



Preventable Turnover; The path to profitability

Turnover: What does it cost?

Most businesses operate on the premise that a certain number of staff will leave over the course of a year. However, there are exceptions to this rule, such as seasonal industries like tourism and service companies where higher turnover occurs on a regular or seasonal basis.

or organizational productivity, these hidden costs can run in the tens of thousands of dollars, and in some cases, millions of dollars.

$$\begin{aligned} & \text{Cash costs} \\ & + \text{hidden costs} \\ & + \text{competitive loss} \\ & = \text{true cost of turnover} \end{aligned}$$

An organization can be considered "stable" when employees leave at a rate that does not impede or restrict *normal* operations. In other words, their knowledge, skills, and contributions can be reasonably managed by the remaining workers until a replacement is found.

In one 3-year case study, a Florida health care organization reduced its turnover by approxi-

mately 20%. By doing so, they retained over 4 million dollars in earnings!

If you create a leadership culture, provide a strategically-crafted remuneration system, and provide fair bonuses and incentives, you will add to the level of retention in your organization. This, in turn, leads to greater organizational stability and employee cohesion.

# of employees	annual staff turnover	Cash costs per employee	Annual cash cost	Reducing turnover	Savings
10*	2	\$3,338.50	\$6,677.00	50%	\$3,338.50
10*	4	\$3,338.50	\$13,354.00	50%	\$6,677.00
25*	6	\$3,338.50	\$20,031.00	50%	\$10,015.50
25*	18	\$3,338.50	\$60,093.00	50%	\$30,046.50
20**	2	\$3,975.70	\$7,951.40	50%	\$3,975.70
20**	6	\$3,975.70	\$23,854.20	50%	\$11,927.10
50***	5	\$10,129.00	\$50,645.00	50%	\$25,322.00
50***	8	\$10,129.00	\$81,032.00	50%	\$40,516.00
200***	25	\$14,459.80	\$361,495.00	50%	\$180,747.50

* assumes 12.00 per hour, ** assumes 15.00 per hour, *** Assumes salaried employee at 45,000 per year

all calculations assume your salary cost for process at 25.00 per hour

*assume average refilling time of 30 days, *** assumes average refilling time of 60 days

The costs of losing a worker vary by industry, job type, level of corporate knowledge, internal and external organizational economic factors, etc. Using the ["WOW Turnover Calculator"](#) you can determine the pure cash impacts of turnover on your organization. When you compound these cash costs with the hidden expenses such as corporate knowledge loss, team cohesion breakdown, competitor advantage and lost individual, unit

What is Preventable Turnover?

Preventable turnover is the loss of staff that occurs as the direct result of poor management, misaligned management systems, poor organizational culture, wage disparity or organizational disconnect.

per hour are most likely to leave. This is due to more competitive wage offers with other companies. Typical staff in these categories are: retail cashiers, service personnel, or office administrators. Enticing these employees to stay does not need to be difficult. Often they are looking for employer recogni-

tion, competitive benefits, and creative compensation programs. Unexpected bonuses and/or performance reward programs work great and go a long way toward keeping your employees happy. An example of a performance reward would be a ski pass at the local ski hill for ...Page 2

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Turnover (noun):

- The number of employees in an organization who leave and are replaced over a given period of time.
- Job dissatisfaction that results in high turnover.
- A mismatching of needs that results in employees leaving an organization.



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Preventable Turnover...Cont'd

a job well done, or a gift certificate to a nice local restaurant. Another option is to shift hourly workers to a salaried wage

In higher "career" wage ranges (\$35,000 +), employees are more attuned to career development. Typically, they seek stability and growth as key aspects of their lives. In this case, benefits, culture, and creative management are keys to effective retention strategies.

A recent Statistics Canada survey* showed turnover rates do not tend to drop in response to workplace innovation programs in the "survival" wage range. The survey of 3124 businesses shows that employees at this level are largely influenced by monetary rewards.

