

# The important role onboarding plays in retention

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- Are you measuring your attrition, how much is that costing you, and could an effective onboarding process reduce that attrition?
- The vast majority of onboarding processes have a duration that is simply too short to produce a tangible impact on either productivity or retention.



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Leaders of employees have endured difficult times over the past few years. With skills shortages, higher levels of absenteeism, working from home, a new trend called quiet quitting and the great resignation, the effort required for leaders to simply retain an effective workforce has become greater than ever. But, of course, these changes, this effort, come at a cost. This begs the question, how do we measure that cost? One way is to consider your attrition rate, which is the percentage of your workforce who left in the past year. In a recent survey, 90 per cent of respondents said that the retention of new hires is an issue in their organisation. While some factors leading to attrition are outside your control, other things, such as the effectiveness of your onboarding process, are within your control, can be managed, impact retention efforts and create real cost savings.

The employee review website Glassdoor recently found that organisations with a strong onboarding process improve new hire retention by 82 per cent and productivity by over 70 per cent. And so, in the

current climate, the impact of onboarding and its effectiveness has become an interesting topic. But what is onboarding?

Onboarding is not hiring. It's not induction. It's not orientation, and it's not training.

Onboarding is the process of taking someone from outside your organisation and making them a productive, independent, and confident member of your team who understands the culture, the technical and process expectations, and your expectations as their manager.

The onboarding period begins when a person has signed a contract to work in your organisation and ends when they are a useful, valuable member of the team.

When designed correctly and consciously, your onboarding process should help create the type of culture you want to build or have built, and it should activate pride in the new employee as a valued team member.

## Most firms aren't benefitting from onboarding

Within my global research survey with over 1,100 CEOs and hiring managers, I asked how onboarding impacts them and their teams. I also asked how onboarding really works in their firms. I found that 83 per cent of organisations have an onboarding process of 14 days or less, with almost 50 per cent of the total being less than seven days. Yet, the data also demonstrated that the real impact of onboarding continually increases from 30 to 90 days. The vast majority of onboarding processes have a duration that is simply too short to produce a tangible impact on either productivity or retention.

Before the pandemic, the average annual attrition rate for Australia and New Zealand was 17 per cent in 2019, and different industries experienced varying levels of attrition in subsequent years. Across all employee turnover, about 20 per cent is recorded within the first 90 days. This concentration of employee turnover means that for every five people who sign an employment contract, join a company, and become a potential fit, only four will remain in 90 days. Once 18 months have passed, around 46 per cent of newly hired employees have failed, having been pushed out, fired, or having quit. And for all the extra time and money spent to recruit leaders and executives, the results aren't much better, with 40 per cent having left within 18 months.

## How much might ineffective onboarding be costing you?

This prompts an interesting question. Are you measuring your attrition, how much is that costing you, and could an effective onboarding process reduce that attrition?

One of the correlations I found within my research was how a new hire's understanding impacts retention after the onboarding period. Respondents who agreed that new hires understood most of the culture, the technical and process expectations, and their manager's expectations after onboarding were 3.5 times more likely to agree that onboarding affects retention. These leaders were managing an effective onboarding process and were aware of how that impacted their retention efforts.

Onboarding can't be outsourced to software or HR. At the heart of an effective onboarding process is the new hire's manager. New hires want to succeed, and they want to learn from their manager. Employee engagement firm Tiny Pulse has identified that employees who rate their manager's performance poorly are four times more likely to be interviewing elsewhere. Therefore, a manager's performance during onboarding becomes a critical factor affecting the first year's attrition rate. In addition, whether a person resigns or is fired, their direct manager is a crucial part of either decision.

As the common saying goes, people join companies and leave managers.

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