Turnover

by Bob Whipple, MBA, CPLP

Is employee turnover killing your company? Turnover is one of the most significant, and avoidable inhibitors of profit. The US national average for turnover usually runs between 2-3% per month, whereas the top 100 companies have a turnover rate of only 2-3% in an entire year (Fortune 2012). In this article, I put a spotlight on the turnover problem and offer some antidotes that are common sense but sometimes not common practice.

For professionals, the cost of replacing an employee is roughly the annual salary of the individual. That means a company with 1000 people, each with an average annual salary of $48K, will lose more than $17 million per year due to turnover. These costs go directly to the bottom line in good times and bad.

Even in periods of high unemployment, turnover is still a problem for most groups. When jobs are scarce, workers may not leave immediately, but they are quietly planning on exiting once the job market improves. One recent estimate is that 40% of workers are unhappy and plan to move within the next year if jobs become available (National Labor Statistics). That would mean a dramatic rise in turnover costs and a significant shift of the best talent from organizations with poor practices to those with stronger reputations.

How can we fight this needless drain? Here are seven key factors that can help you reduce turnover in your organization:

Supervision - When people decide to leave an organization, it is most often the result of dissatisfaction with their direct supervisor. The most important thing to improve is the quality of leadership at all levels. Teaching supervisors and managers how to create the right culture makes a huge difference in turnover.

Unfortunately, when money is tight, the first thing that gets cut is training. Improving leadership at all levels needs to be a continual investment, not a one-time event when someone gets promoted to a supervisory role. Supervisors who are well trained recognize their primary function is to create a culture where people are engaged in the work and want the organization to succeed. These people rarely leave because they are happy where they are.

Compensation - Pay is often cited as a reason for people leaving an organization. Pay may be a factor in some cases, but it is often just the excuse. What is really happening is that the work environment is intolerable, so the remuneration for the grief to be endured is not a good tradeoff. We need to teach managers to improve the **trust level** within the organization. High trust organizations can pay workers non-inflated wages and still have excellent retention rates. There are numerous examples of this. One of them is Zappos, where they have such a great culture, that when employees are offered $2000 to leave, they do not take it.

In *Drive: The Surprising Truth About What Motivates Us*, Dan Pink points out that the relationship between pay and motivation is not what most people think. He cites several studies that show a pattern where higher pay can actually lead to poorer performance. Pink advocates paying people enough so that the issue of money is off the table. Then three other conditions, Autonomy, Mastery, and Purpose, will take over as the key drivers to satisfaction and motivation, and therefore, retention.

A better future - Another key factor that causes people to leave is lack of a path forward. Employees who can visualize some pathway to a better future will generally stick around to experience it. Training and development are a key enablers for people to know there is a brighter future. Cross training is a particularly helpful way to have employees feel they are being developed to be more important to their organization. Cross training also helps make the work environment more interesting.

A family atmosphere - If you read about the culture of the top companies worldwide, there are many common themes. One of these is that employees describe their work associates as their extended family. They cherish the relationships with their co-workers. Sure, there will be some squabbles and an occasional lecherous uncle, but the overarching atmosphere is one of a nurturing and caring group of people similar to a family. Who would want to leave that environment?

Freedom - Enabling people to do their own work without being micromanaged is a characteristic of organizations that are good at retaining people. Nothing is more irritating than being ordered to do things in a certain way by a condescending boss who does not really understand the process as well as you do. The ability to use one's own initiative and creativity to get the job done right helps build self esteem, which is a key ingredient in the retention of people.

Recognition - Knowing that someone cares about you and recognizes your efforts and accomplishments goes a long way toward building employee loyalty. A loyal employee is not out there looking for another position. Instead, he or she is thinking about how the organization's success can be enhanced through even more effort. The collective muscle of thousands of employees who each feel that way is amazing to behold.

Safety - Many organizations live on the edge of impending disaster. The competitive world has forced legions of companies to downsize on a regular basis simply to survive. When employees witness the revolving door that occurs as a result of things they cannot control, you can't blame them for wanting to find a safer mode of transport through their career. If the other suggestions above are followed religiously, then the organization will have a lower risk of having to lay off people, so they will enjoy a lower turnover rate.

These seven factors are not an exhaustive list, but I contend that groups who focus on these seven conditions and understand the dynamics will have consistently lower turnover rates, saving millions of dollars each year. That advantage is sustainable and scalable. It just requires leaders at the top who are skillful and relentless at applying these principles.

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