pass the requirements for that particular program. Currently, Baytech invests, on average, about \$1,000 per employee per year. Baytech also has its own internal technical training program, comprising three different levels of expertise. The company also benefits from their membership in the Excellence in Manufacturing Consortium (EMC) — an Ontario based association of manufacturers and exporters whose mission is to have members sharing to optimize learning, expertise and resources to achieve world class. Baytech uses its EMC affiliation to look at all the issues they have in common with other manufacturers, share information, and to leverage training dollars.

Baytech doesn't do as much individual level career communication and planning as they would like to, but management does discuss career and training options with individual employees on a target basis. As a result of a systematic job task analysis carried out as part of the equity plan, employees are knowledgeable about the requirements for advancement.

Healthy Workplace

Baytech tries to be “reasonably flexible” on scheduling; employees can switch shifts or volunteer for a particular shift. On the fitness side, the company sponsors people for the YMCA fitness programs. They have a fitness group, and Baytech pays for their membership. Employees like the program. It has helped many simply feel better.

Baytech would like to improve its Health and Safety record. According to CEO Mudde:

Our Health and Safety record is not as good as it should be. We have 2 to 3 loss-time accidents per year (issues of strain). We're currently working on some good programs with EMC. Our performance target is no loss time accidents.

Knowledge Transfer Through Job Rotations, Cross-training and Job Pairing

Baytech uses job rotations to keep employees interested and challenged in their work. In their cellular manufacturing assembly operation, they rotate jobs within the cell, every two or four hours depending on when the employee groups themselves decide. This employee-directed work practice, in which employees plan and execute tasks under their own direction, facilitates the distribution and exchange of knowledge and skill throughout the plant. Workers are cross-trained

in different jobs and skills. New employees participate in job-pairing and mentoring through their orientation phase.

Communications, Transparency and Participation

Baytech openly communicates with employees. They want employees to understand their performance as much as they do. Although a private company, Baytech wants all employees to know what their sales and profitability figures are. Indeed, net earnings per employee is one of Baytech's 10 measures of success — employees can look at what their own personal earnings look like in comparison to what the company takes home per employee.

Baytech's CFO provides almost real-time reporting of monthly results — the first day of the next month. This rapid reporting of monthly results is shared throughout the company, so that every employee knows every month exactly what Baytech's sales and earnings are. According to Mudde, "It's one of the things that keep people interested".

Other on-going communications activities include quarterly reviews with all employees, monthly results statements posted on 10 performance measures, and monthly union-management committees.

At Baytech, communication, transparency and participation go hand in hand. A good example is their use of KAIZEN events. These events involve a process for looking at a project or problem, and resolving it in a short period of time. One recent Kaizen event focused on re-organizing Baytech's warehouse. A group of eight employees, from various disciplines in the organization, on both the salary and hourly side, worked intensely for four and a half days to come up with a plan for logistical improvement of the warehouse. As a result, Baytech's warehouse was re-laid out and organized.

Corporate values

Baytech's commitment to communications is at the centre of its approach to employee retention. For Anton Mudde, there are three words that sum up that approach: "fairness, communication and recognition". Baytech may not have a formalized employee retention strategy, but its human resource practices are always guided by these principles.

C. An Employee / Union Perspective

To gain the perspective of Baytech employees on the issues of retention and knowledge transfer, an interview was held with Janice Ryan, an hourly shift working employee and press operator at Baytech. Ryan also provides workshop training to other Baytech employees in the areas of Total Quality Management and Workplace Hazardous Materials Information System (WHMIS). Having been with the company for 16 years, she has served on numerous committees, and has held various positions in the union local (Union of Needletrades, Industrial and Textile Employees), including Vice-President, Secretary-Treasurer, and Union Steward.

In describing Baytech's turnover, Ryan acknowledges that few employees leave Baytech because they're dissatisfied with the workplace. In her view, Baytech employees are treated well, and she attributes Baytech's low turnover and high employee commitment to several factors:

- *Good wages and benefits.* A "very important" factor.
- *Good communications.* Believes that employees are listened to and are encouraged to contribute ideas, concerns, or solutions to problems. Good communications are critical to tap into the knowledge of employees, which brings value to the workplace. Kaizen event are good examples of communication and participation at work.
- *Good union-management relations,* characterized by open communications, trust, and employee involvement through committees. Ryan admits that "we do have our problems once in awhile" but considers this "normal", and overall sees the union playing an important and constructive role;
- *Feedback from the company.* Information about company's performance and measurables are regularly posted, allowing employees "to know what's happening, know where we're improving and where we need to improve";
- *Good work environment and safe workplace;*
- *Job satisfaction.* Believes Baytech employees are proud of their work and what they do, and strive to make it better;
- *Training opportunities:* From this employee's perspective, the provision of training and learning opportunities at work are an essential part of good employee retention practices. It is something that can make employees feel valued, allowing them to use their skills and knowledge at work, whether directly in their jobs or through work on committees or as team members on the floor. "You don't feel like a number, you have value, and that's important". Ryan's own experience provides an example of Baytech's commitment to training and education. With the support of Baytech, she completed her high school diploma and went on to take several courses in college. "Baytech supported me all the way, and they have done this for other employees as well".

From her experience running workshops on Total Quality Management, Ryan knows things are changing rapidly in Baytech's market, and that it's necessary to keep up with change to successfully compete in the market place. For this reason, she feels that listening to the ideas of employees is a very important part of being innovative, producing top quality products, and contributing to Baytech's success. At the same time, by communicating and listening to employees, Baytech is also keeping people interested in their work and committed to the company.

Canadian General-Tower Limited

A. The Company

Canadian General-Tower Limited is a privately held polymer products company based in Cambridge, Ontario. The company is a leading manufacturer of coated fabrics for the automotive industry as well as other products such as pool and containment liners, roofing materials, decking, and binder cover-stock for the stationery market. With “constant innovation” as a key business principle, the company invests considerable resources in the design and development of new materials for automotive applications, such as its “Protein Leather,” developed by its R&D group in Cambridge, and is continually developing new designs for the appearance of its products.

Eighty percent of the company’s business is in the automotive sector. It is the largest supplier of vinyl seating material for motor vehicles serving customers located throughout the world. The remaining twenty percent of Canadian General-Tower’s business activity is in the production of swimming pool liners, containment materials for industry and new industrial roofing products.

Growth at Canadian General-Tower has been stable over the last 3–4 years. The company’s last major spurt occurred in 1998–99 when it acquired its Toledo, Ohio based subsidiary - Textileather Corporation. Consolidated sales for the Canadian manufacturing facility (Cambridge, ON) and the American subsidiary (Toledo, OH) were estimated to be in excess of \$300 million for 2003.

Innovation vital to success

Innovation is a key part of Canadian General-Tower’s ongoing success. The company’s technology group based in Cambridge, Ontario, has been responsible for developing the company’s new products or materials, such as “Protein Leather,” a blend of leather and vinyl for automotive seating uses. Innovation also takes place on the design side of the operation, allowing the company to meet evolving demands and tastes in the appearance, grain and patterns that are applied to such products as automotive vinyl fabric and swimming pool liners.

Employment Profile

Canadian General-Tower employs some 1,100 individuals, including management, 700 of these at the Cambridge facility, of whom 500 are unionized, and; another 400 in the Toledo facility, of whom 300 are unionized. Workers at the Cambridge plant are represented by the United Steelworkers. With few exceptions, the company’s workforce is full-time.

The major occupational categories represented at Canadian General-Tower are: operators (skilled positions), maintenance tradespersons, and semi-skilled employees (forklift operators, materials cutters, inspectors, etc.). At the Cambridge facility, some 50–55 people are employed as

tradespersons (electricians, mechanical, pipefitters) and another 20–30 work in the highly skilled, technical/technological area, and an additional 35 workers specialize in product development and design.

Employee Turnover Low

The company estimates that the employee turnover rate at its Cambridge facility is in the range of 4% to 4.5%, a figure that the company itself considers ‘average’ relative to other companies, but which indeed appears to be quite low compared to industry averages. Turnover includes a few retirements from the company’s workforce (the average age of the workforce is 43–44 years).

Canadian General-Tower attributes its low turnover in part to the fact that it is a well-known employer in a relatively small community. Seventy percent of the company’s employees actually live in Cambridge, while many of the remaining employees live within neighbouring communities. The company notes that it is very common to see several generations of the same family working at the Cambridge plant.

Generally speaking, then, Canadian General-Tower does not feel that it has a turnover problem. The company is able to fill vacancies relatively quickly, and turnover is not strongly concentrated in particular occupational groups. However, the hiring of journeypersons in the maintenance trades area can often be more difficult than it is with other occupational groups.

Nevertheless, the company notes that higher rates of turnover *would be* a significant problem, and does engage in a number of activities and programs that potentially affect its employee retention. For example, external compensation reviews are frequently conducted to ensure that the employer is offering a wage that remains competitive.

B. Programs & Initiatives Affecting Employee Retention

Compensation and Benefits

Compensation reviews are regularly undertaken to ensure that the company is offering its employees a competitive wage. Canadian General-Tower sees its own compensation levels as being average within the industry. In addition, *internal* salary reviews are also conducted in an effort to ensure that there is wage equity among comparable jobs and qualifications within the company.

The company is not extensively involved with incentive plans except at the executive level, and phased out its profit sharing plan many years ago. However, Canadian General Tower does have an individual merit increase system in place. Wage or salary increases based on individual merit are closely tied to the company’s goal setting process.

According to the company, Canadian General-Tower's employee benefits plan was at the leading edge when it was introduced in 1991. The plan continues to be comprehensive and flexible, allowing employees to change their benefits options annually, and also includes a "defined contribution plan" provision. Pre-retirement counseling is available to employees over the age of 50. The company also has an Employee Assistance Program.

Training & Development a Must

Canadian General-Tower is extensively involved in the training and professional development of its employees. It feels strongly that good training programs and ample opportunities for career growth within the company are the key to Canadian General-Tower's success in keeping its employees. Programs offered by the company include:

1. *Educational Assistance.* The company provides educational assistance to all employees, covering up to 90% of educational or training costs, to a yearly limit of \$1,500.
2. *Health & Safety.* The company's health and safety training is extensive and goes well beyond what is provincially mandated.
3. *Cross Training.* A formal cross-training program exists in the company's printing department. People are given the opportunity to qualify themselves in the operation of a number of different printing machines and equipment.
4. *Apprenticeship Training.* The company sponsors two apprentices in the maintenance trades area at any given time. Interested members of the existing staff are selected for assessment at nearby Conestoga College.
5. *Succession Planning.* The company's formal succession planning initiative aims to identify high potential employees among the professional and management group who may be candidates for internal promotion. The company conducts assessments to identify potential successors, determine the training they will need upon promotion, the amount of time it will take for them to be ready to assume their new responsibilities, and the most likely avenues for promotion.
6. *Training Plans for Salaried Employees.* Training plans for salaried employees are formalized after performance reviews, and the company conducts follow-ups every 3–4 months.
7. *Orientation & New Employees.* Orientation training is provided to all new employees, whether they are hourly or salaried. Where relevant, new employees are provided with "thorough and comprehensive" training in technical development areas, quality engineering areas, and safety and health areas.