At the "career" wage range, workplace innovation and incentive programs show much greater impact, especially in skilled or professional fields. The survey also stated that in career positions, turnover was reduced by organizations that implemented alternative work programs. Examples of these programs are: solu-

tion-based or self directed work teams, transparent organizational information sharing, flexible job design, performance-based pay and formalized mentoring and training programs.

The success elements to implement these types of programs are *consistency* and *execution over multiple business cycles*. Programs must also be launched and tracked in a way that enhances management credibility and builds employee confidence in the system. Before launching a new work program, be prepared to follow it through to the maintenance phase and always uphold the highest of ethical standards.

Effective incentive programs are a powerful way to retain staff, however, they are only *part of the solution*. The other key aspect comes from modern psychology. The 1943 "Ascending Scale of Needs" by Dr. Abraham Maslow illustrates that once each level of core/intuitive need of an individual is met, it yields to a newer, higher level of need.

WOW staff have refined the scale to reflect our perceived corporate needs sought by most employees at all wage levels. This scale (below) illustrates the importance of communication, remuneration and social connection blending as keys to successful retention strategies.

Career employees must have a sense of belonging, connection and future hope or opportunity. If they do, it gives them reason to stay with your organization.



Factors That Influence turnover

Factors that effect employee turnover vary depending on your organizational culture, management structure, industry type, labour availability, and market conditions. Each of these factors exerts varying degrees of force upon your workforce. What is most important to acknowledge is between 65% and 80%** of departing employees *leave their managers or supervisors*, not their organization. The vast majority of these employees cite money as the fourth or fifth element in their list of reasons for leaving. The top ranked reason for departure according to most surveys is interpersonal conflict with a direct supervisor or manager.

Because money is not the primary reason employees leave, it is safe to say most factors that affect employee turnover are within your span of control, and as such are within your ability to resolve.

In the "career" wage group, we have defined both tangible and intangible factors that are key attributes of organizations which experience **low**, preventable employee turnover. These are:

Workstyle

- Self-directed work teams
- Solution-directed work teams
- Flexible job design
- Flexible scheduling
- Competency based tasking

Remuneration/Benefits

- Performance/merit based pay
- Profit sharing
- Organizational share programs
- Alternative bonus system
- Payout bonuses

Organizational Culture Aspects

- Respected feedback and input processes
- High level of interpersonal communication
- Mentor/coaching environment
- Trust
- Respect

Performance Elements

- Effective appraisal frameworks
- Accountability
- Continuous professional development

Formal Training

- Team-building and team-working
- Problem solving
- Supervisory skills
- Communication
- Conflict resolution

Organizational Elements

- Clear sense of Mission and Vision
- Clearly identified objectives
- Employee sense of purpose
- Consistent, quality communication
- Effective leadership
- Peer trust

Implementing programs in these key areas will lead your organization to greater retention success across all salaried wage employee groups.

“...most factors affecting turnover are *within* your span of control, and as such, within your ability to resolve”

*The Evolving Workplace, Statscan catalogue #71-584-MIE

** Statistics vary depending on industry and wage group type and source of statistics

*** US National Employees Survey (2001b)

Turnover Resistant Hiring

Turnover resistant hiring begins *before* you write the ad for your vacant position. It begins when you consider what type of position is required to fill your needs, the skills required to support the tasks of the position, and the type of interpersonal (soft skills or competencies) that will enhance your current team.

Turnover resistance is also a product of your organizational culture which often precedes the recruitment process you hold in your community or industry.

As an example, an employer in my community has experienced a one thousand percent staff turnover in the last five years - That's two complete turnovers of all staff *per year*. Their cultural and operational reputation *precedes* any position postings they advertise, and most people who apply already know what to expect from the organization before they respond to the ad.

