Kantata

The Guide to Retaining and Growing Your Professional Services Workforce

Contents

The Realities of Turnover

Turnover is inevitable at any professional services company. Very few employees will stay with an organization indefinitely. It's perfectly normal for the needs and career trajectories of employees and their employer to diverge over time. However, poor decisions and work environments will cause many businesses to shed full-time, part-time, and returning contract workers at a much higher rate than normal.

Losing employees is obviously a major inconvenience, leading to resource shortages and time-consuming searches for replacements. Recent research from Kantata reveals that senior executives at professional services organizations spend 40% of their time each day dealing with employee turnover.[1] But turnover also has a very real and often very harmful impact on the finances of a professional services business.

According to Gallup, replacing an employee can cost anywhere from one-half to two times the annual salary of that employee, depending on the organization and the amount of time it takes to find a replacement. Clearly, this can have a major financial impact on a professional services business, especially when accounting for the possibility that a company can suddenly lose multiple employees at once in the age of high turnover. The result can cost a business hundreds of thousands to millions of dollars every year.

While turnover can never be completely eliminated, it's critical that every professional services company works to reduce their turnover rates by understanding the causes, focusing on initiatives that improve their retention, and better utilizing their teams to build a stronger, more profitable, more reliable resource base.

The Changing Landscape of Professional Services: Handling The Great Resignation

According to Zippia, the professional services industry has a median tenure of 3.5 years, but nothing is guaranteed anymore in the quickly changing world of work.

Anthony Klotz, an organizational psychologist and professor at Texas A&M University, coined the phrase The Great Resignation to describe a wave of turnover across industries spurred on by the COVID-19 pandemic and its effects on business. In the time since, this term has lived up to its title, with more than 4.5 million workers leaving their jobs in the United States, according to the Labor Department's 2022 Job Openings and Labor Turnover Report. More people than ever are reevaluating what they want from their careers, looking at what their current jobs are providing, and leaving to find a new position that fulfills their demands.

In the world of professional services, this rapidly changing resource landscape has combined with shifting client expectations to put

even greater pressure on businesses trying to succeed and maintain stability as the industry changes around them.

The professional services industry continues to be one of the fastest growing markets around the world as potential clients ask for increasingly specialized forms of service, organizations provide a wider array of services to cater to those needs, and the sheer number of professional services firms continues to grow in a bid to take advantage of these growing opportunities. This means that while there are more opportunities than ever, professional services is also more competitive than ever before.

When increased competition and higher demands collide with massive turnover rates, the result is that many previously stable and successful firms are suddenly caught off guard and unable to compete.

The higher the turnover rate at a business and the longer it takes to fill critical positions, the further behind a professional services business can fall. These potentially devastating effects mean that it is more important than ever that businesses understand the causes of their turnover, learn ways to lessen it, and start optimizing their workforces so that they can operate a predictable and competitive organization that's positioned to thrive in a changing professional services industry.

What's Driving Away Your Resources?

While most employees do leave a company eventually as their careers evolve, many businesses actually unintentionally drive their employees away. Here are some of the major causes of turnover in an organization, many of which can be avoided if noticed:

Lack of Job Satisfaction

Simply put, if a team member is not satisfied with their position at a company and doesn't have a general feeling that they are doing something worthwhile, they will look elsewhere.

Career Development

More people than ever are changing jobs to advance in their career instead of waiting for a promotion at their current company. If there is no clear path upward in a company structure, an employee will look elsewhere for it.

Manager Behavior

We all know the hallmark traits of a "bad boss," but managers don't need to be destructive in their behavior to drive away team members. Simple lack of communication, poor guidance, and departmental disorganization can cause frustration that impacts satisfaction, leading to turnover.

Work-Life Balance

A major trend highlighted in The Great Resignation is that many employees are not satisfied with the balance between work and their personal lives. The search for a new work-life balance that provides flexibility away from job duties is an increasingly common cause behind turnover.