Shift Scheduling Options

Some 80 people work under alternative shift arrangements. Under this plan, employees work 12-hour shifts on Saturdays and Sundays, and are off from Monday to Friday. Employees working under this shift schedule earn the equivalent of a full, 42 hour workweek.

Recruitment & Selection

For hourly wage earners within the company, a formal job posting system allows the company to recruit from within its existing workforce. Candidates selected for a posting are provided with the training that is needed to assume their responsibilities. Each position that is left open as a result of the new posting is re-posted into the system with similar provisions for all existing employees who wish to fill the vacancy, thereby creating a 'chain' of postings. The internal job posting system allows hourly wage earners to apply for supervisory positions before the company recruits externally. This represents an additional potential benefit to the company in terms of reduced training periods and recruitment lead times for such positions.

Canadian General-Tower also strongly encourages employee referrals, as these are the company's main source of new recruitments. The company uses this system frequently as a more reliable alternative than placing external advertisements for vacancies.

Work Teams & Participative Management

Canadian General-Tower has had some involvement with self-directed work teams, with mixed results. An attempt to implement self-directed teams in the plant's dry laminating facility was abandoned after no significantly positive results could be observed. The company does, however, operate a small distribution centre in Brantford, Ontario. The centre's employees work in a self-directed team environment, and no grievances or turnover have been observed in that location.

On the whole the company admits it has not gone very far in the area of participative management. However, such work arrangements are likely to be more commonplace at Canadian General-Tower with its recent decision to implement the Six Sigma[®] system.

Communications

Although there is no regular system of newsletters or communication, the company does communicate frequently with employees during periods of major change. The company started to implement the Theory of Constraints management system in March of 2002. In connection with this initiative, the company circulated monthly newsletters and held small group meetings to explain to employees what the company was in the process of doing.

The company also develops charters for particular business areas in which improvements are being sought. The charters are communicated to the relevant salaried employees, and are subsequently used for individual goal setting for these employees.

Recognition & Awards

The company gives non-monetary service awards for long-standing service to the company. The company also has an employee recreation association that organizes festival nights-out, parties, baseball teams and participation in an annual dragon boat racing event. These activities are funded by the company.

Other Initiatives

The company has a 5-day-a-week casual wear policy.

C. The Employee/Union Perspective

Plant workers and maintenance tradespeople at Canadian General-Tower are represented by Local 862 of the United Steelworkers. The current president of the union local, who has worked at the company for 27 years, says that relations between workers and management at the company have seen their highs and lows, but reports the relationship has been constructive for the past number of years.

The union representative feels that a number of factors have contributed to good retention at Canadian General-Tower. People are, firstly, very satisfied to be working in a clean, well-organized manufacturing plant. Workers also recognize that the wages and benefits are very competitive for the region.

The company's alternate shift scheduling policy — referred to as 'weekend crewing' — is also highly valued by many of the plant's workers. It was negotiated some 17 years ago, at the initiative of the Local, and is seen by the union as having survived so long because it was perceived as being mutually beneficial to both workers and management.

Union Support for Training

While the representative still felt that the company had some way to go in establishing a truly comprehensive training program, he felt that the plant's workers were generally happy with the level of training support provided. It should be noted that unionized employees frequently deliver the actual in-house training. In addition, employees are involved in a lot of 'educational training.' For example, members of the joint pension committee are actively involved in educating plant employees on retirement planning and investing for their pensions.

The union has also been very supportive of the ‘pay for knowledge’ cross-training program implemented in the company’s printing department. The program has conferred mutual benefits to both the company and its employees. According to the union, this program provides the skills the company needs to ‘upshift’ during its peak business periods, and also allows it to go after more business than it could if it didn’t have the necessary flexibility in place. This, in turn, translates into increased job security for workers, and better compensation.

Improved Communications

While there is still room for improvement, the union’s representative feels that communications between the company and its workers are quite open, and that a high level of trust exists between the two parties. Things were not always this way. Some 15 years ago, according to the union, relations had hit rock bottom, with many disputes in evidence but little resolution to outstanding problems. Canadian General-Tower’s CEO at the time led the way in mending relations and opening the channels of communication with the company’s workers. External training was even provided to both union and company representatives in order to create a more cooperative culture.

Today, the company and the union enjoy very open communications. Monthly joint meetings require a high degree of openness on the part of the company. It shares financial and core business information from time to time with union representatives, and workers are generally well apprised of major changes in operations.

Relations have been somewhat more strained recently due to the difficulties faced by the industry over the past 3–4 years. But even in these difficult times, workers have been willing to accept — by a margin of 89% in favour — a less-than-optimal one-year collective agreement (where normally 3-year contracts were the norm). The union credits this, in part, to the fact that workers at the company were given enough information to help them understand why the company was experiencing the difficulties it was going through.

Of course, the 1-year agreement did provide some modest wage increases, but the true strength of the cooperative nature of relations at Canadian General-Tower is the fact that both sides have seen the benefits in having good relations, and have built up a high level of trust over many years.

Conclusion

The company does not have an explicitly articulated policy on retention, nor does it seek to integrate its many human resource practices into its broader performance goals or strategic vision. Indeed, it is somewhat skeptical about the possibility of linking the outcomes of these various initiatives to performance goals in a way that is reliable and measurable. Nevertheless, the company appears to have an excellent retention record, and this can be credited to good compensation, good communications, an extensive training program that provides excellent opportunities and skills development for its workers, and a cooperative and open relationship with its labour union.

Huronia Precision Plastics Inc.

A. The Company

Huronia Precision Plastics Inc. is a full service supplier of injection moulded assemblies and components. A privately held Canadian corporation, Huronia conceives designs and develops high tech automotive products using small tonnage machinery to produce high volume production and assembly for the global market.

The company has an impressive growth history. Fifteen years ago, Huronia started out with just two people operating out of a garage, and has since grown to employ 100 full-time employees operating out of two adjacent facilities in Midland Ontario. The company believes that growth prospects continue to look good, particularly as they move strategically into the value-added assembly area.

Huronia attributes much of its success to its key Measurables and Objectives and its Quality Operating Systems, which ensure on-going product quality, delivery, customer service and employee quality of work life. Huronia honours their QS 9000 and TS 16949 registrations because they feel it is the right thing to do, not just because it's mandated by customers. According to their own mission statement, the company strives to manufacture high quality plastic components at competitive prices, and to exceed customer expectations through maximum customer servicing, continuous improvement, employee empowerment and process validation.

Huronia was recognized for their achievements in quality, having recently received a supplier of the year award from a multinational, tier-one automobile customer. Huronia received a number one ranking from every one of its customer's divisions with an overall average of 98% approval on the products produced for them. Huronia supplies upward of 1,000,000 components and assemblies each day to customers around the world with only one part per million rejected and a 99.8% on time delivery record.

Employment and Skills Profile

Huronia employees work in one of several departments, each with its own type, level and "mix" of skill requirements. The design department uses a team approach to produce total design solutions to customers or works in cooperation with the customer's own engineering staff. A tooling division includes highly skilled mould makers. Currently Huronia employs three journeymen, two senior apprentices, one junior apprentice, and they are looking for an entry level apprentice. A highly automated manufacturing division includes production and assembly operators and six full-time highly skilled setters who do the mould changeover for different production runs. Huronia has its own transportation division, a quality department with inspectors, and a maintenance department including industrial mechanics and automation technicians.

Huronia's 100 full-time employees are a younger group, with most aged 20-39, and the average around 35. Only about 5 per cent of employees are nearing retirement. Huronia employees are non-unionized, having recently voted to remain non-union after an organizing campaign by the Teamsters.

Employee Retention is Key

Given the diversity and level of skill requirements within the firm, employee retention is critical to Huronia's business model. Jane Robitaille, the company's Human Resources Manager describes the impact turnover would likely have on Huronia's quality and service objectives:

If there was high turnover at Huronia, we couldn't possibly have the same focus on quality and attention to detail. There would be things that would begin to suffer. Quality would suffer. To maintain a strong knowledgeable employee base is crucial to the competitiveness and successfulness of the business.

The importance Huronia attaches to employee retention extends to all employees, not just those at the highest skill levels. Although there may be positions within Huronia that can be filled relatively easily, turnover in these jobs would be also run counter to the company's objectives. Through its involvement in the Excellence in Manufacturing Consortium (EMC)²⁰ the company has been able to continue the awareness of health and safety objectives, Robitaille gives the example of Huronia's production and assembly operators:

They have company commitment. They participate in the 5-S program²¹ to keep a clean and safe work environment. So far this year they're running at no loss-time accidents. If you had turnover there wouldn't be that same sense of commitment to the employer when it comes to quality and safety.

This is an important point. Turnover in positions which can draw from a large labour pool and require relatively small training investments might be seen by some as "more acceptable" than positions requiring higher formal trades and specialty training. But for Huronia, that's the wrong way to think about it. They see every employee having an important role in contributing to a good and safe work environment and the production and delivery of quality parts.

Low Turnover

Turnover among Huronia's semi-skilled production employees is "about average to below average" compared to local employer survey while turnover among skilled workers is very low

²⁰ The EMC is composed of a cross-section of manufacturers with the goal of sharing resources to address the job training needs of its members.

²¹ The 5S program is a visual plant management program designed to ensure a clean and well-organised plant, which Huronia views as the basis for producing quality products.

“well below average”. The company reports that turnover has remained low for several years, and does not see itself as having a problem with employee retention at any level.

Huronia does not have a formal “retention strategy”, but does have a number of formal and informal practices that contribute to employee retention. The company has developed its own innovative apprenticeship training program, has a strong emphasis on communications and employee input, and offers a clean and safe work environment. Huronia’s approach to retention begins with a corporate philosophy of treating employees with respect.

B. Programs and Initiatives Affecting Employee Retention

Communications a Top Priority

At Huronia, effective and on-going communications is a cornerstone for employee retention. According to HR manager Robitaille,

Treating employees well and with respect means building relationships through effective communications. You can never over-communicate an issue. Even when communications are good, there’s always room for improvement. Most of the time when you get into trouble, it’s because you haven’t effectively communicated

To facilitate effective communications, Huronia engages in a number of on-going activities, including:

- An Employee Advisory Committee (EAC) composed of management and employees from all departments, meets regularly to share information about the business and to discuss a range of issues such as compensation and other workplace policies. Most of the recommendations from EAC are written recommendations that go directly to senior management for discussion and a response is made within 14 days.
- Annual employee surveys are used to gauge employee satisfaction and to set priority areas for improvement. The most recent employee survey yielded some 26 pages of typed comments about areas with which employees were satisfied, areas where improvements might be made, and recommendations about how things can be made better.
- An innovative committee called the SWAT team (The Survey Workplace Action Team) composed of employee representatives from each department holds facilitated monthly meetings to address the top five or six priorities as determined from the survey results. The SWAT committee determines what top issues should be dealt with, and makes concrete recommendations to improve the areas that need improving.

