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Curing Chronic Turnover
by James DeSena

Chronic turnover at companies isn't quickly fixed even when the problem is readily apparent. Of course, there are times when employee turnover is appropriate, such as unsatisfactory job performance, a poor job fit, or a shift in business needs. But that doesn't explain situations where high numbers of employees leave jobs for which they are qualified.

If turnover were viewed as a priority by people at the top, they would find a way to manage it, control it, and reverse it. The remarkable thing is that the largest turnover is often in those positions that have the greatest customer contact. Imagine every year replacing 25, 50, or even 100 percent of the people who represent the face of the company to customers. What costs, missed opportunities, and lost revenues does that turnover represent? The more complex the products, systems, and processes of the company--and the longer it takes an employee to learn them--the more it costs to train new employees and the more keenly their absence is felt by customers who must get their problem solved while a new employee is still learning. In the worst cases, customers might end up educating a green employee about his or her company.

If we know the problems, why don't we know the solutions?

We need to dig deeper to understand the root causes of high turnover and address them. In most cases, you will uncover more than one factor at play. One cause that people often associate with turnover is inadequate pay. While pay may be a problem for people who have to stretch to meet basic living expenses, in many cases money is not the underlying issue. Could one reason, then, be generational, with younger employees showing less loyalty toward their company?

James DeSena is the author of The 10 Immutable Laws of Power Selling*, (McGraw-Hill). His firm, SalesLeaders shows clients how to unlock the possibilities for growth and innovation hidden within their people and their organization. You can reach him at* speaker@salesleaders.com *or 1-800-4321-WIN.*

Shelley Gaynes is the owner of Gee Wiz, LLC, a provider of sales and sales management training, coaching, and consulting services. She is on the lookout for good articles about technical and sales training. You can reach her at 678.441.9449 or at sgaynes@geewizwow.com.

Could it also be that certain jobs aren't meant to be more than a temporary stop on the way to something better? One worker recently told me she began her job thinking just that, but when her manager and colleagues made her feel appreciated and valued, she decided to stay. (That was eight years ago.)

If we don't know the root causes, we need to find them. A key to the answer definitely lies in manager selection, training, and measurement of how well the manager develops employees.

Three leadership imperatives for improving retention

The first and most important thing is to identify that retention is a problem. This must take place at the highest levels in your organization.

No problem gets solved if executives don't see it as a problem and a priority. One of the best ways to get an executive's attention is to show an impact to the business and the bottom line. While turnover costs may be a small percentage of total expenses compared to marketing, production, and other costs, no one likes to see money not being put to its best use. One of the best ways to illustrate this is to develop a business case summarizing the problem, the effects, the benefits, and costs of solving it. Fleet Bank (now part of Bank of America), which made enormous strides in improving retention, ascribes the success of its initiatives to its HR department's ability to "galvanize management."

You can do the same using a business case. If preparing one is not within your expertise or comfort level, find someone who has the expertise and enlist that person in the initiative.

Your business case should present, at the very least, an executive summary and a definition and scope of the problem. Be sure to include details about the impact both on the business and its customers, alignment with business goals, values, strategies, proposed and possible solutions, investments, costs, and returns on investment (ROI).

How to develop a business case

Show "the numbers." Financial data, illustrated with examples, make the case compelling for executives who are used to making decisions based on financial facts. To demonstrate the effect of low retention on the business, include items such as the costs of finding and training new employees. These expenses can easily be several thousand dollars, and much higher for technical and professional positions. Total up the number of positions filled times the costs to find and train replacements. This is an eye opener for anyone who's never seen the total.

Also estimate and add the effect that turnover has on sales, customer satisfaction, loyalty, and referrals by showing estimated revenue impacts. Are there lost sales opportunities? What does it cost to replace a customer, for example? What is the value of that customer? How much more do loyal customers buy? (One study estimates six times as much.) Estimate how much customer retention improves when experienced and engaged sales and service people handle customer opportunities, questions, and problems quickly and correctly. (If this type of data isn't available, develop it for at least a sample.)

Find the real reasons for leaving

Next, find out why employees really leave and why they stay.

In the movie *A Few Good Men*, Tom Cruise plays a Marine JAG (Judge Advocate General) attorney defending two Marines against a charge of murder. Going against the advice of his colleagues, he calls the Colonel of the unit, Jessep, played by Jack Nicholson, to testify. Cruise, after a crescendo of emotion trying to entice the commandant to answer his questions, finally gets the Colonel to declare, "You can't handle the truth!" It is quite a cinematic moment, and learning the truth about the real reasons employees leave can be just as demanding, and as shocking.

Employees may stay for reasons that are unrelated to the reasons why others leave. New employees may quit because they are overwhelmed. Experienced employees may leave because they no longer feel challenged. In today's market, one of the best ways to retain employees is to help them develop their skills and to help them see that there is a progressive series of jobs available that they can grow into. New jobs provide new challenges and growth. More responsible jobs help people realize greater levels of accomplishment. In addition, new skills give employees more confidence and new opportunities.

Seek employee input about how to retain more of the best employees. Listen to these suggestions and act on as many of the good ones as possible. This goes beyond standard exit interviews. (How many times do employees tell the real reason for leaving in an exit interview?) Provide incentives for employees to refer their friends and relatives who are hired and stay for at least six months. This costs less than recruiting and is more likely to help you find employees who want to be part of your team.

Improve employer image

Create a reputation as an employer of choice. Costco is a notable example. Costco, which operates as a wholesale club, has a good reputation for how it treats employees and has been cited as having the lowest employee turnover rate in retailing. It pays more than other retailers. It promotes from within. It is a highly successful business model that some say can't be sustained as the company grows; yet if employee productivity and quality more than offset the additional salaries involved, the return on the investment is well worth it.

Many companies are driven by Wall Street to produce short-term profits, and Wall Street analysts have chided Costco for paying employees as much as it does. Yet Jim Sinegal, Costco's CEO, sees it as his responsibility to ensure that Costco will be successful in the long term, not just the quarter. His goal is "to turn inventory faster than people."

Hiring the right employees, providing better training, giving timely feedback, and planning job assignments also helped Fleet Bank lower its turnover rate during employees' critical first six months. The turnover decreased by 40 percent for salaried employees and 25 percent for hourly employees, which reportedly saved the bank $50 million a year. Fleet also found that supervisor and manager retention resulted in higher employee retention.

In another case, a fast food chain suffering from high turnover found that employee retention was directly related to the caliber of the store manager. When an effective manager moved to another store, retention went up at his new store and down at the old one.

The standard for judging customer commitment is whether customers are willing to recommend the company they do business with. When you meet their needs and expectations, employees should be just as willing to recommend your company as a good place to work.

There is no one right answer for what you can do to lower employee turnover, but the first step starts with a commitment at the highest levels to address the problem. Anything less than a solid commitment to improving the situation through specific goals, processes, and timelines is simply going to maintain the status quo.

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For more information, please contact:

Shelley Gaynes
678.441.9449
sgaynes@geewizwow.com
www.geewizwow.com