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The Wave of Turnover is Coming

Understand the "secret sauce" for transitioning from HR programs to business retention processes
by Sherri Merbach, Managing Director, C-Suite Analytics

If history repeats itself, your employee turnover is about to shoot up. This has been true during the recovery periods after each recession in the past 20 years, and it makes sense that workers who have slowed their urges to change jobs now have pent-up drives to do so. More importantly, those who survived the great recession by "doing more with less", which is another phrase for working their tails off, are ready for a scenery change. This is especially true if they feel unappreciated or work for a manager who they don't trust. Various studies indicate anywhere between 50% and 90% of workers plan to change.

Added to this news is undeniable data that your best workers can find another job anytime. Looking back to the depths of the recession, voluntary quits fell just 11%. Or said another way, your chances of losing a worker you wanted to keep was a full 89% as it was when the economy was strong. Another study indicates that voluntary quits went *up* rather than down after layoffs.

So ask yourself: Who is held accountable for undesirable turnover? What are the consequences of unacceptable turnover? Who provides recognition, training, and coaching on turnover? When was the last time an employee said "I've got a jerk for a boss but am staying here for the company picnic?" Does your company solve retention with processes driven from the top or with programs driven by HR?

If you are ready to tackle your turnover challenge, continue reading to learn the "secret sauce" - three key solutions that will help you solve this problem. Specific actions and tactics are included for implementation. After these solutions the precise role that HR should play is detailed out as well as the critical role that leaders play.

Drive retention from the top is the first solution. Executives have the greatest impact on achieving retention goals. Executives must direct this initiative by positioning retention as one of their top five priorities. Think about how your company manages sales, service, quality, and safety and then build those same methods for retention. This means holding leaders of every department accountable for their retention and leveraging HR to support them with redesigning processes and training from initial hiring processes to leadership skill-building.

Next solution is to build momentum with data. Only 33% of U.S. organizations place a cost on employee turnover, and this number decreases to 18% around the world. Consider that if 80%+ of your competitors are "old school" on retention, how much of a competitive advantage is available to you by going "new school" by establishing and enforcing retention goals? Ideally, collect and report on who quit, when they quit, and whom they worked for. A 20,000 employee insurance company created this reporting in their HRMS system and found that turnover happens disproportionately across the company and is concentrated among a few supervisors.

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In order to move the retention discussion into the boardroom and other important decision-making arenas, the cost of turnover must be translated into dollars. A major hotel chain that was spending $350 million on turnover projected that by cutting turnover in half their stock price would increase by nearly 25%.

Ask the finance department to do the study, understanding that no high-sounding dollar amount would gain traction if finance didn't own and support it. HR should participate by suggesting criteria and providing data, but the cost of turnover calculations and reporting should be owned and announced by finance. Put a price on every single employee departure.

Most organizations track turnover companywide or within divisions. Tracking at high levels usually helps companies to observe trends but seldom leads to them taking specific corrective actions that impact employees every day. Tracking must lead to goals and goals must be set from top to bottom, because first-line supervisors are the employee retention point of attack. Jim Harris, the Human Resources Director of BOST, Inc, a non-profit organization located in Western Arkansas that provides services to individuals with disabilities implemented setting goals and tracking turnover results by leader and reduced turnover by 38%.

Supervisor accountability is the third solution that you should implement immediately. Telling supervisors on all levels that they now have retention goals moves your retention efforts from HR into the line management of your organization, which is where nearly all retention activity occurs after hiring.

Five Hilton call centers were tracking turnover at 55% annually. Turnover was reported monthly and management looked carefully at both annualized turnover and monthly turnover results. What their initial reporting approach did not readily reveal is that more than half of their new hires did not make it to 90 days. They implemented a goal for all the center directors to reduce 90-day turnover by retaining 75% of their new hires. In just 4 months turnover for all employees was cut in half and the goal had been achieved. In addition to including turnover goals in their performance management system, the call center directors drove new processes for hiring, onboarding, training, and provided coaching tools in partnership with human resources.

The Saratoga Institute surveyed more than 19,000 workers across 17 industry groups and found that the majority of those who leaver their companies do so because they are not recognized for their contributions or sufficiently respected or coached by their managers. The data revealed that poor leadership causes over 60% of all employee turnover. So if poor leadership is to blame, what skill is the most important to drive retention?

The key retention skill in a relationship between a leader and his or her direct reports is building trust. This is true for all levels in an organization. Supervisory relationships are unique levers that deeply impact employees' stay/leave decisions. There are behaviors that create mistrust and behaviors that build trust. For example, leaders break trust when information is withheld, either intentional or unintentional. Likewise, failure to keep promises and commitments, even something as simple as failing to send an email with requested information can break trust. To

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build trust, make commitments carefully with specific steps including timeframes. Leaders who cannot build trust have little credibility regardless of their other skills. The goods news is that with training and good on-the-job coaching, most leaders can improve their trust building skills and positively impact retention as a result.

Human resources role is to partner with the operational leaders to achieve its retention goals. This may include further education on the cost of turnover through its partnership with finance. HR should provide counsel to leaders on how to best include retention goals in performance management plans. Adding retention goals to a bonus plan is great but just building accountability in any way is good. HR professionals can also provide leadership skill-building including how to conduct stay interviews after an employee has started. HR can take the lead to measure trust and provide training and tools for leaders to build trust with their teams. However, retention coaching is the role of the leader.

Like other forms of coaching, the operating leader should be accountable for the coaching and the outcome. Leaders should discuss the importance of retention in staff meetings and one-on-one sessions with their direct reports. For example, they should ask for the lists of the top performers on their team and action plans to retain them. Another approach is to rank order employees on their vulnerability to leave and develop tactics to retain those at risk of leaving. Leaders should know what makes each employee stay and what could cause them to leave. This requires a dialogue based on mutual trust and respect. After every voluntary departure, the leader of the departing employee should be asked by his/her boss what could have been differently to retain that employee. Retention accountability creates a positive stress when a performer leaves. High-retention organizations take it personally when an employee walks out and use each departure as a springboard to awareness about the organization and the leader of the departing employee.

The "secret sauce" to move retention from HR to operations, from HR programs to business processes has three solutions. Drive retention from the top. Use data and calculate turnover's cost to galvanize retention as a business issue. Hold supervisors accountable for achieving retention goals by including in performance measures and provide them the tools and training to be successful. Then count the added revenues and reduced expenses that result.

Sherri Merbach brings a rare combination of business-driven pedigrees to serve her clients. In "career one", Sherri earned her CPA certification and applied her skills to a top 5 global accounting firm. "Career two" took her to Walt Disney World where she rose through the ranks of HR professionals to contribute to Disney's highly esteemed people-management culture. "Career three" brings her to C-Suite Analytics as a perfect fit combining her business acumen and organizational development skills for her role as Managing Director.