Minimise regrettable turnover

Dr Rob Bogosian explains to Alan Hosking what every manager should know about employee turnover.

PROFILE

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Why has employee turnover become a priority?

It may seem that undesirable employee turnover can come out of nowhere, especially to the unsuspecting manager who hears the phrase, "I quit," from a valuable employee. Companies regret turnover most when it involves high-value employees who possess important tacit knowledge and hard-to-replace skills. High-value employee exits can slow knowledge transfer resulting in decision-making and problem-solving delays.

The labour market is tightening and employers are once again very concerned about retaining the "best and brightest" talent. Statistics establish a business case for managing the preventions and interventions to minimise regrettable turnover.

According to the US Board of Labor Statistics, the overall US Quit Rate is 24 percent with 34 percent in the retail sector and 45 percent in the hotel/service sector. Replacing an employee can amount to 100 percent of the departed employee's salary. Tacit knowledge is depleted when a valuable employee leaves, which is also costly.

What can managers do to minimise turnover risk?

Although managers may be caught off guard when employees give their notice, there are things they can do to better prepare for turnover risk. First, consider that there is a typical pathway that employees follow when exploring alternative employment options. The search pathway usually begins with a shock (Allen, Bryant & Vardaman, 2010), an event or perception that leads the employee to evaluate their current situation and begin searching for a new job. There are four distinct shocks that can initiate the search process: (1) job discontent, (2) job offer, (3) career planning strategy, and (4) a negative shock such as being passed over for a promotion. Some pathways, however, are unavoidable and not in the manager's control. For example, when the employee's spouse is relocated, turnover is unavoidable unless a remote work arrangement can be made.

The four search process drivers can be on your radar screen IF you know what makes your people tick. This means you have to have a strong relationship with each of your direct reports. Hosting frequent one-to-one meetings where your employee drives the content and you LISTEN and encourage dialogue. The content should not be the usual project updates that you receive from your employees. I suggest content that is related to the employee's work and relationship experiences that can impact overall performance and lead to voluntary exit. I advocate using the "20/80 Rule". You give your views and opinions 20 percent of the (one:one interaction) time and you listen and encourage dialogue 80 percent of the (one:one interaction) time. Practising the 20/80 Rule successfully assumes that you and your direct reports operate with trust. More specifically, ask your direct reports two questions: (1) about what parts of your work do you feel strongest? and (2) with what parts of your job do you struggle? The goal is to learn as much about your employee's work experiences as possible without judgment and jumping to solutions. This data will help you understand the level of job satisfaction of each of your direct reports. You may not have the full picture after one or two meetings, but using this line of inquiry is likely to encourage voice and interaction.

The promotion-passover-shock should be met with a high level of acknowledgement and legitimisation of any and all employee emotional responses. You can do this by focusing on the future. Prepare yourself for a talent performance discussion that basically answers the question: "What will it take for you to advance your career"? This discussion assumes there is a perception of fairness and justice in the promotion decision. If your direct report perceives promotion criteria as unjust, you must resolve this fairness issue first.

Is there a generational difference in the way people leave a company?

Research (D'Amato & Herzfeldt, 2009) shows that late Baby Boomers and Millennials do not have the same psychological contract with their employers when compared to early Baby Boomers. The layoff frequency experienced by Millennials' parents and friends is the likely culprit in this psychological shift from loyalty to independence and self-protection. The consequences are lower levels of organisational commitment and a need for greater career and skill development. If your company doesn't have an explicit career development policy or process, then it's up to you as the group leader to create one for your group. At the very least, include career related conversations in your one-on-one discussions.

This can create an open and honest dialogue that results in a trusted relationship where the employee can bring their exit plans or thinking to the forefront. If this seems like a long shot, put a stake in the ground and start with the one-on-one meetings and the two questions.

What incorrect views do managers have of retention?

All turnover is not the same. There is voluntary and involuntary turnover and regrettable and functional turnover. Voluntary-functional (VF) is least risky. VF turnover occurs when a replaceable, non-strategic employee departs voluntarily. Voluntary-regrettable (VR) is most risky. VR turnover occurs when a high performer, with strong social ties inside the company, departs voluntarily.

Companies can and should have HR policies and practices in place to minimise and predict VR occurrences. For example, knowledge transfer using deliberate social and learning events and knowledge management practices should encourage the transfer of valuable tacit knowledge and codify it with knowledge management technology.

People don't quit because of pay. People quit because they determine that pay is not fair compared to others in the same job and organisational level. This pay issue is about perceptions of fairness NOT the actual dollar amount of one's salary.

People don't quit because they don't like their jobs. People may determine that they are not a good fit for their current job or that the company's values are misaligned with their personal values. Employees use multiple pathways to a final exit decision. For example, they may complete a degree programme or have a spouse who changes job locations. Multiple exit pathways require multiple talent retention prevention and intervention pathways.

Turnover is not out of the manager's control. Studies show that manager/employee relations impact the decision to leave. You can develop strategies to strengthen management practices that positively influence retention.

Three main reasons why employees decide to stay include:

- **Work relationships (social capital)**. Social capital is often ignored and misunderstood in organisations. Building performance and healthy relationships should become part of every organisation's strategy if it is serious about talent retention;
- **Values compatibility (company vs individual).** The values for your company and each individual leader should be defined and declared. Employees want to know that their values are aligned with those of the organisation, where they spend more than 50 percent of their waking hours (Slap, S, 2005); and
- **Exit costs**. These are the implicit costs typically considered during an employee's exit option evaluation. For example, employees consider their career potential, tenure, learning and growth opportunities and the relationships they have with their manager and colleagues.

Retention strategies can't be one-size-fits-all. Multiple Exit Pathways require complex, well thought out retention strategies.

Companies can't accurately predict turnover in restructuring initiatives. Research (Trevor & Nyberg, 2008) shows that a simple move from a status of "non-downsizer" to "down-sizer" can increase voluntary turnover by as much as 19 percent. Downsizing by one percent can lead to a 31 percent increase in post-downsize voluntary turnover.

Carefully structured HRM practices can mitigate the surprise of regrettable voluntary turnover. Retention strategies are the responsibility of every leader in every company. They should have explicit policies and practices designed to minimise regrettable turnover. Leaders must become knowledgeable about turnover behaviour and specific leadership practices that are known to reduce or better prepare for voluntary turnover. ■