Huronia is looking to further enhance the responsiveness of its communications by formalizing monthly departmental communications - provide employees with a means of elevating an issue if they are not getting a reasonable response to their request to their department manager. It is an

initiative based on a SWAT committee recommendation for some type of formalized tiered communications.

Through these and other informal communications efforts, Huronia management believes that their employees have a voice in their daily work functions. Employees are empowered to recommend policy changes that can lead to improvements in quality, productivity and better working conditions. According to Huronia's HR manager, "all of that helps to retain employees".

Training and Development Opportunities

Huronia's management believes that the provision of training and learning opportunities is not only necessary to meet their on-going quality and service objectives, but that training investments keep employees engaged in their work and committed to the firm. Accordingly, the company is very active in a number of training and career development initiatives, and commits significant resources to them.

Internally Developed Training Programs

Given the company's geographic location, it is unable to rely on the large labour markets of major urban centres for the recruitment of skilled workers. For this reason, the company relies heavily on its own internal training programs to develop the skills it requires. Toward this end, Huronia has developed an injection moulding apprenticeship program which utilizes training videos and best practices standards manuals, all of which were created "in-house" by Huronia staff. Employees were involved in the writing and production of the training videos and manuals. All studio equipment used to produce the videos was then donated to a local high school. The apprenticeship program is the personal initiative of company President Ralph Befort, who is directly involved in the program's design, implementation, and delivery.

External Training and the Educational Reimbursement Program

In addition to its own internal training programs, Huronia also sends employees on training courses, covering everything from supervisory and leadership training to conflict resolution and communication skills, as well as specific training courses in programming or electronics for example.

Employees who take courses related to their jobs, even if the training is not a job requirement per se, will be reimbursed for costs once the course is successfully completed.

Cross-training and Knowledge Transfer

Huronia employees also have the opportunity to take cross-training for the purpose of filling in on various back-up positions. For example, production operators may train for what is called a “back up floor position”. Cross-trained employees may then work the floor position, filling in for those on vacation or sick leave, or when overtime is available, and receive a higher rate of pay. This type of cross-training produces a more flexible workforce, enhances the skill sets of employees, and places employees in a good position to apply for permanent floor positions when they become available.

Career planning

Huronia has initiated a more formalized system of addressing career development and planning with its recently revised employee performance reviews. Annual performance reviews now involve the setting of goals in two areas: company or department goals and individual goals. The review provides an opportunity for employees to discuss where they see themselves in the company, the things they might like to do differently, positions they might be interested in, and the types of job specific training that might be pursued. The company is careful to note that not all employees are necessarily interested in taking training or pursuing a particular career path. Some employees are satisfied in their current roles, and are happy to continue to do their jobs well. From Huronia’s perspective, there is nothing wrong with employees making a decision to stay in the job that they are happy with, but it does provide opportunities for those who want to take them.

Participation in Youth Internship Programs

Huronia has been quite involved with various youth internship and training programs. Huronia has been an active participant in the Ontario Rural Youth Job Strategy. The company has also sponsored skilled trades workshops for local youth. In fact, two of Huronia’s more senior current apprentices actually came through a youth internship program called SCYIAP that offer High School students exposure to the trades. Huronia’s HR manager describes these initiatives as “a kind of pre-apprenticeship exposure to young people in the community”. Not only do these internship initiatives make an important community contribution by helping local youth learn a trade, but they also are useful for the development and potential recruitment of skilled trades into the company.

Compensation and Benefits

Relative to other companies with similar types of positions, Huronia’s wage rates are at the median. The company offers a comprehensive benefits package which includes health, dental and vision coverage, and is 100 percent paid by employer. In addition, Huronia has Profit Sharing and an Attendance Bonus. All employees receive a base level of the profit sharing, with additional bonus for those with perfect attendance.

Health and Safety

Huronia prides itself on having a clean and safe workplace, and for the past several years, has received rebates from Ontario's Workplace Safety and Insurance Board for their safety initiatives. Huronia's own employee survey indicates high levels of satisfaction with workplace health and safety.

In addition to more traditional occupational health and safety practices, Huronia has undertaken a variety of initiatives to promote workplace wellness. In the past, they have had a local massage therapist and physiotherapist speak to employees about cholesterol, safe lifting, and even "how to improve your golf swing".

The company also offers an Employee Assistance Program.

Recognition and Rewards

Under Huronia's Continuous Improvement Program, teams of employees work on ideas and suggestions to improve work processes, work environment, safety, and so on. For every idea that gets implemented, names are entered in a draw at year end to win various prizes. The company has an employee of the year award, an annual employee appreciation day, and holds a variety of social events such as Christmas parties and summer barbeques. Huronia employees have a social club that organises golf tournaments, bowling, and other events for co-workers and their families.

Corporate Values

Huronia's HR manager Jane Robitaille feels that the company's success in retaining employees stems from owner Ralph Befort's personal commitment to building relationships based on respect. In her view, this personal commitment has become part of Huronia's workplace culture, which uses ongoing communications to strive to continuously improve all aspects of the workplace. Robitaille acknowledges that people come to work because they need to earn a living, but that they stay with the firm because they enjoy the work environment, and that includes the people they work with.

Innotech Precision Inc.

A. The Company

Based in Scarborough, Ontario, Innotech Precision Inc. has worked for more than twenty years on the design and manufacture of custom injection moulds, primarily serving the automotive industry niche. The company has also added a parts production facility to its operations, and now serves a variety of other industries including the medical, electronic and electrical industries.

Employment Profile

Innotech is a small company with a total staff of 23 employees, including the addition of 6 new staff members at the time its parts production facility was opened. Most of its employees specially trained and are highly skilled. The bulk of the company's workforce is made up of certified mouldmakers, and the remainder includes engineers (2), set-up specialists, machine operators, and office staff. Innotech strongly supports the apprenticeship and co-op programs for youth development.

Employee Turnover

The company reports that it has experienced little to no turnover, with only one separation in 2003. However, when asked how increased turnover *might* affect the company, Innotech Precision is emphatic and to the point: they simply cannot afford to lose any of their skilled employees who the company has invested heavily in training and recruiting. The company relies heavily on skilled mould makers and tradespeople whose qualifications are in very short supply in the Canadian labour market and much sought after. The costs of replacing these workers — in terms of recruitment and potentially lost productivity — would be significant.

B. Employee Retention at Innotech Precision Inc.

“It would be nice to have an HR department to work solely on such HR issues like this,” says a representative of the company. But with only 23 employees, Innotech would have a difficult time justifying the expenditures required to have an HR-exclusive function within the company. Nor does it have an explicitly articulated policy on retention. Nevertheless, the company is acutely aware that its workers have skills in high demand, and is attentive to ways in which it can help to keep those skills. The company's approach to retention is simple and direct: “*Our efforts focus on working to ensure our staff are happy month after month, and year after year.*” This simple principle, according to the company, is essential if the company wishes to survive *and* thrive.

Participation and Communications

The one area in which the company feels it is contributing particularly well to employee retention is communications. Again, while the company has little in the way of formal management-employee communications vehicles — aside from a message board where industry news and customer ratings are regularly posted — its small size enables it to ensure that all workers have a chance to communicate their concerns directly with management.

If the company has any communications ‘policy’ as such, it is an open door policy. The company’s management is conscious of the need to create and sustain an environment in which all employees feel comfortable enough to approach the owners and other executives about any concerns, interests or problems they may have. The open door policy does more than simply help to create a culture of openness at Innotech. It also provides the company’s management with a vital conduit for feedback that helps it to address emerging problems before they become unmanageable.

With respect to retention, the company believes that in the absence of an environment that promotes open communication — or worse, is openly hostile to communication — many employees will simply choose to leave rather than risk confrontation. The company’s open door policy helps to prevent such departures, and the company has noted that new employees with previous experience in other manufacturing companies have been genuinely surprised to see how easy it is to walk into Innotech’s executive offices to address an issue of concern.

When asked what can be done by companies in the industry to address high employee turnover rates, Innotech emphasizes first and foremost the need for open communications within all areas and departments of the company, especially between workers, their supervisors and management.

Orientation

Innotech follows ISO standards to provide its new employees with the proper orientation during their first days on the job. The company feels that its orientations provide an effective understanding of the company’s business and how its different areas work, but have also proven to be important in establishing a comfort level that allows new hires to integrate better within the company.

Training and Development

For the most part, Innotech’s workers are a blend of business professionals and tradespersons with many years’ experience in and outside the industry, and therefore do not require much training; when necessary, their learning tends to be self-directed. But where a training need is identified, the company pays for all the costs of training and professional development, including off-site instruction. The company also sets salary standards based upon employees for have successfully completed their training in recognition of their skills attainment.

The company also practices knowledge transfer on an informal basis by communicating the expectation that people who receive training on the outside will come back and share that knowledge within the firm. More formally, employees returning from external courses are required to fill out a course evaluation and, depending on the results, the company will ask the individual to provide a fuller account of the training content, identify potential learning gaps, and then train other people in the company who might benefit from the acquired knowledge.

In addition, the company tries to hire one new apprentice each year, and every year sends at least two people on Health and Safety and CPR Training (it has had no lost time accidents).

Wages, Benefits and Bonuses

The company benchmarks its wages against industry surveys provided by such organizations as the Canadian Plastics Industry Association (CPIA), and ensures that its compensation is competitive with other companies in the market. In recognition of the high precision work involved and the skills that it requires to do this sort of work, Innotech sets its pay above the average benchmark. Regular benefits are provided after 3 months' service, and Innotech offers a company pension that matches dollar for dollar after 2 years of service. The company also pays out bonuses based on both the performance of individuals, and profitability of the company.

Performance Management

The company conducts employee performance reviews on an annual basis which is a shared review, completed both by their supervisor and input from the employee, but is also responsive to employees' requests to receive performance reviews at other times during the year. In part because the company is small, a great deal of emphasis during reviews is placed on how well employees communicate with people in different areas of the company. The company is also attentive and responsive to the fact that its performance reviews be perceived as fair and equitable.

Work-life Balance: flexible schedules

The company is cognizant of the fact that people are often in search of a better balance between their personal and professional lives. While it does not have formal practices to address work-life balance issues, Innotech is attentive to workers' needs in this area, and responds to these issues on a case by case basis. One employee, for example, is banking his overtime into vacation pay so that he is able to get additional paid time to complement his paternity leave when his child is born.

Interquisa Canada s.e.c.

A. The Company

Interquisa Canada s.e.c.'s petrochemical plant began production in September of 2003. Situated in Montreal, the facility is the result of a partnership between the Spanish petrochemical company CEPSA and the Société générale du financement du Québec. The plant's activity is exclusively focused on the production of purified terephthalic acid (PTA), a raw material used in the production of Polyester and other synthetic materials.

The first of its kind in Canada, the plant has an annual capacity of 500 thousand metric tons, and exports much of its PTA production to the US market, where its product competes with such major producers as BP/Amoco, a dominant player in the North American PTA market. Despite a one-year delay in the construction of the plant, Interquisa Canada s.e.c. expects significant growth in demand for its product and has already rapidly reached its production targets for the first year.

