Executive Summary

Consumers Energy, a part of CMS Corporation, brings in $6.6 billion dollars in revenue and is the fourth largest combination utility (electric and gas) (CMS Energy, 2018). With over 8,000 employees, Consumers Energy has a turnover rate of two percent which is low compared to other industries. Just like any other industry or business, the organization wants to know why people leave and who are the employees that are leaving. When human resources asked the employees that left the company why they left, the reason included leaving because of the leadership. Consumers Energy wants to address this issue not only because if they do not address it now, they know it will continue to keep happening but also for costs reasons. It can be very costly to keep recruiting, hiring, and training employees over and over again. Another reason why Consumers Energy is concerned is because a majority of the people that are leaving fall in the minority female category. The business knows that without their employees, the business would not be anything.

To recruit, hire, and train an employee could be very costly for Consumers Energy. Calculating and looking at the cost, an employee’s training could cost up to or exceed $20,000 a year. Looking at this cost, Consumers Energy knows that the investment in an employee is worth a whole lot if the employee stays and makes a career at Consumers Energy. Every business wants to recruit, hire and keep an employee because that employee will bring value, knowledge, and new ideas to the organization to help increase productivity and innovation. Consumers Energy wants to continue to invest in their employees and make them the best employee they can be. With the three recommendations that Consumers Energy’s Training and Development gave, new onboarding process, leadership training, and diversity, inclusion, and culture training,
Consumers Energy knows this positive change will help create a relationship that employees will want to stay at Consumers Energy.
Retaining Employees: The Financial Side

Allison Matthew

CMU

Directed Administrative Portfolio

MSA 698

Dr. Gerard Becker

March 18, 2018

This MSA 602 paper is in partial fulfillment of the requirements for MSA 698, Directed Administrative Portfolio.
## Table of Contents

Introduction.................................................................................................................. 6  
Currently at Consumers Energy..................................................................................... 7  
Onboarding.................................................................................................................... 10  
Leadership................................................................................................................... 11  
Diversity....................................................................................................................... 12  
Conclusion.................................................................................................................... 13  
References..................................................................................................................... 15
Consumers Energy is the fourth largest combination (electric and gas) utility company in the country (CMS Energy, 2018, p. 6). They currently have over 8,000 employees, and they would like to continue to grow and become more productive, innovative, and creative. A company can be these three things when they retain employees because of how an employee feels such as valued, respected, and appreciated. It is said that “when employees leave the organization, this may not only impact on organization but also on the workforce itself” (Al Mamun & Hasan, 2017, p. 63). As of December 2017, Consumers Energy’s turnover for employees was two percent (Workplace Profile, 2017). Although this may seem low to some, Consumers Energy’s human resource department looked into why this two percent of employees are leaving and who they are. The feedback from the employees that left Consumers Energy said they did not leave because of the company; they left their manager and/or leader. The strategic plan put in place is to have three new trainings that include a new onboarding process, leadership training, and diversity, inclusion, and culture training. Consumers Energy wants to be able to retain employees so they can become that productive, innovative, and creative workplace that employees want to stay and continue their career.

Similar to other companies, Consumers Energy would like to be able to recruit an employee, have success onboarding, train them to be comfortable and efficient in their position and have them make a full career at Consumers Energy. To do this, it does take time and money. The questions that Consumers Energy can ask are, what will it take to improve the process to try to retain employees, and if the company does not focus on improving the current process, how will it affect the company down the road?
**Currently at Consumers Energy**

Consumers Energy is the fourth largest combination utility company in North America. They had $6.6 billion dollars in revenue in 2017 and 62% dividend payout (CMS Energy, 2018). The revenue “increases in ownership claims arising from the delivery of goods and services” (Horgren, Sundem, Burgstahler, & Schatzberg, 2014, p. 6). Needless to say, Consumers Energy is making the right choices in their industry. With over 8,000 Consumers Energy employees, a two percent turnover is small compared to other industries (Workplace Profile, 2017). Looking at industries such as the food service industry that has an average turnover rate of up to 62.6%, or transportation jobs that have a turnover rate of 50%, Consumers Energy is doing pretty good (DailyPay, 2017). Employee turnover over is a key issue that many business organizations deal with (Al Mamun & Hasan, 2017). Two percent of 8,003 employees is roughly 160 employees a year that leave for other jobs. The two percent turnover rate does not include retirements, and that is one number that Consumers Energy continues to look at. It is said that 10,000 baby boomers are retiring daily (Kessler, 2014). Consumers Energy currently has roughly 2,280 baby boomers employed. A baby boomer is considered to be from the age of 54 to the age of 72. If any of these employees have worked for Consumers Energy from the time they were 18 years of age, that is an amazing amount of knowledge that the company could lose and honestly, anyone over the age of 55 could retire today. “The impending retirement of the baby boom cohort represents the first time in the history of the United States that such a large and well-educated group of workers will exit the labor force” (Neumark, Johnson, & Mejia, 2012, p. 2). If even 2,000 employees retired today, the time and cost for hiring and getting a new employee up to speed would be a very hard task. For this reason, it is important that the hiring and retention of employees stays the focus to continue to do great business and be productive. To also stay
productive, Consumers Energy must look at the costs that are related to gaining and losing employees.