If your corporate and community culture is in-

tact and you feel confident in your employer reputation, then the process of hiring is your next focus. A good recruitment system should include the following:

An ad that spells out the positions duties, competencies and skills, as well as a section which highlights you as an employer and *why you are the best employer* for a candidate. Consider including cultural aspects in your ad, such as professional development and benefits, to draw higher quality candidates to your door.

Design a competency and behavioral-based assessment framework for each position that blends questions about the candidates education, soft skills (behaviors) and specific examples of their performance history. In many cases a general format can be composed with specific adjustments for each position.

Implement and use a formal initiation process which includes a review of the policy manual, discussions about performance expectations

and management programs, and future growth and development opportunities that may exist within your organization.

Finally, ensure both you and the candidate sign an acceptance of the conditions of employment. This document forms the foundation for future performance management and demonstrates that the hiring manager and the candidate have set the stage for an effective performance based relationship.



Creating a Turnover Reduction Strategy

Effective reduction strategies consider influencing factors such as the realities of your economic climate, the demographics of your community, and the fiscal realities of your company. The strategy uses these factors to create a plan that lays out a logical and systemic approach to turnover which results in a workplace where people will want to work and stay.

While influencing factors will dictate how easy or difficult it is to find good potential candidates, it is how they are treated, and their career growth opportunities, which encourages them to stay with you in years to come.

In some industry sectors, i.e. government, turnover rates from 25% - 50% are expected to occur in the next few years. Turnover reduction strategies for this sector may include wage adjustments to come in line with private sector wages, flexible work options, and recruitment at colleges and institutions.

In manufacturing sectors where we have seen significant job shrinkage recently, a turnover reduction strategy may include such factors as technical adaptability of candidates - to create a more stable workforce that adapts well to automation and systemics.

For retail and service industries, strategies may include on-site daycare, flexible work environments, health benefits and competitive wages.

Regardless of your industry or sector, the strategy you create should address these common workforce aspects:

- ◆ Availability of potential candidates
- ◆ Your industry's wage and benefit portfolios
- ◆ Economic climate
- ◆ Business growth/reduction projections
- ◆ Staff attrition and recruitment projections
- ◆ Innovative delivery options
- ◆ Innovative employee benefits
- ◆ Workload
- ◆ Employee incentive programs
- ◆ Assessment of long-term needs
- ◆ W.I.I.F.M. for candidates
- ◆ Your organizational culture

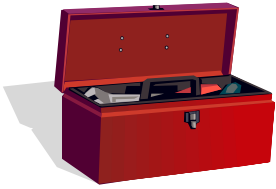
The final point, "organizational culture" is the

key to effective long-term retention strategies. By creating a cultural fit between the organization and individual, you create a symbiotic, emotional linkage that leads to employee ownership and loyalty. The greater the cultural fit between the employee and the employer, the deeper the relationship between you.

Retention strategies should be reviewed and updated regularly to ensure they are adaptive and tuned to the realities of the influencing factors of the day.

Retentions strategies should also be multi-year focused to ensure consistency in hiring practices and protocols. Strategies which are adapted and adjusted too often create an impression of inconsistency amongst staff and may lead to a lower level of employee satisfaction.

Finally, always remember that how you are perceived is more important to staff than how you want to be perceived. It is through your consistent actions and commitment to a functional, effective and sustainable workforce that you will yield the highest returns on your invested time and resources.



The Tool Box: Creating Effective Communication Environments

We once worked with an organization whose CEO's style of management was to walk around the workplace engaging in idle chatter. He called it "Managing by Walking Around." He talked about his functional and effective relationship with all his managers and how he had his finger on the pulse of the organization. However, we soon came to realize the pulse he thought he had was not accurate. When he walked around, staff provided him with the information he *wanted* to hear, not what he *needed* to hear. This was because he demonstrated behaviors and actions that were not synchronized with what he said he expected. Over the course of a few sessions with staff, it became clear that the organization functioned in spite of his leadership, not because of it.

