



Two CEOs discussing their business. Both successful. One complains about employees. The other comes out with the deathless line, “I don’t mind doing the HR thing.”

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In other words, he grudgingly conceded that he could devote some time to his staff, thinking about their professional development and providing some structure and guidance, without feeling too, too annoyed that they were taking him away from the wheeling and dealing that was, frankly, so much more fun.

Where did his idea of business come from?

In service businesses like his, there are no assets – only people. And nothing secures the company’s future except relationships. Which are also about people. And while almost every manager I’ve ever met will pay lipservice to people being their greatest asset, most of them don’t act that way. If it were true, then people would get the lion’s share of a manager’s time and attention. People would be the central focus instead of a peripheral issue that is tolerated as a necessary evil.

This particular CEO is in advertising and he dimly perceives that he needs to hold on to his star creatives. But every worker he loses costs him. Finding a new person, and training them, takes time, attention and money. The most conservative estimate for replacing some one is the full cost of their salary: in other words, in the year they leave, that employee costs you double. Other estimates say you should expect to spend two to three times salary to find a replacement. That includes your time, the headhunter or advertising fees and training time and attention from other managers. You’d be hard pressed to find a more efficient way of saving money than just by keeping the people you have.

The issue is more pressing than ever because data show that retention problems are the highest they’ve been now for fifteen years. Most workers in Britain stay in a job for less than two-and-a-half years. And no, this isn’t because everyone’s just fickle and disloyal. 45 percent of companies concede that they offer very little in the way of career progression or training. When managers believe that looking after people is peripheral – it means that people *are* peripheral. And they notice. 71 percent of workers say they’re unhappy in their present careers. You can call them whingers if you want. I’d call it the biggest threat your company faces.

Any manager who expects HR to fix these numbers is barking up the wrong tree. Attracting the best people and keeping them is a key strategic challenge for any company leader. In a services business, it’s the people that your customers are buying. It’s the people that they have relationships with. And if your people aren’t loyal and committed – do you think your customers will be? There isn’t a non-compete agreement in the world that will keep those customers once their favoured rep, sales person or account executive has left.

Moreover, staff turnover is the bane of every business person who, having invested months in a deal, watches it fall apart when a key player leaves. You have to be very big and successful indeed to recover from the impression that your business is not stable enough to rely on.

SAS Institute, a privately-held software company in the US, enjoys a staff turnover rate of 4 percent – in an industry where the norm is 20 percent. This, they reckon, saves them \$100 million on a turnover of \$800 million. But they also argue that keeping their people keeps all their key strategic relationships in place, healthy and flourishing. It's a far more stable picture than that presented by the US supermarket industry that reckons that its entire profit margin is regularly obliterated by the high costs of staff turnover. For them, keeping good people is the difference between profit and loss.

Some will argue that staff turnover is good, that if you had none you would have a moribund company. Of course they're right that some change is welcome, importing fresh thinking and talent. And, if you hire ambitious people, it is inevitable that some of them will have to leave, if they're to continue to grow. But it should be a rare instance when you welcome a departure: if the employee is that bad, you shouldn't have hired them in the first place.

The rhetoric and drama of business is all about wheeling and dealing, closing the ball breaking deal, crushing the competition. Somehow we are supposed to think that that is where leaders flex their real business muscle. It's a mythology nurtured by the Industrial Revolution and Robber Barons – just as old and, frankly, just as anachronistic.

Because every time I visit a really successful business these days, instead of crushing the competition, I hear managers rave about their workforce. I watch as they proudly introduce me to their colleagues. I notice when CEO insist that I meet their leadership teams, rather than hog any glory for themselves. And I really pay attention when they talk about how long people have worked together.

The CEO who “didn't mind” the HR stuff got pretty short shrift from me. He'd better do a lot better than not minding. When I look at his peers, they all know that the people stuff is the real stuff. It builds and secures their customer base against competition. It distinguishes them in the marketplace. It enhances margins. It fuels growth and innovation. Just what, beyond those things, is a CEO *supposed* to do?

My reply to this particular CEO was fairly sharp: he'd better start doing better than “not minding” if he wanted to stay in the game.