Employment Profile

The plant employs 140 workers who mostly work on a full-time permanent basis. The plant's workforce is composed of some 15 engineers and 85 technologists and technicians. The remainder is made up of skilled tradespeople (pipefitters, welders, etc.) and inspectors. All in all, Interquisa's is a highly skilled workforce.

Some 55 production technicians are members of the Communications, Energy and Paperworkers Union of Quebec. The average age of workers at the company is 35 years.

B. Knowledge and Skills Management at Interquisa Canada s.e.c.

As Interquisa Canada s.e.c.'s Quebec operations are so new, turnover has not yet emerged as a significant HR challenge for the company, although it did experience some initial problems in finding enough workers during its initial recruitment. The company is nevertheless aware of the potential future challenge of retaining its highly skilled workforce as the plant's operation matures.

More pressing has been the issue of knowledge transfer. Interquisa Canada s.e.c.'s main challenge, as a new entrant in the North American market for PTA production, was how to learn PTA production quickly, and to get production on line. This posed a number of knowledge management challenges related to initial setup as well as ongoing activities within the plant.

Initially, the engineers and production directors with petrochemical expertise hired by the company were sent to Interquisa Canada s.e.c.'s parent company in Spain to learn how to produce PTA. It was their responsibility not only to learn these processes but also to work with

an IT specialist to design computer-based learning tools for the rest of the company's staff in order to achieve the desired transfer of knowledge. This process was supported by the company's training coordinator who conducted "train the trainer" sessions with 35 of the company's engineers, technologists and team leaders, including those who had been sent to Spain to acquire production knowledge.

Such activities reflect a strong commitment to learning, best summed up in the training coordinator's own words: "When you learn in the company, it's your job to teach others what you have learned." Addressing such challenges requires a strong commitment on the part of the company to sustain a culture of learning, and the involvement of all of the company's workers in both maintaining and benefiting from that culture. Knowledge transfer and learning principles have strongly guided the company's day to day activity. They appear prominently in the company's statement of values, and are communicated to employees from the moment they first walk into the plant. In the words of the spokesperson interviewed for this project:

The way we are doing things is really the only way to achieve the company's goals. If it wants to be innovative, to have an integrative process, to break down silos between departments, this is the only way to work: to learn how to work as a team, to share knowledge.

It is worth noting that the company made a meaningful investment in appointing a full-time permanent training coordinator. Concentrated in that position are the main functions that ensure that knowledge in the company is acquired, disseminated and retained in a structured and strategic way. The training coordinator's personal objective in coming to the company was to build a learning organization, and it was on these terms that she was hired. She continues to work on an ongoing basis on the fundamental question of how to build the company's expertise.

Interquisa Canada s.e.c.'s development as a learning organization is in part a result of the training coordinator's vision and her championing the cause of knowledge transfer. The Canadian plant had to invest some effort to convince Interquisa Canada s.e.c.'s Spanish parent company that its knowledge-based learning was the right path to take, but results seem to have supported their knowledge-centred approach. For example, Interquisa Canada s.e.c.'s Quebec plant requires half of the normal workforce of its parent company's plant to produce the same amount of PTA.

Values at Interquisa Canada s.e.c.

The company's key values are confidence, engagement, flexibility, respect, security and health, and teamwork. And of course, the company also emphasizes the central importance of learning to the organization. Interquisa Canada s.e.c. actively promotes these values internally right from a person's first day on the job. The company's orientation for new hires includes a detailed explanation of the company's values and goals. In addition, the company's statements on corporate values and employees' responsibility for sharing knowledge are posted throughout the company in meeting rooms and common areas.

Orientation & Recruitment Activities

The company conducts special orientation courses with its employees to explain the company's knowledge strategy. During these 3-hour sessions, the training coordinator communicates the company's key knowledge challenges:

- How do we collaborate to build each other's expertise?
- How do we build our individual expertise?
- How can we make learning a fundamental aspect of our life at work?

Through these orientations, the company conveys the message that learning is a part of life at the company. New workers learn that training and learning are fundamental to the company's activity, and are not distinct from production.

During orientation, new employees have meet with the plant employees with whom they will be working closely and who will be responsible for providing their initial production-related training. New hires also have a chance to meet the IT staff members responsible for managing collaborative and document management software for the company. The company strongly feels that such intensive orientation sessions help to instill the cultural values and spirit that are vital to its success.

The company uses a number of evaluative tools during its recruitment process, and these are reflective of the company's core values around building a learning organization through collaboration and team work. Thus, psychometric and simulation-based testing seek to not only assess experience and qualification, but also to take a very close look ability to work effectively in teams, capacity to learn, quality of inter-personal communications, and willingness to share information.

In addition, Interquisa Canada s.e.c.'s existing employees actively participate in the hiring process. New candidates are routinely interviewed by many of the technicians, tradespeople and other professionals with whom they will most likely be working. The company feels that it is an effective a way of building mutual confidence and strong work teams, while providing valuable judgments about potential employees who must ultimately be selected by company management. Participation in the selection process is a first for many of Interquisa Canada s.e.c.'s employees, and the company also provides some training support to help them to take on that role.

Networks for Information Sharing

On the practical side, the centerpiece to Interquisa Canada s.e.c.'s knowledge strategy is its investment in a number of software applications and electronic infrastructure that are designed to facilitate information and knowledge sharing.

An engineering consulting company, Dévonyx, was hired to build up a visual-based environment that would make it easy for every employee in the company to build information and training materials into the company's Intranet system. The software also allows staff members to 'drop' into the system all training and descriptive materials related to software applications (e.g., IFS,

materials management, purchase orders, project management) as well as the plant's principal equipment and machinery. For example, an employee who wants to know how the plant's compressor works will simply navigate to an area in the visual environment and will find all descriptions, schematic diagrams, etc. related to the functioning of the compressor. Interquisa Canada s.e.c. emphasizes that one of the key aspects of this computer-based resource is that it is designed to allow users throughout the company to contribute knowledge and learning. The system is used effectively and regularly, and this is perhaps a result of the constant communication that Interquisa Canada s.e.c. holds with its workers about the importance of building knowledge collectively.

From time to time, when new systems and equipment have been purchased, suppliers often send specialist to show the plant workers how to use the new technology. Interquisa Canada s.e.c. notes that external specialists, while technically knowledgeable, often lack the ability to train others in the use of the new equipment. In such cases, Interquisa Canada s.e.c. employees step in to translate all materials related to new systems or equipment into accessible training resources which are then placed in the company-wide computer system.

Thus, Interquisa Canada s.e.c. relies heavily on its employees to transform knowledge into learning. All employees are expected to be proactive in collecting documentation and tailoring it for the purpose of dissemination and they are always encouraged to ask themselves: What information is relevant to what people in the company need?

As an additional measure, the company also asks that any employee who has been identified as an expert in a certain area (e.g., purchase orders) and is selected to train others in that area, must also enter his or her name into the company's online resource where the material relevant to his area of expertise resides. That person then acts as the key contact when other employees have questions. In any work shift, all workers know which of the other members on the same shift have expertise in particular aspects of the production process.

Special Training and Recruitment Initiatives

Prior to the beginning of production at the new Interquisa Canada s.e.c. facility, the company also selected 15 EI recipients through a rigorous recruitment program that included job interviews and psychometric testing. The company then paid their fees for a 1-year petrochemical technology program at Collège Maisonneuve, after which they integrated them into the company and provided additional in-house training. The company took advantage of delays in the construction of its facility by extending their college-based training program. The recruits were successfully integrated into the company, and only one has left the company to date.

Currently Under Development ...

Because the plant is so new, management has yet to put into place the sorts of HR practices that may help to promote knowledge transfer and employee retention over the long term. However, a number of initiatives are currently under development:

- While no formal recognition or rewards are currently available to employees who make exceptional contribution to enhancing knowledge sharing, the company says that it is looking into this area with a view to developing practices and programs.
- To further reinforce knowledge sharing and skills development within the company, Interquisa Canada s.e.c. is currently turning its attention to increasing the use of job rotation.
- With the help of its employees, Interquisa Canada s.e.c. is in the process of finishing detailed competency profiles for its production, maintenance and laboratory technicians. This will eventually allow the company to implement process to better inventory and track repositories of knowledge within the company.

These have yet to come to full maturity, but clearly the company's efforts up to this point have concentrated on the plant's start-up. Nevertheless, the challenge of turnover might not be too distant in the future. The company believes that many of its engineers and other highly skilled staff were strongly attracted to Interquisa Canada s.e.c. because it the unique opportunity to participate in a plant start-up. As the plant's operations mature and settle into normal production, the company is cognizant of the fact that it could lose key workers, and key skills. However, Interquisa Canada s.e.c. is hoping that its knowledge management practices will help it to know exactly what knowledge and skills it stands to lose from potential turnover. At the same time, there are strong indications that the company's approach to knowledge and learning are highly valued aspects of work at Interquisa Canada s.e.c..

Involvement of the Labour Union

The company's union executive was briefed on the competency profiling exercise; they have expressed an interest in this information, and a number of unionized technicians will be participating in helping the company put together these profiles. In general, the union has been receptive to the company's activity in the area of learning, and will likely seek to negotiate a wage bonus in recognition for workers who make a special contribution to learning in the organization. At the same time, the union is concerned about how the company will manage the proposed job rotation system. Generally speaking, the company feels that the union has been receptive to the implementation of job rotations, and has expressed an interest in participating in the design of Interquisa Canada s.e.c.'s job rotation program.

Final Observations

Interquisa Canada s.e.c. recognizes that it operates in a highly competitive market and that its products must go up against highly cost-effective producers in China, the United States, and other countries. Moreover, most PTA producers use very similar processes and technology. The company believes that doing things differently will be the key to beating the competition in such an environment and has tried to establish itself as a learning-centred organization with that purpose in mind.

Opinions on the employee side appear to be favourable towards Interquisa Canada s.e.c.'s success. A recent employee satisfaction survey conducted by Interquisa Canada s.e.c. revealed unanimous agreement that the company's training and knowledge development initiatives were the best feature of the workplace, and highly valued by its workers, and this included not only the particular tools and processes involved, but also the overall organizational culture and work environment.

Interquisa Canada s.e.c. has had the great advantage of being able to build its knowledge management and learning strategy into the structure of the plant *as it was being built*; there was no inertia from already established business practices and routines that had to be overcome. And it is worth noting, finally, that Interquisa Canada s.e.c.'s primary objective in developing this strategy was to ensure a quick and effective start up. However, the company is confident that the values, systems and practices it has nurtured are sufficiently open-ended, flexible and inclusive to sustain highly effective production well into maturity.

IPEX

A. The Company

IPEX designs and manufactures a diverse line of integrated thermoplastic piping systems such as pipe, fittings, gaskets, valves, auxiliary components and tools. Its products are sold to distributors and contractors for the plumbing, electrical, municipal, and industrial markets, and are used by clients in a wide number of applications.

The company is the result of the 1992 merger of two Canadian plastics piping companies, Scepter and Cannon. IPEX has 19 plants throughout Canada and the United States. As North America's largest thermoplastic piping manufacturer, IPEX is a constant innovator of products, and invests substantially in R&D. It is the producer of the world's largest diameter PVC pressure pipe and fitting, and its continuous innovation has also helped it to bring to market a new composite water service pipe.