Job Characteristics

Characteristics of a job, including schedules, coworkers, responsibilities, day-to-day expectations, and more, are critical in keeping an employee at a company. If these are mismatched with a resource's expectations, either at the start or as a team member grows in their job, the friction they cause will lead to them leaving.

Compensation and Benefits

Sometimes it all comes down to how a team member is being paid for their work. Salary discrepancies and benefits such as time off, insurance, and job amenities can draw employees to other companies that put these benefits at the forefront of their job postings.

Relocation

The COVID-19 pandemic caused massive relocations as employees moved away from major cities. And while this causes turnover, the rise of remote work means this doesn't have to be the reason for losing a critical resource anymore.

While no business can completely eliminate these causes as every employee will have their own personal preferences and needs, it's crucial that today's professional services businesses identify which of these are a real issue at their company in order to improve overall job satisfaction.

While some companies will work to offset the issues driving away their employees with changes to office setup, location, and other environmental factors, these are simply not enough for highly motivated employees. According to Harvard Business Review, most

companies can split their workforce into employees that have less motivation in their career and the highly motivated team members that are focused on continually moving forward. HBR states that the retention of highly motivated employees is "not strengthened by environmental factors. It is therefore not strong enough to make them stay without continual job satisfaction."

Having exit interviews that allow for full transparency with departing employees can help identify which of these issues are recurring more than they should at a company. Once identified, a professional services business should work quickly to address their major causes for losing employees and improve the circumstances that are pushing away employees at a faster rate than normal. This will look different for every business, but there are several actions that every business should take to retain and optimize their employee base.

Hire Right

The process of turnover is often seen as a great employee slowly becoming dissatisfied with their position and looking for something new in their career. But turnover can often start at the very beginning of a person's time with a company due to job mismatch.

Given how much replacing an employee can cost a company, it can be tempting for managers to fill a role as quickly as possible to reduce financial impact. However, correctly hiring for a job will have a huge impact on both the long and short term.

If a resource is not the right fit for a position, their skills mismatch can result in almost immediate dissatisfaction, faster turnover (due to either the resource resigning or being let go due to poor performance), and a negative impact on related projects that their skills are not properly aligned with. According to Business.com, wrong

hires and the turnovers they cause can cost a company anywhere from $240K to $850K per employee.

Before hiring for an empty or brand new position, every company (and the relevant managers) should ask themselves several questions.

- Is this position best served by a full-time, part-time, or contract employee?
- What are the exact skills we need and how do they align with our project demands?
- What skills are absolutely necessary at the start and what can be gained through ongoing training?
- Will this position have the same responsibilities in a year? Two years? Five years?
- What is the intended internal career path for someone in this position?
- How will raises, promotions, and changes in benefits be handled for this position?

Understanding what you need, the ideal long-term impact of the employee, and how they will affect your current business processes can mean a greater alignment between new hire decisions and business success, reducing turnover and creating maximum return on investment for your organization.

Know Which Skills Make Your Employees Special

Every employee that leaves a company takes their specific skills with them when they leave. These are the skills that led to them being hired and the skills that helped complete each project they were assigned during the course of their tenure. However, a professional services business may not fully realize everything they provided until they're gone. So it's critical to both fully understand and use the skills being brought to the table by each team member. When this isn't done, employees are most likely to leave for a company that will appreciate and use their many different skills.

As professional services companies grow, data silos and team silos become more prevalent, creating blindspots across the business. When these blindspots make it hard to see which resources have which skills and which upcoming roles require certain skills, they can cause decision-makers to poorly use their employees, assigning

them to the same tasks over and over again and preventing them from finding new opportunities within the organization. Even worse, silo-created blindspots may reduce utilization rates, keep valued employees stuck on the bench, cause businesses to hire new employees for skills they don't know they already have, and hurt intra-company communication. The result is an even greater siloing of departments that leaves valuable employees feeling stagnant, underappreciated, unseen, and even trapped. Their only solution will be to leave for a new opportunity.

Effective skill usage can improve the capacity and capability of companies without relying on hiring new employees, which may take too long for urgent demands in the modern competitive hiring market of professional services. Identifying the skills provided by

every employee is crucial in driving retention and providing the right work that makes the most of your team members and helps them feel satisfied and engaged.