We believe that trust is an emotional response to a logical observation. This means that what your staff experience from you in the form of words, actions and behaviors is what they use to determine whether they can trust you and ultimately how well they will perform for you.

Communicating in a Team Environment

Communication is the act of exchanging information between two or more people in a way that builds or enhances understanding. In the workgroup, communication must be a strategic activity. It should be carefully planned and controlled to ensure that the right information is exchanged in the most effective and supportive way.



To communicate effectively in a team environment consider using these approaches:

1) Hold regular staff meetings

Set and adhere to a regular time for staff meetings to occur. If you are having problems bridging shifts then hold two separate meetings that are based on the same agenda.

Remember to solicit ideas, topics, etc. from your staff before the meeting and include them on the agenda.

2) Separate problem or issue meetings from regular staff meetings

Separating larger issues from general meetings allows for an enhanced focus on both. Staff who are concerned about the issue can attend the focused meeting, while staff who are not can profile their time

more effectively on their daily responsibilities.

When separating significant issues from general or operational ones, ensure you update all staff once progress is made to quell any rumors. To determine whether an issue is significant enough to require a special meeting, ask the following questions:

- ◆ Have I heard of this issue from more than one team member?
- ◆ What are the corporate impacts if the issue is not resolved?
- ◆ What are the benefits that arise from speedy resolution?
- ◆ What are the impacts to our operations?
- ◆ What are the impacts to our staff morale?
- ◆ Does the issue require staff scrutiny, or should I direct resolution?

3) Encourage staff participation

Encourage all staff to attend meetings (if possible, make them mandatory). If meeting attendance is not reaching your expectations, try these strategies:

- ◆ Serve food. Everyone loves a free meal or snack and the social nature of the pre-meeting relaxes attendees.
- ◆ Provide a clear agenda on what will be discussed and who should be in attendance.
- ◆ Only meet once a week, unless you are dealing with a specific issue.
- ◆ Use your meeting time wisely. Staff hate to waste time as much as you do.
- ◆ Learn how to run an effective meeting.
- ◆ Make use of your "slow times" for meetings.
- ◆ Show progress on assigned actions and hold all attendees accountable for tasks, reports, etc. that have been assigned.

4) Encourage staff ideas and input

Let your staff know that a good idea or suggestion is one that is well thought out and in which both failure and success are considered.

We often find that employees are reluctant to attend meetings or share ideas when they feel:

- ◆ uncertain of their authority or credibility.
- ◆ peer pressure not to speak.
- ◆ unsupported by management.
- ◆ unable to formulate and finalize an idea.

To help employees make an effective contribution,

provide them with effective tools that help them learn how to present their ideas and thoughts in a persuasive and engaging manner. Ask them to pre-think the idea and provide a clear overview of the idea to you before the meeting. This way you can help to guide and support them when the idea has merit.

The following is a list of questions that could help your team member formulate their thoughts.

Why is the idea a good one?

What need (internal or client) will the idea help us to solve?

How will the idea impact and/or benefit other units or departments?

If the idea took root, could it be implemented elsewhere in the organization?

What types of questions or issues do I think may come up in regards to this idea, and have you got an answer for each?

These types of questions prompt reflection before the presentation is made and enhances the credibility of the presenting team member. Define your own set of questions based on the aspect of your work and/or have the team help you to build them.

5) Provide a safe environment for communication by:

- ◆ Utilizing effective listening techniques.
- ◆ Enforcing non-judgmental sharing processes.
- ◆ Enhancing open and responsive support for sharing ideas.
- ◆ Disallowing negative or hurtful communication to occur.
- ◆ Providing immediate and positive responses to issues that arise.
- ◆ Providing recognition for positive communication by your team.

What you say and do provides the foundation for trust to grow in your workplace. By putting effective tools, strategies and expectations in place and consistently enforcing them, you build trust and credibility. It is up to you to help shape the observable aspects of your organization, making it a positive and rewarding place to work and thrive.

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