IPEX embraces its role as a corporate citizen, as part of a larger community that extends well beyond customers, suppliers, employees and their families. The company is actively involved with government and industry regulating bodies as well as standards development and code organizations. IPEX also shares an ongoing commitment to Recover, Recycle and Re-use (3R) programs by using significant amounts of recycled plastic in its products. The company also helps to sustain several charitable organizations through its support for the United Way.

The company has undergone significant growth over more than a decade. Between 1992 and 1995, its sales increased by 40%, 25% between 1995 and 1998 and another 50% between 1998 and 2000—or a total growth rate of 160% between 1992 and 2003.

Employment Profile

Employment growth at IPEX has also been quite significant. In 1992, the company employed 839 people. By 2003, IPEX staff numbered 1,910, for a net growth of more than 125% over this 10-year period.

The company's Canadian operations currently include 564 salaried employees and 1,152 hourly wage-earners. Of these, 686 are employed in direct production, 120 in maintenance, 18 in mould shops, 341 in indirect production, 161 in administration, 230 in marketing and sales, and 160 in distribution. The company estimates that around 30% of its workforce is in the 'skilled' to 'highly skilled' category.

Sixty per cent of IPEX staff is unionized, including some of its principal facilities. IPEX workers are represented by four unions: the Communications, Energy & Paperworkers, the Glass, Moulders, Pottery, Plastics and Allied Workers, the CAW and the *Confédération des syndicats nationaux* in Quebec.

Employee Turnover Improving

The turnover situation at IPEX differs somewhat between hourly and salaried employees. However, the company notes it has made significant strides in retaining employee retention over the last three years.

Among salaried employees, IPEX's "quit rate" (turnover due to resignations) fell from 7.8% to 4.0% between 2000 and 2003, while its overall turnover rate has remained significantly below the industry rate of 22.1% for salaried employees. Among hourly wage employees however, the total turnover rate is higher than the industry average of 26.0%, but has shown consistent improvement in the past three years. The "quit rate" among hourly wage employees fell from a high of almost 27% in 2000 to a low of 17.8% in 2003. The company monitors industry rates to provide a benchmark to gauge and evaluate its own turnover patterns.

The company points out that its turnover rates vary significantly from one manufacturing plant to another, each affected by the local and regional labour market and economic conditions. In addition, turnover tends to be higher among the younger segment of its workforce, and among its 'plant floor' employees, which is partly a result of the demands of rotating shift work and the fact that pay rates tend to follow the industry's average to low starting wages for employees on the plant floor.

On the whole, IPEX does not believe it has a serious turnover problem in comparison to other manufacturing companies. Nevertheless, employee retention and further reductions in voluntary turnover are very important, particularly since more than 50 per cent of its workforce is over the age of 45. As this older workforce retires, IPEX will have to ensure that the necessary skills and experience are in place to carry on. Just as important, turnover is seen by the company as a critical issue to manage because it can create inconsistencies in quality output, impose significant recruitment and training costs,²² and absorb a considerable amount of management time in dealing with the resulting problems.

The reduced turnover rates IPEX has experienced over the past few years are in part due to the increased focus in each operation. A new Corporate HR function was added to its administration some three years ago, providing direction and guidelines on dealing with human resource challenges at the company's many plants, as well as providing managers with the tools and training to address these challenges. In addition, improvements in the way the company recruits, orients, trains, and communicates with employees is having an impact on retention.

²² The company estimates that the costs associated with an individual departure amount to roughly 30% of an annual salary.

B. Programs and Initiatives Affecting Employee Retention

Organizing for Retention

We encourage promotion from within, and an environment where people can learn and grow. We often get feedback from employees that our environment is one of variety, challenge, and ‘earned autonomy.’ This means that if one wants to get involved in challenging projects, they are there for the taking.

IPEX management has a strategic approach to turnover and retention, and embeds some of its retention principles in its statement of Operational Goals, its Orientation and Training materials, and a number of other programs. The company has no written HR policies that specifically deal with retention, but it *does* have written policies on recruitment, orientation, performance management, and it actively measures its effectiveness in these areas keeping in mind its overall concerns about retention.

Because the nature and level of turnover varies from plant to plant, corporate management feels that the power to ensure effective retention is appropriately vested with the managers of each IPEX plant. This strategic orientation is part of a more general approach that seeks to preserve a significant degree of autonomy in decision-making at the plant level. Plant managers must set their own goals and objectives in areas of productivity, quality and materials management, as well as good safety records, favourable employee opinion surveys, and low employee turnover. IPEX Vice President of Human Resources, Joanne Rivard explains:

In balancing these elements, the individual manager must determine which programs to focus on, and which ones to invest the most resources in. We have a “Best HR-Managed Plant Award” each year to celebrate the highest level of achievement in all factors relating to retention.

Under this system, IPEX’s Corporate HR department plays a very active role in supporting its managers’ efforts in the area of retention by providing coaching, training, and counselling, and by designing a variety of tools for plant managers to apply.

The “HR Scorecard”

IPEX has developed a unique HR Scorecard system that allows the company to track indicators in a number of areas related to Human Resources. This tool was launched on the principle that “what gets measured gets managed.” Based on this principle, the scorecard system gathers managers’ responses to a series of questions, and uses a rating scale to measure how often they carry out key HR-related functions. The system allows IPEX to measure HR practices, for each of its plants, grouped around a number of key themes: recruitment, orientation, training, performance management, compensation and benefits, legislative compliance and communications.

Employee Opinion Surveys

IPEX also expects each of its plants to conduct employee opinion surveys, a process that is regularly carried out on company time, through each plant payroll coordinator's office. Employees are surveyed on four key areas: Communication, Employee Relations, Training and Motivation. The results are shared with plant employees.

The feedback IPEX has received from its employees indicates very positive results—4.5 out of a total satisfaction rating of 6—and the survey process has seen very high response rates (92% of workers filled out a survey during the last round). The company has not been able to correlate increases in employee satisfaction with other HR indicators, such as retention. However, some unexpected positive results have been observed. IPEX finds that workers often express an interest in how well employee satisfaction at their plant compares with other plants, and this suggests that the process itself has helped to promote a positive engagement.

The company also conducts exit surveys, and the results of these studies have helped the company to understand the nature of its turnover. A recent survey, for example, indicated that of those who left, 40% did so because of a lack of opportunities for advancement. The company believes that these results reflect the recent slowdown in the company's growth due to the economic climate, creating a slower pace of promotions in comparison to past years. The company considers itself quite good at promoting its people from within, and continues to provide training and career development opportunities to employees and is looking forward to renewed growth in the upcoming years.

Compensation and Benefits

Given the competitive market in which IPEX operates, management does not feel it can offer higher than industry-average wages as a means of retaining employees. However, IPEX does believe that the quality of the work environment, the career opportunities it makes available to employees and good job security are important and attractive features in terms of retention.

IPEX feels that the benefits it provides are very comprehensive and competitive. The group benefits package includes life insurance, short term income replacement, extended health benefits, dental and vision care, to name a few. Despite recent large increases in premiums for medical, drug, vision and dental coverage, IPEX has managed to avoid passing these cost increases on to their employees.

The company also offers an RRSP program by which a percentage of an employee's earnings, based on the employee's years of service, is contributed to a pension account and matched by the employer. IPEX's benefits plan also includes an Employee Assistance Program that is free and confidential for all of the company's employees and their families.

Incentive programs have been in place for many years for both office and plant employees. These programs vary in their design, to best suit the group who receive the incentive. For example, some plants offer a bonus program that is paid quarterly when they reach certain targets

for productivity, product quality, and health and safety. The bonus also takes into consideration workers' individual attendance records. The company does not measure direct impact such programs have on retention, but feels confident, based on employee input, they serve as a strong motivator

Recruitment and Integration

The company has recently improved and refined its recruitment process. It does much more pre-employment testing, and is a subscriber to the idea that providing realistic job previews to potential candidates can improve the fit between the company and its new hires, thereby reducing voluntary turnovers that result from a 'bad fit' between the work environment and the individual.

In recent years, the company has also concentrated its efforts in providing better orientation and training during the first few months of employment with IPEX.

Training, Career Development and Performance Management

IPEX's Corporate HR department does not currently set an overall policy for training and development. Nevertheless, the company is actively involved in helping to develop its employees on a number of fronts, and is particularly proud of the quality of its informal mentoring culture. Decisions about providing salaried or hourly workers with formal training rest with the plant managers, who base their decisions on the results of performance evaluations and other factors such as internal promotions.

In the case of salaried workers at IPEX, training decisions are tied not only to performance evaluations but also career development plans provided by the company. For operations management positions, the company has designed a 2-year trainee program that takes newly hired engineers through all of the fundamental elements of processes and culture at IPEX. Such training is closely tied to well-defined career paths that see them going from engineering trainee positions, to plant engineer, maintenance manager and then into higher managerial posts. Employees who happen to fall short of getting a promotion are evaluated for further training and are provided with information about how further skills development will be tied to career development goals targets.

Plant workers are offered extensive cross-training on a number of different machines and equipment. While the company does not currently offer skill-based pay to workers who enhance their skills in such a way, participation in cross-training increases the likelihood that they will be promoted to positions of greater responsibility and remuneration. At the same time, providing cross-training allows it to develop greater flexibility within its workforce.

The company also actively promotes from within its plant-floor operations positions. A typical operator will be promoted through three or four operator roles, then into technician positions, and then into Supervisor positions. This mobility is supported by continuous training. Employees are

also provided with the opportunity to move into different departments (e.g., blending, moulding), and so are given the chance to diversify their competencies as well.

Health and Safety

IPEX strongly believes that the strides it has taken in the area of health and safety have had a significant impact on its ability to retain people. The company has made considerable investments over the years in ensuring that its employees work in a safe environment. In 2003, it reduced lost time accidents by 40% from the previous year, to a loss-time accident rate of less than one per cent. Three of its plants have achieved three years of operation without a single lost time accident. These represent dramatic improvements compared to only five years ago, when the plant had a lost time accident rate five times higher than its current level. Similarly, short term disability claims have also gone down by some 20% over the last two years.

C. Employee / Union Perspective

IPEX actively encourages its plant managers to talk daily with union local representatives, in order to identify and address problems. The company also acknowledges that the Communications, Energy and Paperworkers (CEP) union—which represents IPEX workers in several plants—has in past instances played an important role in re-establishing a good labour-management dialogue when relations became more challenging.

To gain an employee and union perspective on the issue of employee retention, an interview was held with Tom Harroun, a 14-year employee and current union representative at IPEX's Edmonton plant.

While the Edmonton plant has only had a union for the last couple of years, Harroun feels that relations between employees and the company have been improving significantly. Unionized workers at the plant have been particularly happy with two new plant managers who they credit with addressing employee concerns effectively and dealing with problems expediently. Joint monthly union-management meetings are effective in addressing issues and problems when they surface, and in general, the union feels that the plant's management has helped to foster an environment of openness, in which employees can feel at ease in approaching plant managers to address their concerns.