The average hourly production cost of an employee is $52.50. If that cost is used to estimate how much it takes to bring on an employee from hire date to fully trained, it could take up to $100,000. It takes a full three weeks training for the employee to get all of their initial training, diversity training, and on the job training. Now granted, the employee might not be fully functional at the end of the three weeks, but they should have a grasp on what their job entails. Training costs are estimated at $1000 a day for the facility and trainers time, $1000 times 15 days plus the employees cost of $6,300 ($52.50 times 8 hours times 15 days) comes to roughly $21,300 to train an employee. This is a big price to pay for an employee that only stays with the company for a few years, considering there is ongoing mandatory training that could cost up to another $20,000 per employee per year. If an employee only stays five years in the company, training this employee alone is estimated at $121,300. That is a large investment for an employee. Looking at the number of employees that could potentially leave, Consumers Energy would like to invest in the employee by training them fully, so that they stay and get full productivity out of the employee for many years.

The amount of baby boomers in the workforce is continually lowering yearly at Consumers Energy, compared to Generation X and Millennials. In the utility industry in particular will be hiring dramatically in the next six to ten years (Consumers Energy, 2015, p.3). Looking at the costs, to bring in 2,000 new employees could cost the company over 42 million dollars over this time span from hiring them in and to train them. Granted, Consumers Energy has many upcoming and exciting projects. CEO, Patti Poppe has announced that by 2040, Consumers Energy will be 100% clean energy (CMS Energy, 2018). To be able to do this, more
gas resources will have to be introduced, which in turn will create jobs. Currently Consumers Energy has three gas transmission projects in place that include 170 miles of gas lines that will be installed. They also have a continuous ongoing effort of replacing gas lines that are more than 50 years old. To do great business, Consumers Energy focuses on the people, the planet, and the profit (Consumers Energy, 2018, p. 4). Those are the priorities. At the end of 2017, the cash that Consumers Energy has was 65 million dollars and that includes restricted cash. With the new gas lines going in, the forecast for 2018 is to end with 46 million in cash. If this company has the potential to lose 160 yearly and continue at a two percent turnover rate, and they could lose up to 2,300 employees due to retirement, this could impact on how 2018 and 2019 cash. This is a perfect time to focus on how to retain these employees and create a culture where all employees want to work in.

Losing employees due to unhappiness in the job is something that can be worked on within the organization. There are “significant effects of turnover” that “increase cost due to recruiting and training new employees” (Al Mamun & Hasan, 2017, p. 64). The cost of recruiting a new employee could cost Consumers Energy up to 200% of the former employee’s salary (Cloutier, Felusiak, Hill, Pemberton-Jones, 2015, p. 119). The costs are even higher now because of the recruitment, the advertising and the overlapping of the previous employee. Cloutier et al. (2015) explained that employee turnover lead to “missed opportunities for production matrices and budgets set within departments, adding additional costs to the organization). With employees going in and out of the departments, this can also reduce employee morale and then decrease the positive employee culture. When these two elements are present, employees start looking for new opportunities. In a survey that Society for Human Resource Management conducted, Cloutier stated “75% of employees are actively seeking a
different job” (Cloutier et al., 2015, p. 119). 75% of Consumers Energy’s employees would total to 6,000 employees looking for a different job. Although this does not seem realistic within the organization, the two percent turnover rate could easily increase in time. Consumers Energy must focus on the recommendations given to them by their own Training and Development Department. This includes the new onboarding process, leadership training and the diversity, inclusion, and culture training.

**Onboarding**

To have this employee be worth the investment, this is where the strategic plan of onboarding correctly and training will be critical. Onboarding could be presented as the beginning stages of a mentoring program or be modeled after one. It is said that these types of programs can improve and promote diversity, have the new hires adjust to their new positions and develop high potential employees (Conboy & Kelly, 2016). Currently, when an employee is offered a position at Consumers Energy, it is done through a formal process that includes an email and letter that states what the job is, the pay, and the benefits. If the candidate accepts, an email is sent to the new employee explaining the onboarding process, including drug test, background check, and the date of their first day at Consumers Energy, where to report and who to report to. That’s it. The new onboarding process will include a more personal, communication avenue that will put the new employee at ease before starting their first day at Consumers Energy. This new process will still be the email and formal letter to the candidate to offer them a position at Consumers Energy. It will be followed up by a phone call from the hiring manager to answer any questions the employee may have before accepting the position, and then the acceptance must still be in writing. Another email will follow after this process of acceptance is over and the email will include a link to a computer-based training portal to start the new candidate on their way through learning about Consumers Energy and the industry. This results
in the knowledge of the industry and what their job could entail. The cost of this training would only be the cost of the portal, and that is already in place. The design would cost the internal designers approximately $2,000 for the hours worked on creating this new program. The portal that the training is held on will also include all information to the new employee regarding their drug testing (location and date/time), their background check status, and their start date. This portal will be used for all communication before the employee starts. Once the employee receives their start date, they will be given a few trainings to do before their start date. This will take care of policies and procedures that are usually done in the first one to two days, or not at all because of the leadership deciding not to do it. The new process will also include day by day communication for the first two weeks of employment to guide not only the new employee on what they will be doing for two weeks, but also for the supervisor. This will include face to face meetings to discuss their onboarding process and the employees transition into a new job and also a talk about the employee’s goals, wants, and needs from the supervisor. Based on the feedback from the 2% of employees that leave because of being dissatisfied, this will cover a majority of their concerns.

