

WHY DO PEOPLE LEAVE?

Employee Retention

Most of us believe our employees leave us for money reasons. How many times have you said, "If only I could have paid her more, she would have stayed."



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Yes, you've lost people because of money, but the majority of contemporary research finds that people leave for one major reason and several subordinate ones.

So if the major reason is not money, what is it? Go ahead; give it a try. Think about some possibilities. When you have an answer, turn to the bottom of page 2 to compare your answer to what most research finds to be true. Or, simply continue to read. . . .

THE MAJOR REASON

The answer is that most people leave their jobs because of their supervisor or team leader!

What is it about this workplace relationship that makes it the number one reason so many people leave their jobs? Basically, it's a lack—of trust, of communication, of relevant and timely feedback, of appreciation, of fair treatment and of information.

In many organizations the size of the company becomes the reason for the "lack ofs." Sociological research indicates that once a business entity grows to more than 150–200 people the "lack ofs" grow into "issues" because managers, supervisors and/or team leaders get too far away from their people. When you go higher in the organization, you begin to "see" a lack of familiarity. A lack of familiarity appears to breed discontent, which results in a high rate of turnover.

Some additional reasons and thoughts about why employees leave a company include the following:

1. If you are operating a service business, and who isn't today, marketing experts say that the customer isn't really #1 and the stockholders aren't #1 either. It's the employees! Why?

Because if service employees aren't happy, then customers don't get the service they and you expect and, obviously, the stockholders don't get the returns they expect because of poor operating results.

2. "Free Agency" is growing among traditional workers. Research shows that 8 out of 10 independent professionals won't return to the traditional work force. That's how happy they are working on their own. Lack of loyalty is now a two-way street. Corporate America downsized and many "free agents" found that they liked the result.

3. The high-tech pot of gold is still out there—even with the failure of so many of the dot.coms.

4. Research reveals that 50–55 percent of all employees are always looking for a new job.

5. High-turnover companies also tend to exhibit high turnover among clients and/or customers.

Maybe you can save your company some big dollars by focusing your attention on the core cause of turnover at your company.

WHAT'S TO WORRY ABOUT?

FIRST, consider the following eight facts on the subject of employee turnover (gathered from a variety of sources):

1. By 2003 the number of "baby boomers" retiring will exceed the new recruits who will take their place.

2. Average job tenure dropped from 23+ years

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in the 1950s to 4+ years in the 1990s.

3. In 1997, 53 percent of all working people reported expecting to quit their jobs in five years.

4. Average turnover for all companies is 10-15 percent.

5. Average turnover in established companies is 6 percent.

6. Average turnover in high tech companies ranges from 30-40 percent.

7. Turnover is the lowest in senior-level jobs, and that may skew results.

8. Turnover among fast-food workers ranges from 100-140 percent. Maybe when you compare your turnover numbers to this it may make you feel better—at least for a while.

SECOND, you might want to start to worry about turnover rates for a variety of reasons, including the next 11 that we've listed for you:

- 1.** The impact on the bottom line.
- 2.** The cost of terminating employees.
- 3.** The cost of hiring replacements.
- 4.** The cost of training new employees.
- 5.** The cost of lower productivity for new employees.
- 6.** The cost of customer dissatisfaction with less or lower-quality service from new employees.

— TURNOVER —

THE MAJOR REASON

If the major reason employees leave a company is not money, what is it?

THE ANSWER

Most people leave their jobs because of their supervisor or team leader!

7. The additional marketing and sales cost to find replacements for unhappy customers. **REMEMBER:** It costs 5-11 times more to develop new business than it does to expand existing business.

8. The cost of newer, less experienced employees maintaining your business in lieu of growing it.

9. The cost of lost ideas and suggestions because of less experience.

10. The impact on the implementation of your Corporate Strategy, i.e., slower, less timely, not well done.

11. The cost of not really knowing what you've lost until the next period's financial results come in.

WHAT DOES TURNOVER COST?

Unless you can quantify these possible or probable losses, you may never truly understand what the loss of experienced employees means to your company.

CONSIDER THIS: Estimates suggest that the loss of one exempt employee from your company costs 1-2 times the average salary and benefits of that one exempt employee.

Take a look at the easy-to-complete worksheet at the top of the opposite page to learn what turnover may be costing you.

Had enough? Maybe it's time to get serious about turnover in your company.

WHAT CAN YOU DO?

Successful companies, or companies that are on the list of the most admired companies in America, have found that fame is fleeting. But they can have the staying power they desire if they focus on their people. You can too!

1. Segment turnover by job title, location, level, supervisor, manager, etc. Break turnover down into its component parts. Don't accept broad numbers.

2. Focus your turnover reduction efforts on the things you control.

HOW MUCH IS TURNOVER COSTING YOU?

1. Total Work force x % of Exempt Employees _____

2. Multiply answer to #1 x your turnover % _____

3. Multiply answer to #2 x average salary _____

4. Add to your Final Answer some of the potential costs listed in the "What's to Worry About" section above.

OUR COMPANY TURNOVER COST PER EMPLOYEE _____

Had enough? Maybe it's time to get serious about reducing turnover in your company!

3. Focus on making your managers, supervisors and/or team leaders better.

4. Look at the relationships between people. Don't accept poor management behavior. You can't afford it in today's ultra-competitive business environment.

5. Look closely at whom your company is recruiting. Are your recruiting methods just bringing you more turnover? REMEMBER: Poor hiring = High turnover.

6. Does your high-turnover work site consist of more than 150-200 people? Are you personally above or beyond the familiarity level discussed above? If so, do something about it!

7. Check out the criteria that people use when they vote for "Best Companies in America to Work for." Apply them to your company.

8. Find out if the top people in your company spend at least 80 percent of their time managing people or tasks. If the answer is "tasks," you're building a turnover problem.

9. Ask your customers to rate the service they get from new employees versus the kind of service they want.

10. Require that every manager, supervisor

and team leader compute the cost of turnover in his or her area of responsibility.

11. Require your HR department to compute the Company Cost of Turnover per Employee. Then everyone needs to analyze the resulting data. Treat turnover the way you'd treat cash flow. What's your "burn rate"? How long before you're out of people? Think of it just the way you'd think of being out of cash. Think about recruiting new people in the same way you think about how to get cash to come in the doorway.

12. Take a close look at who *isn't* leaving. Is it mostly higher-level executives? Is low turnover in the executive suite skewing your numbers?

13. Look at the specific functional areas in your company to see which ones are doing things "right." Implement those procedures company-wide.

Finally, always look at your own company in the context of what works for you. Given the trends in the employment marketplace if you never worry about why people leave, what it costs you and what you can do about it, you will need not only an endless supply of new workers but also new customers and lots of spare cash. ■

Where Does FLEX EXEC S MANAGEMENT SOLUTIONS Fit In?

Since 1990, FLEX EXEC S MANAGEMENT SOLUTIONS has been working to help our clients break out of the traditional ways of thinking about the World of Work. Today there are different ways of doing things, and we are on the cutting edge of these new ways of thinking about business and work.

FLEX EXEC S places interim executives, high-level managers and project experts. Many of these skilled professionals possess knowledge and expertise gained in functional areas, such as human resources, finance and operations.

FLEX EXEC S is *the* source for interim placement, executive search and human resource consulting.

If we may assist you in making your next project a success, or if you have questions or concerns about interim placement, please call us. We can help.

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