Training Programs Valued

According to union representative Harroun, IPEX's training programs are strongly valued by employees of the company. He credits the company with providing the resources necessary to help a new, semi-skilled recruit to develop his or her competencies in a number of areas (the representative mentioned, in particular, health and safety, WHMIS, and equipment operating). The union also recognizes the value of IPEX's cross-training program, which allows employees to move into different areas of production and develop a broader range of skills.

IPEX's CEP local is still on its first four-and-a-half year contract, and the union local will be seeking certain improvements in the next round of negotiations, particularly in the area of benefits. Nevertheless, its representative gives part of the credit for good labour-management relations to the leadership shown by the plant's management.

Westbridge PET Containers

A. The Company

Westbridge Containers is a privately owned company specializing in custom PET preforms and bottles for food, beverage, and personal care markets throughout North America. The Calgary facility has been in operation for over 10 years utilizing Husky injection moulders, and Cincinnati stretch blow moulders. The 80,000 sq ft facility is comprised of approximately half production and half warehousing and is on a 24 hr 7 day schedule. About 55 per cent of its sales are to the US market, and the remainder to Canada.

Westbridge management has over 60 years of combined industry experience and knowledge. This experience has led to several innovations to products and processes for a variety of markets. With in-house engineering expertise on preform and bottle design, Westbridge is well positioned to serve the market.

Low cost customized moulds that can be machined in 4-5 weeks puts Westbridge in a good position for "fast to market" projects for the full range of bottle shapes. The company's mission is "to provide the best possible value to our customers, employees and shareholders through superior service and quality in the production of PET bottles and preforms".

Employment Profile

Westbridge has 55 full-time non-unionized employees. This "core group" of employees is supplemented with a "contract group", brought in between April and late summer to take advantage of seasonal business opportunities, mainly in the beverage bottles market. This combination of core and contract employees has worked well for Westbridge, allowing them to offer the core group relatively good job security while taking advantage of seasonal opportunities through the contract workers. The pool of contract workers is also a primary source for employee recruitment. As the business expands, Westbridge adds to the core group, drawing selectively from the ranks of the contract group. In management's view, this recruitment practice also serves to motivate contract workers to perform well during their contract term, knowing that the best employees will be selected to become part of the core or permanent workgroup.

Out of Westbridge's 55 core employees, about 40 are plant workers, with about 25% of this group considered skilled workers — persons with formal education or training (university, trades, plastics course).

The company is not expecting a lot of retirements among plant workers in the coming years, as most are aged 25-40. Workplace demographics are more of an issue for senior management, and the company recognizes the need to start looking over the next 5-10 years as to how to bring supervisors and senior operators into management role.

Turnover very low

Management describes its turnover as “very low”. Indeed, a typical year at Westbridge will see only about two employees leave - this translates into a turnover rate of under four per cent. Management also has the sense that when employees do leave, it is not because they’re dissatisfied with working conditions.

Management recognizes that one of the factors producing this low turnover is the favourable competitive environment in which they are located. With only two competitors in the area, and with equipment and production processes that are very specialized, Westbridge employees may be somewhat limited in terms of where they might go.

“To find qualified, skilled people with experience in the industry is difficult. We want to make sure we keep the people we have”

Nevertheless, Westbridge does not take these favourable conditions for granted. Management is keenly aware of the importance of employee retention, especially those seasoned core employees and operators who are critical to ensuring production runs smoothly in summer peak employment periods. And while Westbridge does not have a formalized corporate retention strategy, it engages in a number of practices that it considers essential to employee retention.

B. Programs and Initiatives Affecting Employee Retention

Compensation and Benefits

Westbridge offers what it considers to be a very competitive pay and benefits package, “very close” to that of larger firms in the same business. Employee benefits include Health and Dental Plans, Eye Policy, Safety Shoe Policy, and an RRSP plan in which the company will match contributions of employees up to 3 per cent of annual salary. The company also provides an Employee Assistance Program.

Westbridge also has an innovative Bonus plan, which is composed of profit sharing, plant performance (gain sharing: efficiencies in scrap, downtimes and customer complaints) and individual performance (pay for performance based on overtime and attendance). Westbridge also provides more informal and an adhoc bonus to employees when business is particularly good. Examples include clothing, lunches or social events.

Pay-for-Knowledge

Westbridge has also introduced an innovative pay for knowledge system. They encourage employees to train in other jobs, and will provide a pay premium when employees become qualified in that job (an extra 50 cents or dollar per hour, for example). Employees cross-trained in this fashion will go back to their regular job, but receive the extra pay no matter where they work. Workers can learn as many positions in the plant as there are. There are certain limitations

to the system however, as Westbridge cannot simultaneously train large numbers of employees in other operations at the same time. In fact, if there is a complaint among employees, it is that there are not enough opportunities available for people to train in the areas that they want to go.

This knowledge based compensation system has been well received by employees. A recent employee survey showed Westbridge plant workers to be unanimous in their satisfaction with the pay-for-knowledge system (out of 40 plant employees, 35 were “extremely satisfied” and 5 were “very satisfied”).

The pay-for-knowledge system provides Westbridge with at least three key advantages. First the enhanced flexibility of its core cross-trained workforce means that Westbridge can effectively manage the demands of seasonal business peaks when less experienced contract group is brought in. Second, employees who receive a pay premium for their knowledge are less likely to move to other competing companies with more traditional job-based pay systems. Third, according to Westbridge’s HR Manager, it has increased morale, with employees self-motivated to increase skill levels.

Training Opportunities

Westbridge believes that training makes a fundamental contribution to employee retention. In their view, workers not adequately trained will simply not be happy with their jobs. They reason that workers want to be equipped to do their jobs well, produce quality products, and be confident and comfortable working with equipment and machines. For these reasons, Westbridge has introduced the pay for knowledge compensation system described above, and will also pay for employees who want to take courses relevant to the business. Examples include welding or electronics courses, or full fledged-apprenticeship training. Westbridge employees are continuously trained in equipment operation, quality, computers, a variety of "soft" skills and health and safety.

Westbridge is not concerned about making training investments only to see employees leave. In their view, if there are no opportunities, and employees are not happy in their jobs, they will leave anyway. On the contrary, the training opportunities and knowledge-based compensation system at Westbridge have resulted in the powerful combination of internal skills development and low employee turnover. Management cites the example of female plant employees, who used to pack bottles into boxes and have now become senior operators.

Communications and Employee Recognition

Westbridge feels that an essential factor in employee retention is open and effective communications. The company prides itself on its “open door” communication policy, in which employees are free to talk directly with managers at all levels. Communications activities take several forms at Westbridge:

- Production meetings at the start of every shift to inform people what has happened before and what's going to happen after;
- Bulletin Boards with information about safety, the Employee Assistance Program, business performance, and other information of interest to employees;
- Monthly safety committee meetings. Westbridge encourages employees to participate not only for their input but also so employees will take back information and share it with co-workers verbally;
- Supervisors must fill out month-end reports, in which good (or bad) encounters with employees must be documented. This allows upper management to communicate with employees about good performance;
- Every two weeks senior management has communications meetings to discuss wide range of business issues including major activities, new products, changes to benefit plans, etc. The results are posted after every meeting for workers to read;
- Shift supervisors have \$200 per month discretionary allowance to buy food or take employees out. Westbridge sees this as a way to recognize employees, and important for team building and communications;
- Employees are entitled to a “do as you want day” on their birthdays. Employees must be at work, but are free to spend time in different departments and activities. The program is designed for people who might want to learn or be exposed to things that they might not normally get a chance to;
- Employee surveys are used to gauge satisfaction with the company as a whole and with more specific issues such as compensation and communications. The surveys provide Westbridge with valuable input on areas that might be improved. A recent employee survey showed high levels of overall satisfaction with the company, but room for improvement on communications, particularly in relation to workers whose first language is not English. The survey results showed that written communications are not always understood, and should be communicated verbally as well. To this end, Westbridge is attempting to increase its verbal communications.

Integrating Recent Immigrants

Westbridge has quite a few employees who are recent immigrants to Canada. About 25% of its plant workers came to Canada within the last 10 years, from countries such as Vietnam and India. While these employees all have at least a basic level of understanding of English, there are a lot of industry specific technical terms that must be learned. For this reason, Westbridge often uses a job-pairing system in which a new employee works closely with someone of the same cultural background.

A Culture of Respect

Westbridge management views its employees as the most important part of the company. Retaining employees and their skills is seen as vital to the company's growth strategy, and is expected to become even more important as new and more complex machinery is introduced in the plant. While fully aware of the “business case” for employee retention, Westbridge's

approach is grounded in a more basic philosophy of treating people with respect. According to Westbridge's Human Resource manager, "we try to let them know that every employee here is important, not only in terms of the business, but on a personal level as well."

C. Employee Perspective

To gain an employee perspective on employee retention, an interview was held with a senior operator and lead hand at Westbridge. A college graduate with a strong technical background, this employee was a member of the health and safety committee, and had just completed his third year at Westbridge. For this employee, low turnover at Westbridge had a lot to do with the ownership and management team: "we get a lot of respect from them".

From this employee's perspective, a fair level of pay is an obvious factor affecting retention, but it was not seen as the only reason for Westbridge's low turnover and high level of employee commitment: "there are many things that make Westbridge a good place to work, not just the pay element". Several reasons for successful employee retention were given:

- Open door communications policies which make employees feel comfortable in their jobs, and comfortable approaching management;
- Good job security;
- A pay-for-knowledge system which gives employees incentive and motivation to learn more, "a chance to succeed and step up";
- Training opportunities, including on-going cross-training, which allow personnel to help out and provide support to other employees and departments. Training was seen to boost morale, build respect between employees and contribute to a strong work team;
- Recognition for good work;
- Company social functions outside of work such as summer and Christmas parties open to families and children;
- "All around, a good place to work".

VIII. Conclusions and Recommendations: Managing Skills

Employee retention is really an element of a more general concern that might be best termed ‘skills management,’—i.e., everything that has to do with recruiting, maintaining and developing *the necessary mix and levels of skill required* to achieve organizational and business objectives.

When a business loses employees, it loses skills. The magnitude and nature of that skills loss is an important management issue, affecting productivity, product and service quality, profitability and a host of other key concerns. The cost of replacing workers can be high, the problems associated with finding and training new employees can be considerable, and the specific workplace-acquired skills and knowledge people walk away with can take years to replace. It is therefore within this broader notion of skills management that employee retention assumes such great importance.

This study has highlighted examples of Best Practices in Employee Retention using both the human resource literature and actual case study examples of Canadian plastics firms. We would like to draw on this research to offer a set of conclusions and recommendations in two areas. First, we provide some observations on our experiences carrying out this Best Practice research. These methodological considerations may be useful for sector councils and their funders. Second, we present some conclusions from the case study research and recommendations about the kinds of strategies companies might consider that they might improve retention.

A. The Methodology and Application of Best Practice Research in the Plastics Sector.

In carrying out this research, the CLBC discovered a number of methodological issues concerning application and use of best practice research. We discovered that the time and effort to identify, contact and interview senior managers within the Plastics Sector were high. Even though we relied on an extensive network of contacts and referrals, the logistics of scheduling interviews proved challenging within the relatively short duration of this study. Beyond this, however, it is obvious to us that the contacts with whom we needed to speak at various plastics companies were already under daunting work schedules. Even a request for 45 minutes of their time to conduct a telephone interview proved to be a demand they could not possibly accommodate.