Having a skills database within a resource management system is vital to both the understanding and usage of each employee and contract worker's skills for projects. These databases can compile everything that a team member can reliably do for the organization, such as video editing or project management, so that managers will not have to rely on their own memories and experiences when staffing a project. When combined with a project management solution that details out tasks and their relevant necessary skills, managers can quickly build a project team and assign work that makes the most of identified skills.

A true understanding of what each team member can provide, alongside a framework for ensuring resources consistently end up on assignments that align with their skills and aspirations is a critical foundation for curbing attrition and keeping employees satisfied long-term. By not only keeping your teams intact, but using them to their full potential, your company can benefit from optimized resources and a steady resource pool.

Providing Paths to Professional Development

Beyond simply retaining and utilizing your resources well, ongoing professional development is crucial in improving the effectiveness of each team member as well as investing in their long-term career path, both in and out of your company.

Why should you invest in someone's career if it may lead them to other businesses eventually? Because employees that believe their organization cares about their general well-being, and not just what they will contribute to the company's profits, will be more loyal and have higher retention rates. According to recent Kantata research[2], 92% of full-time employees say they would be more loyal to a company that invested in their professional growth by paying for perks such as certifications, continuing education and masterclasses. But a third of full-time employees say they are not sure, or they do not believe, senior leadership prioritizes employees' professional growth.

Growing the capabilities of your team, helping employees to move upward in their career path, and providing opportunities for growth through new types of work and ongoing training are all ways to invest in someone's professional development and to build loyalty and reduce turnover.

So how do you identify when someone should receive professional development at your company?

Review Current Position

Review their current position at the company and determine if the types of tasks they provide have increased in complexity over time.

Understand Career Path

Understand their desired career path by meeting with them to see if their long-term desires can be met within the organization.

Review Skills

Review how their skills align with both their current position and any potential future higher level positions as well as how much development would be needed to effectively prepare them for a position.

Evaluate Training Needs

Consider whether training a current employee for a skill vs. hiring a new employee vs using a contract worker is right for the amount that skill will be used in the future.

Some employees are perfect for a classic move upward through a company, taking on managerial roles as their skills and experience increase. Others may not be right for something higher than the role they currently have. And some may be great candidates for a lateral move into another department that can use a different set of skills they already possess. Knowing which of these potential futures each of your resources falls into will help clarify the type of professional development that is right for them.

In the end, a resource that grows with your company will only become more valuable in the work they do every day and will become less likely to grow away from your company. As we've already seen, the duality of both retaining and strengthening the right resources will have an exponential benefit for the success of a business.

The Importance of a Fulfilling Work Environment

What creates a fulfilling work environment?

The answer will be different for every person, but there are certain factors that will always be crucial for forming a fulfilling experience at any company. These include consistently providing stimulating, satisfying work that gives resources the chance to feel valued, use their skills, and stay motivated within their roles at the company. What this work is exactly will change over time as an employee and the business both change and the work communities they create and take part in evolve.

A fulfilling work environment is more than just the tasks being done every day, it includes the entire experience that takes place around and informs the day-to-day work life. Factors that influence the environment include job benefits, company loyalty initiatives, community ties, relationships with coworkers, and internal company

communications (especially in a remote environment). Each of these factors is crucial for retaining employees at a business, as they all impact loyalty and satisfaction with a position.

Everyone wants to be part of a successful company that they can feel secure at and they want to know that they are an important part of that success. Consider whether or not your team members believe that they are part of a successful company and pinpoint any factors that are making them believe otherwise. In the age of remote work, a lack of transparency can cause employees to believe that they have no importance to the larger success of the business or that the company itself is not a place they should be for the sake of their career.

There are, however, simple solutions to a lack of transparency. Having accessible dashboards that illustrate company successes or track KPI progress, as well as regular company updates that provide transparent updates on company goals across the year, can ensure that each team member feels like an important part of a fulfilling work environment.