Leadership

Part of the strategic plan is to implement and train the leadership in the company. Knowing that people are leaving due to the leadership in the company is a concern of Consumers Energy. To help establish a strong leadership within the workplace, Consumers Energy has a mission and vision for their leadership. Having a strong leadership will help with employee morale and the growth of employees as well. The new training will include working with the existing leadership and having them go through an emotional intelligence workshop.

Emotional intelligence is recognizing and understanding the emotions in one’s self and others and being able to use these emotions to manage your behavior and relationships.
Emotional intelligence is “a powerful way to focus your energy in one direction with tremendous result” (Bradberry & Greaves, 2009, p. 19-20). It is also accounts for 58% of employee’s performance (Bradberry & Greaves, 2009). To have a leader that is high in emotional intelligence is critical to the workplace. It will help leaders not only understand themselves, but also their employees and this will help with the employee feeling valued, respected, and appreciated.

Having an employee feel valued, respected and appreciated are needs that a leader has to remember as part of their position. The current training for leadership is called First Line Supervisor class which is a class that anyone who has direct reports must attend and is currently underutilized and often has no employees attend. Higher executives are on board with the new recommendation of creating a new program “Emerging Leaders.” Emerging Leaders, will be 12 weeks long, but not daily training. The first week will be all classroom regarding basics of leadership. After that, the leaders will meet every other week for one day to learn a new leader trait and then they will be able to go back to their position and work on that new trait for a week. The cost of training in being able to retain employees is not a concern for the high executives. Consumers Energy knows that if they do not continue with their new vision and mission, they will continue to lose employees.

Diversity

Valuing Our Differences is the current program in place at Consumers Energy. It is a one-time class that is four hours long, not mandatory and due to that, the attendance has been very low. Human resources know that two percent turnover has been mainly minority women and leaving within one to five years of employment. Consumers Energy is not a very diverse company so when human resources saw that a majority of the two percent were minorities, concerns were raised. It is one thing to be a diverse company, but Consumers Energy wants to
have a dynamic diverse team within all departments. Having a diverse dynamic culture, teams can be stronger when employees stay and are in a stable position rather than having employees leave due to being unhappy in their position (Li, Meyer, Shemla, & Wegge, 2018). When employees are unhappy, feeling that there is prejudice or cultural misunderstanding happening, this could lead to a higher rate of turnover (Cloutier et al., 2015). A recommendation from Learning and Development came through stating that there will need to be more diversity, inclusion, and culture training.

Along with the leadership training that is mentioned above, leaders will also be getting a more thorough training in regards to diversity, inclusion and culture that impact Consumers Energy. It is extremely important that diversity and inclusion come from the top leadership and they show how people should be treated in the workplace. The leaders will also be expected to help create the culture at Consumers Energy where people want to stay. After the leaders have gone through the diversity and inclusion training, all employees will also go through a lower level of the training. This training will also be an annual requirement for all employees that include a type of hands-on activity such as a quiz that will ensure the employee is understanding the material. With more employees understanding what it means to have a diverse and inclusive workplace, Consumers Energy can count on more employees staying because they feel valued, respected, and appreciated.

**Conclusion**

Currently at Consumers Energy, when an employee is hired, it can take up to $100,000 to train them from start to fully functional. The turnover rate for Consumers Energy is two percent and when human resources saw that these two percent of people are leaving in their first five years of employment. If employees are leaving within their first five years, the company ends up spending an obscene amount of money hiring, training, then rehiring a new employee.
The cost of an employee to be trained in their first year can be close to $22,000. If an employee stays for at least five years, Consumers Energy could have to $100,000 invested in the employee. To help keep the cost down, Consumers Energy’s wanted to find out why employees were leaving the company. Human resource department found out that employees are leaving due to their leader/management. Consumers Energy’s Training and Development department recommend that three new trainings are implemented that include a new onboarding process to start a good communication between the leader and the new employee, leadership training to help a leader learn to communication, gain Emotional Intelligence and diversity, inclusion, and culture training for all employees.

The new onboarding process will include more communication before the employee actually starts their job with Consumers Energy. This will help the employee was is expected of them and take the employee step by step through the onboarding process. Leadership training will be more extensive than what is currently in place and a main focus will be Emotional Intelligence. Leaders that are more self-aware of not only their self, but also their employees. This will help build a good foundation for the employee/supervisor relationship. Diversity, inclusion, and culture training will not only be given to leadership, but also all employees. This will help all employees to respect each other’s differences and make everyone feel valued, respected and appreciated. With these three new trainings, Consumers Energy hopes that an employee will feel that this is the job they can bring their whole self to work and have a long career with the company.
References