For this reason, it is our view that best practice research should be carried out as an on-going objective and activity of the Canadian Plastics Sector Council. As an on-going activity, researchers would be able to offer businesses considerable time flexibility for the arrangement of interviews / site visits, etc. We also learned that many of the firms we contacted were unfamiliar with the Plastics Sector Council. The ongoing reporting of best practice research would likely increase visibility and utility of the CPSC to plastics firms and their employees.

B. Conclusions and Recommendations

1. Our research found many good examples of successful Plastics firms with high levels of retention, low employee turnover and employee commitment. In many of the case study examples presented in this report, turnover was virtually absent, or well below the

industry averages. Our case studies also suggest that SMEs can be just as successful as large companies at keeping their workers. Firms should understand the nature and magnitude of their turnover, why it is happening, how it affects the skill requirements needed to achieve business objectives and performance targets.

2. In the cases we studied, low turnover was not necessarily the result of a formalized “retention strategy.” Nor was there a “cookie cutter” approach to employee retention. Instead, many of the firms were using their own knowledge and creativity to develop innovative methods, practices, and programs that were appropriate to their own unique environment and circumstances (i.e. product sector, firm size, workforce characteristics and interests, and so on).
3. This is not to say that there are no common principles or fundamentals upon which good retention practices are built. The firms we examined all had a strategic understanding of their workforce skill requirements, and of the role and importance of skills in meeting business objectives. All stressed the importance of responsive and open communications and the importance of understanding the needs and interests of employees. All worked from the principle of treating people fairly. These fundamentals may seem like “soft” approaches to employee retention, but they were repeatedly cited in our interviews as the most important factors affecting employee commitment.
4. Outside of these fundamentals, our case studies revealed considerable variation in the approaches and initiatives taken by different firms. Approaches to compensation levels and systems, benefits, training and career development, recognition and rewards, and communications all varied by firm size, industry segment, skill composition of the workforce, and so on.
5. While there is no guaranteed set of practices that will work in all firms, there are “best practices” identified within the HR literature, and highly effective examples as described in our profiles of Plastics sector firms. Firms looking to improve their retention or improve their skills management more generally might consider the applicability of these strategies and initiatives to their own unique circumstances. Such strategies can also be modified to reflect individual company circumstances. Many of the companies profiled in this report have developed their own innovative approaches internally, which have evolved over time into effective strategies.
6. All of the low-turnover firms we examined felt it important to be competitive on wages. While not necessarily the only factor in retention, it is an important starting point. Some of the companies profiled in this report have done very well by pegging compensation levels against ‘middle of the road’ wage benchmarks rather than trying to out-pay their competitors.
7. *All* of the companies we interviewed were very active in the area of skills training and professional development. Training appears to be an effective retention factor because it is a visible investment that the company makes in the worker, and it provides new skills that are *intrinsically rewarding*. Combined with some communication about how an

employee's efforts at developing skills will lead him or her to more challenging and meaningful positions *within* the company, training encourages workers to make longer term commitments to their workplace: it permits them to see a future with the company. Finally, *as a retention measure*, training is enthusiastically embraced by employers because it is *in any event* fundamental to the ongoing survival of manufacturing companies working in an increasingly competitive and innovation-driven market.

8. Cross training appears to be a widely-used practice among the Canadian plastics firms we examined, and with respect to this particular report, it appears to serve two valuable functions: (a) it creates flexibility within the workforce which, when employee turnover is high, can be effective in offsetting the negative impacts of knowledge loss resulting from the departure of workers, (ii) as with other types of training, cross-training enhances skill levels, employability and job challenges and, as such, it can be a useful tool in building employee commitment.
9. A number of our case studies suggest that while compensation, personal and professional development opportunities, and other incentives are important in attracting people and keeping them happy, their decision to stay with the company depends vitally on how well they fit in to the company's way of doing business, how it treats employees, what it expects of them, and how people relate to one another in the workplace.
10. The design or use of various compensation systems, type of benefits offered, rewards and recognitions, etc. should all should reflect the interests and needs of one's employees. Our own observations of Canadian plastics companies suggest that recognition and rewards are strongly tied to the 'culture' of a particular workplace — they support that culture, and they are consistent with that culture — whether or not that culture is something consciously managed or iterated by the company.
11. A number of companies make considerable efforts to communicate with employees for purposes beyond what is immediately necessary for them to do their jobs. Our case studies suggest that many companies — particularly small companies — have little or no formal communications practices, but are nevertheless extremely effective in speaking with, *and listening to*, their employees.

A final note on retention, skills development and international competition

It is clear from our consultations with Plastics Sector stakeholders that one of the outstanding issues facing the industry is competition with lower cost producing countries. Many of the firms we examined were actively seeking to move their businesses into higher value-add and niche markets in the face of emerging international production patterns. Many felt that such strategic re-orientation was one way to remain successful in the context of lower-cost competition, and to seize new growth opportunities. Generally, the strategic re-orientation to higher value add products and services also means new and higher workforce skill requirements. For individuals firms, the development and management of these skill requirements, including strategies to retain employees and transfer knowledge, is an essential part of this strategic re-orientation.

Appendix A. Conceptual Framework for the Selection of Best Practices

There are three central dimensions of the best practices selection framework that will require attention:

- (1) What process should be used to identify best practices in *retention* and *knowledge transfer*?
- (2) What information needs to be collected once a best practice is identified, in order to describe and document its outcomes? and;
- (3) How will the information be organized, analyzed, and reported on?

1) Process of identifying best practices

In defining a process for identifying best practices, two key questions were considered:

- A. What exactly constitutes a retention/knowledge transfer best practice? In other words, is there a sound process that can be designed that would allow an observer to pass a judgment on the admissibility of a particular initiative or workplace for the purpose of the CPSC project?
- B. In the event that a ‘system’ or criteria for selecting best practices could be defined, what steps would be required in order to arrive at possible best practice identification? What sources of expertise would need to be tapped into in order to accomplish that?

A. What to look for?

i) Employee Retention

A review of the literature indicates a wide and diverse range of potential retention strategies. On the basis of the secondary sources consulted, retention practices can be grouped under the following categories:²³

1. Compensation & Benefits levels
2. Compensation & Benefits systems (eg. pay for performance; skill-based pay, etc.)
3. Recognition and Rewards
4. Training, Professional Development, Career Planning
5. Orientation & Integration

²³ See, for example: Gunderson 2002; Government of Alberta, 2003; Singapore Ministry of Employment, 2000; CCHREI, 2000.

6. Healthy Workplace or Well-being Programs
7. Job Design & Work Teams
8. Employee Participation & Communication
9. Manager Training & Accountability
10. Flexible Work Time
11. Diversity Management
12. Work-life Balance
13. Performance Management & Feedback
14. Others

The diversity of interventions captured in the above list appears to confirm a growing consensus that while total compensation levels are an important factor influencing retention (Lawler, 1990) they are not necessarily the only option for maximizing HR outcomes, nor are they always sufficient — in themselves — for ensuring retention and worker satisfaction. Gunderson (2002), for example, notes that non-wage forms of compensation can yield positive organizational outcomes, while Anderson (1994) uncovers very strong correlations between employee retention and productivity in high commitment HR systems.²⁴ These conclusions are supported as well by Leckie and Betcherman's report on a survey of 700 Canadian establishments which found that firms with participation-based (rather than compensation-based) HR management systems are more likely to experience lower quit rates.

There is, in addition, little evidence to suggest that the selective use of these tools as stand-alone policies generates a significant positive impact on retention, and the prescriptive side of the literature on retention and effective HR practices clearly recommends approaches to HR planning that integrate a number of these tools within a broader strategic plan. The approach of integrating a wide range of HR practices under one retention strategy is perhaps best summarized by Ware (2001), who argues that “successful employee retention requires companies to take a multifaceted [sic] approach that includes effective organizational systems (i.e. compensation and benefits, etc.), managers' behavior with employees, and managers' accountability for their retention or attrition rates.” Attention to the presence of an overall strategy for retention (or to an overall HR strategy that might include retention among its objectives) is clearly an important consideration.

In addition, broader organizational commitments are cited as essential to ‘high performance’ HR management. Strong leadership, a clear articulation of organizational values, and the ongoing measurement of the impact of particular interventions are broader strategic elements of an establishment's overall management that may be essential to the effective implementation of retention strategies including practices selected from the list above (MIT, 1997; Gunderson, 2002).

²⁴ High involvement work practices involve practices such as use of internal promotions; use of performance (versus seniority) based promotions; use of skill-based pay; use of cross-training or cross-utilization; use of employee participatory programs; etc.

In light of the above, the CLBC research team will cast the net widely in terms of what might constitute a retention best practice. The important practical question is what criteria will be used to select firms with retention best practices. CLBC contends that best practices will be identified using one or more of the following criteria:

1. Firms with low turnover or high retention (compared to industry or occupation benchmarks), or a significant positive trend in those indicators over a relatively short period of time. Indeed, an organization that has relatively high turnover rates but that has significantly improved on this situation in a relatively short period of time should be included.

In instances where quantitative measures of retention/turnover are either unavailable or in doubt, subjective indicators of performance will be used, based on the firm's self-reported answers to the following questions:

- How does the firm rate its retention of workers since the implementation of its HR strategy, plan or program?
 - How good is the firm's retention of workers as compared to direct and comparable competitors from within the sector, and other manufacturers in the firm's region (local labour market)?
 - Has the firm conducted employee satisfaction surveys that have indicated improvements in employee attitudes or organizational commitment since the implementation of its HR strategy, plan or program?
2. Firms that have an *explicit* retention strategy, central to its overall business strategy and human resources planning. This selection criterion will look for the presence of written policies and programs specifically directed at employee retention, demonstrations that the organization's strategic direction is linked to employee retention, and evidence of commitment to retention programs on the part of senior management.
 3. In organizations that lack an explicit retention *or* HR management strategy, the presence of other organizational and human resource practices that are known to contribute to retention (incentive pay systems, alternative work practices, etc.) The absence of an explicitly articulated *retention* strategy does not necessarily signify the absence of an explicitly articulated *HR management strategy* that may be effective in achieving good retention, *among other organizational goals*.

Best practice firms are unlikely to be selected on the basis of only one criterion. For example, a firm may well exhibit low retention, but this outcome might be accidental or related to favorable conditions or circumstances that are beyond management control. Likewise, an organization may well have a retention strategy in place, but this strategy may not lead to improved retention because (1) the strategy is ill-conceived or poorly implemented, (2) the strategy is too new for a reasonable measurement period to have elapsed, or (3) forces beyond the establishment's control are strongly driving turnover.

Recognizing the many methodological issues raised above, it is clear that a certain degree of flexibility will be required in the application of the three selection criteria described above so as not to set a standard that screens out too many potentially important cases. Nevertheless, we may define a retention best practice as follows:

An establishment that has an explicit employee retention strategy in place **and** that exhibits, according to **both** subjective **and** objective indicators, relatively low turnover or high job tenure rates compared to an industry or occupation standard, or a marked improvement in these indicators over a relatively short period of time.