Even if the majority of an employee's daily work experience is positive, any single negative factor can lead to him or her looking for a new position after long enough exposure to an issue. Consider what aspects of your company's work environment are consistently critiqued by both current and former employees and make an effort to change the negative factors creating this situation.

Identifying and Preventing Burnout

Burnout is a very real problem that most people have experienced at some point in their careers, but it's more of a problem than ever. According to an Indeed study, 52% of respondents suffered from burnout in 2021, up from 43% of respondents in a previous Indeed survey.

The pressures of life, work, and stresses caused by social media and more all combine and lead to burnout that slowly degrades job performance, satisfaction, and an overall investment in a person's career. According to HBR, employees can be "dissatisfied with their job, have few environmental pressures to keep them in the company, and will leave at the first opportunity. While employees seldom start out in this category, they often end up here, having experienced a gradual erosion of their inertia." Burnout plays a major part in quickly creating this inertia.

Burnout is not just a high utilization rate - it can happen whenever circumstances conspire to make an employee feel like they aren't ever able to come up for air. Even a well-designed work schedule and a healthy work environment aren't guaranteed to counteract burnout and when an employee has experienced it for long enough, they're likely to quit in favor of a fresh start.

So what can you do to identify, prevent, and reverse burnout?

1. Look for the tell-tale signs of burnout:
    - Overly cynical or critical attitude
    - Difficulty starting work
    - Irritability with coworkers
    - Inconsistent productivity
    - Inconsistent quality of work
    - Difficulty concentrating
    - Disillusionment about job and company
    - Increasingly poor sleep habits
    - Headaches, stomach pain, and other physical complaints

2. Encourage managers and team members to identify burnout in others and themselves free of judgment.

3. Have open discussions focusing on how your team members are doing, both professionally and personally, to see how burned out they are truly feeling.

4. Discuss and create a strategy to stop and reverse the major causes of burnout, including:

- Unhealthy schedules and workloads
- Unclear job expectations
- Dysfunctional workplace dynamics
- Lack of support at home and at work
- Work-life imbalances
- Perceived poor compensation for amount of work

5. Check in consistently with team members to see how they're progressing, even after burnout is gone, to ensure they are on a healthy and positive path in their daily work.

Companies that invest in the overall well-being of their employees will have a higher retention rate. Healthy employees support better health in other employees, creating a positive cycle that can come to define a successful, growing professional services business.

Conclusion

Turnover in the world of professional services is inevitable, but ask yourself this question when you think of your organization: Do more people want to get into my company or out of it?

The professional services industry is more competitive than ever, but success is still possible. To succeed, every business will need to take an honest look at whether they are needlessly driving away their employees when the possibilities for a new job seem more attractive than ever.

By hiring right, identifying the skills each resource brings and working to not only retain them but grow them through professional development, you ensure your professional services business will have the right teams in place for whatever comes next. Healthy retention means you'll have the time and money to grow in ways that make the most sense for your business instead of hiring out of desperation. Retention also depends on identifying and preventing burnout - the enemy of every hardworking, long-term employee.

But knowing where your team members need support and how they can be best used requires a deep understanding and insight into the skills they possess, the work they perform, the utilization rates they hit, and the trajectory they want their careers to take.

The Kantata Cloud for Professional Services™ provides the level of insight that today's professional services businesses need in their

resource management software solutions. With purpose-built technology that gives you clarity, control, and confidence in all areas of your business, both today and far into the future, Kantata can help you develop, support, and retain your team members in today's ultra-competitive market.rates by understanding the causes, focusing on initiatives that improve their retention, and better utilizing their teams to build a stronger, more profitable, more reliable resource base.

[1]"STAYING AHEAD OF THE CHANGING DYNAMICS OF THE MODERN SERVICES WORKFORCE", CONDUCTED BY ATOMIK RESEARCH

Are you ready to understand your resource capacity in detail and start making critical improvements? The Kantata Industry Cloud for Professional Services provides you with the ability to understand, allocate, and optimize your resources in detail, which is critical for long-term success in capacity planning.

Learn More at Kantata.com