Establishments conforming to this definition would be considered as ideal cases. Recognizing, however, that it may be difficult to find such cases, and recognizing as well that a number of methodological issues can complicate even those that appear to be ideal, the selection criteria can be progressively broadened by admitting less decisive cases. Examples of these might include:

- The presence of *only* subjective indicators of good retention;
- The presence of an explicit HR management strategy *or* other practices known to affect retention, but *not* an explicit retention strategy;
- The presence of objective and/or subjective retention indicators, but uncertainties about their correlation with implemented practices;

ii) Knowledge transfer

As a first step in defining what constitutes a knowledge transfer best practice, it is essential to clearly define what is meant exactly by knowledge transfer. In the context of this project, it is preferable to adopt a narrow definition, one that centres around the exchange of knowledge among and between employees²⁵ with the purpose of ensuring that an organization's collective memory, skills set or body of knowledge is enhanced, and not diminished with employee attrition.

Knowledge transfer strategies could thus conceivably be defined, for the purpose of this project, as

the concerted actions, programs, systems, or initiatives designed to retain, share or transfer information, skills and knowledge among employees within an organization, or between separate entities of a multi-location organization.

If the available literature is any indication, it can be argued that there is not a large body of research describing specific knowledge transfer practices, as defined here or linking knowledge transfer strategies or programs with positive organizational performance or outcomes. In light of this, the typology of initiatives to promote and support effective knowledge transfer that is outlined in CLBC's proposal provides a very good starting point for delineating possible best practices:

²⁵ As opposed to, for instance, transfer of knowledge on an individual basis, which would include training and any forms of personalized learning activities.

1. Approaches designed to support the *sharing* of knowledge, skills, and information:
 - Clearly articulated business strategy valuing the creation, sharing and retention of knowledge
 - Formally articulated organizational positions on openness, communication.
 - Recognition of knowledge-sharing practices or role models
 - Mentoring, coaching and peer training
 - Communities of practices and knowledge networks integrated into the work flow, including on-site workshops, etc.
 - Use of technology (e.g., database, Groupware, internet/intranet, e-learning)
 - Job rotation and cross-training

2. Approaches designed to *retain* knowledge and expertise:
 - Activities to identify key expertise and knowledge to be captured and retained, and those who possess them.
 - Activities and methods for inter-generational sharing knowledge and skills, namely phased-in retirement, post-retirement programs, etc.
 - Sharing best practices from other businesses
 - Sharing lessons learned
 - Documentation of knowledge assets.

3. *Succession planning* approaches:
 - Early identification of potential successors
 - Focused learning and development assignments for successors
 - Job shadowing

On the basis of this, and for the purpose of this project, a knowledge transfer best practice can be ascribed to an organization that has put in place one or more of the above-mentioned approaches. Preference should be given also to those organizations that have been able to demonstrate positive organizational outcomes/performance or, in the absence of such demonstration, have put in place a system for measuring such outcome or performance.

This definition is attractive because it does not place an unrealistic burden of proof on the research team to demonstrate quantifiable impacts of knowledge transfer approaches and initiatives. Given the lack of a solid conceptual framework – or empirical evidence – of the causal links between knowledge transfer activity and organizational performance, it may well be more difficult to objectively identify knowledge transfer best practices. In this context, expert opinions and perceptual information from key stakeholders will take on added significance.

iii) Additional Identification and Selection Criteria

Interviews with key CPSC informants uncovered a wealth of information about the diversity of companies that are represented in the Canadian plastics sector. Plastics companies differ in a number of key characteristics that may influence, to varying degrees, the type of best practices information that would be relevant to CPSC's target audience. Five distinguishing traits are particularly noteworthy:

- i. *Industry segment.*** The plastics sector is made up of different types of companies—resin suppliers, machinery and mould makers, processors of different types (captive, custom and proprietary), etc. The mix of skills requirements, the degree of automation, the types of occupations represented in any given firm can all vary depending on what type of producer is in question.
- ii. *Market segment.*** CLBC clearly heard from a number of respondents that domestic and global competitive pressures can vary depending on the market or product segment in which companies operate. Firms that produce highly specialized or 'niche' products may be relatively more insulated from competitive pressures that might sharply drive down prices and, thus, costs. On the other hand, producers in the commodity segments (e.g., plastic bags, wire coatings, etc.) face strong competitive pressures that often oblige them to control production costs aggressively. In the latter case, non-financial retention or incentives *may* be particularly relevant in helping them to avoid unwanted turnover.
- iii. *Technology.*** Whether or not they work in specialized or commodity segments, there are significant differences in the extent to which plastics establishments have introduced automation and new technology into their processes. These may influence the type of skills required of employees and the types of training, development and R&D investments the firm must make. In turn, these conditions may stimulate different knowledge transfer and retention needs.

E.g., Rapidly modernizing firms may be particularly interested in knowledge transfer best practices if they are making substantial investments in training, or they may be more likely to identify the more highly skilled segment of their workforce as the primary target of retention initiatives.

- iv. *Geography.*** Differences in location may signal important differences in the supply, demand and skills profile of local labour markets. Producers located in areas with large concentrations of manufacturing (e.g., GTA) may, on the one hand, find a large pool of labour from which to draw, but may also find it more difficult to keep them from jumping to other competitors or other industries. Producers in rural areas or in other regions of the country may operate within small and relatively isolated labour markets. One informant noted that plastics producers in Atlantic Canada encounter less problems in finding workers for short-term contracts given the proportionally larger seasonal labour force. Thus, local labour markets and economic conditions may have a significant impact on the forces driving turnover.

- v. *Size of workforce.* In its original RFP, CPSC identifies SMEs as an important target audience for the best practices project, and indeed, research conducted to date suggests that size of establishment signals clear differences in the types of retention and knowledge transfer strategies that may be relevant, as well as the capacity to implement these. It is possible, for example, that SMEs without fully staffed HR departments may not have in place highly developed retention strategies; they may however, adopt a number of workplace practices that are engender good retention.

It is worth noting that differences in these traits do not necessarily reflect inherent differences in performance. It is clear, however, that these traits *do* reflect marked differences in the way that establishments operate within the plastics sector. While by no means conclusive, research conducted to date suggests that the types of best practice strategies sought may be disproportionately concentrated in very large, high-tech or highly specialized firms. Is the experience of these establishments sufficient for the needs of the current project? and, does it address the distinctive capacities, market context, and information needs of all of CPSC's audiences?

In an effort to ensure that the best practices information resulting from this project is reflective and responsive to the diversity of the plastics industry, we therefore propose an additional principle for selecting best practices. To the greatest extent possible, the project team will endeavour to select best practices—*once these have met the criteria specific to retention and knowledge transfer*—in such a way that the resulting compendium is reflective of differences among firms with respect to the five additional identifying criteria: *industry segment, market segment, technology, geography and size of establishment.*

B. How to select best practices?

Two main research tasks were initially identified as contributing to the identification of Canadian manufacturing firms with best practices in the areas of employee retention and knowledge transfer: (1) a literature review; and (2) consultations with key stakeholders (25-30 persons).

1. Literature Review

The literature review has provided vital information to the project about the diversity and range of organizational practices relevant to employee retention and knowledge transfer. The literature review has been less successful, however, in identifying specific Canadian manufacturing firms, particularly within the Plastics sector, that have been cited as having exemplary or innovative practices in the areas of retention and knowledge transfer.

Nevertheless, CLBC has been able to compile a number of sources of the “best companies to work for” variety, e.g., R.O.B./Hewitt’s *50 Best Companies to Work for in Canada*. These lists contain sufficient detail to compile an initial selection of manufacturing companies that will be checked further against recommendations and feedback received through the stakeholder consultations.

2. Key Stakeholder Consultations

Consultations with key manufacturing and plastics stakeholders will be carried out using a structured interview guide containing mostly open-ended questions.

Consultations will be conducted with a number of individuals or representatives of organizations, such as:

- Sector Councils that represent segments of the manufacturing industry
- Industry and Business associations.
- Industrial Labour Unions.
- Representatives of various HR professional bodies
- Publishers of industry-specific periodicals (e.g., *Canadian Plastics*, *Plastics in Canada*)
- Management, HR or Business Consultants with an expertise in either HR management or the Canadian plastics and manufacturing industries.
- Academic or professional researchers.
- Owners or representatives of businesses with key insight into the issues to be addressed (if relevant and necessary)

While the consultations will continue to look for useful information on specific retention/turnover/knowledge transfer issues on a sector- or occupation-specific basis, they will at this point concentrate heavily on the identification of potential best practices establishments within the plastics and manufacturing sectors. A total of 15–20 brief interviews will be conducted with persons drawn from the above-mentioned groups, and the project researchers will carry out follow-ups as necessary.

3. CPSC Member Interviews

In addition to yielding important information about the plastics sector and the key challenges it currently faces, interviews with CPSC board members conducted early in the project, proved to be a very useful source of initial information on potential best practices companies within the Canadian plastics sector. Some 30 companies have been identified through these interviews, and will serve as the basis for some initial investigations into best practices in the *plastics* sector, and will be verified as much as possible against information obtained through the stakeholder consultations.

Stakeholder consultations, investigation of the ‘best companies to work for’ establishments, and initial leads provided by CPSC members will provide sufficient material to draw up a definitive list of best practice establishments. If necessary, a further selection from this list will be made if it is found to contain too many potential candidates. In the case of retention best practices, the project researchers will trim the list using the criteria described in the previous section of this

report. Three additional criteria will be used, if necessary, in the case of both retention and knowledge transfer best practices candidates:

1. Give more weight to cases that have a longer track record;
2. Give more weight to cases that have a wide spectrum of specific activities associated with the strategy or approach; and
3. Give more weight to cases where systematic attempts have been made to measure the outcomes of the strategy or approach, or some of its individual components.

2) What information to collect

Once a list of potential best practices is assembled, more investigation will be directed at documenting them. Interviews with firm managers/owners, HR managers, and union representatives will be utilized for this purpose. Information on rationale, characteristics of the best practice, and outcomes will be collected, as per the following:

A. Rationale, impetus:

- i) the context within which the best practice takes place: industry context, nature of the work/ production process, firm level characteristics (size, sector), HR and other management practices, overall business strategy, etc.).
- ii) the rationale and motivation behind the initiatives, programs or strategies designed to increase retention, reduce turnover, and/or improve knowledge transfer.

B. Characteristics of the best practice:

- i) formal/informal character of the best practice
- ii) the type of strategy, program or initiative put in place (financial, organizational, training-related, etc.)
- iii) the scope and magnitude of the strategy, program or initiative (occupational groups involved, multi-site, etc.), costs and resource levels

C. Outcomes:

- i) Firm-level outcomes and performance indicators (turnover rate, productivity, profitability, health and safety record, etc.)
- ii) Employee-level outcomes (job tenure, skills and knowledge development, job satisfaction, etc.)
- iii) Occupational-level outcomes (same as *ii*) but with an occupation-specific focus)

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