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LET YOUR PEOPLE GO

SHOULD YOUR COMPANY ALLOW—EVEN ENCOURAGE—VOLUNTARY TURNOVER?

BY VADIM LIBERMAN

■ VADIM LIBERMAN is senior editor of *TCB Review*, where he's worked for almost one-third of his life.

HOW CAN WE HOLD ONTO OUR PEOPLE? EVERYONE IS CONCERNED ABOUT RETENTION FOR A REASON: COMPANIES ARE VERY MUCH AWARE THAT EMPLOYEES FEEL DISENGAGED, OVERWORKED, AND UNDERCOMPENSATED. AS SOON AS THE ECONOMY PICKS UP—ANY DAY NOW!—YOUR BEST PEOPLE WILL SURELY BE WORKING THEIR LATEST LINKEDIN CONNECTIONS AND FILLING HEADHUNTERS' INBOXES WITH RÉSUMÉS. WITH EACH UPWARD SPIKE OF THE DOW, WE'RE WARNED, MORE AND MORE WORKERS WILL VANISH FROM THEIR DESKS LIKE A SCENE FROM *LEFT BEHIND*. YOU'D THINK THAT YOU'RE FACING A CATACLYSM PREVENTABLE ONLY WITH PRAYER, OR MAYBE RESTORATION OF THAT GOLD-PLATED HEALTHCARE PLAN YOU DROPPED BACK IN 2008.

Sure enough, turnover can sicken an organization, leaving gaps that can't be filled and further burdening everyone who sticks around. But just as treating a disease can inflict greater harm than the illness itself, so too regarding retention strategies. Your efforts may tether people to your firm, but low turnover may cloak various corporate cancers. Worse, it may exacerbate them.

Attempts to padlock exit doors have warped turnover into retention's devilish twin. According to consultant Dawn McCooey, "There's so much focus and countless books on retention"—including, she admits, her own, *Keeping Good Employees on Board*—"that managers overlook the value of getting people off board."

In other words: *Are your people—most of them, anyway—worth fighting to keep?* Should you be making it *easier* for employees to leave, even if they might head across the street to your chief competitor?

In developing a more nuanced perspective that positively values voluntary turnover, you probably need not trash your retention initiatives entirely—not *everything* you've been told is wrong—but "there are a lot of myths out there," says consultant Beverly Kaye, author of *Help Them Grow or Watch Them Go.* "One of them is that all retention improves business results."

It's time to draft a new script.

EXIT SIGNS

First of all: How often do people voluntarily quit jobs? And are Gen-Xers and millennials as restless and disloyal as you've heard?

Back in December 2007, about 2.7 million private-sector workers quit their jobs, according to the U.S. Bureau of Labor Statistics (BLS). In September 2009, with jobholders feeling insecure, the number plummeted to 1.5 million; in June 2012, it was up to 2 million—rising but nowhere near the Great Exodus about which everyone warned. During their first year on the job, almost a quarter of new hires currently decamp, and 13 percent of organizations lose at least half of their new workers, according to an Allied Van Lines study of five hundred HR professionals.

That sounds like a lot of movement, at a time when we're constantly reminded that the traditional employment contract is in tatters. But today's workers are sticking with their current companies longer than ever. In 1996, during the height of the talent wars, people spent about 3.8 years with their existing employer, according to BLS. Over the next fourteen years, tenure rose to 4.4 years. More dramatically, in 2010, tenure for white-collar professionals rose to approximately 5.2 years, up 13 percent over a decade.

Furthermore, you may have heard that today's younger workers are less tied down than their older counterparts, even more so than in previous generations. Actually, since the mid-1990s, tenure has *increased* among employees under 34 and *decreased* for the majority of those older.

So what should all this mean to you? Maybe nothing. For starters, the above stats depict differences of months, not years. Secondly, such snapshots are interesting, but like many business metrics, they are *only* interesting. Sure, you now know some numbers, but do they explain if voluntary turnover is good, bad, or irrelevant to an organization? Never mind that *an* organization is not *your* organization.

Regardless, counting on a continuing weak economy to retain workers isn't much of a strategy. "Companies can be asleep at the switch," McCooey says. "It's easy to assume that just because people need jobs, they will stay."

Certainly, some remain because they dread that the grass is always yellower elsewhere, but "if you think that your people should be happy just because they have a job, you're going to find yourself in deep trouble," Kaye says. "Good players know they always have options. I recall at one company when an employee left, his boss said, 'No big deal. There's plenty of talent out there.' Those words got out in the organization, and six more people left within three weeks."

Was the supervisor wrong in his opinion—or in voicing it? Much depends on who packed up. (Maybe six *better* people arrived shortly after.) For now, the overarching point is this: A sputtering economy might make for a potent retention tool, but potent isn't necessarily good.

"The state of the economy shouldn't affect retention strategies," says Teresa Tanner, chief HR officer at Cincinnati-based Fifth Third Bank. "I worry if leaders get lazy during tough times, or if they see false positives. They see that turnover is down, so they immediately assume it's for reasons other than what they really are"—reasons such as loyalty, satisfaction, engagement, apathy, and anxiety. Low turnover might

indicate workers eager not to arrive each morning but to leave each evening. This past June, nearly one in three employees surveyed by Mercer said they were keeping an eye on the exit sign. Granted, thoughts don't always lead to actions, but you have to wonder: Are daydreams of departure good for workplace innovation and collaboration? "People may be staying, but they're not adding value to the company," says Jeanne Meister, a partner at Future Workplace, a New York-based consultancy.

For workers fantasizing about walking out the door, might opening it for them make you better off?

THE TURNOVER CALCULATOR

It's disheartening to tally the costs when key people leave unexpectedly: client loss, temps, paperwork, help-wanted advertising, recruiters, background checks, screening, interviewing, training, et cetera. And there's a lot of et cetera, including indirect losses pertaining to knowledge, skills, productivity, engagement, and morale. For instance, HR leaders surveyed by Allied estimate that it takes about eight months for a new hire to reach full productivity. Beverly Kaye insists that a new salesperson in her organization must work eighteen months to two years to provide an ROI. By the time you push the calculator's equal sign, replacing someone can cost 150 to 250 percent of the person's annual compensation.

However, with so many intangibles attached to diaphanous dollars, we should take care not to make cents into nonsense when counting turnover expenditures. "Some costs are hard; some are soft. At times they are overstated, at times understated," Teresa Tanner explains. "It's always going to be debatable."

Debatable costs notwithstanding, turnover rates can serve as a quick measure of corporate well-being—a big mistake, argues Dick Finnegan, CEO of workplace consultancy C-Suite Analytics. Retention figures have no meaning unless someone gives them meaning, he says, adding, "CEOs can't readily translate turnover percents into dollars. If an HR director says turnover is 19 percent, the CEO will ask how it compares to that of peers. If it's lower, the CEO thinks the company is doing well. But if the HR person says that turnover is costing the company $10.8 million a year, the CEO won't care about the percent and how it compares to peers'."

Is the number really $10.8 million? Maybe it's higher, or lower, or zero. Yes, there are tangible costs to losing people. But you can hire or promote replacements at lower salaries or save on healthcare premiums by replacing experienced workers with young, entry-level hires.

Most turnover advantages aren't line items on accounting spreadsheets; then again, neither are many retention benefits. Still, there are more quantifiable savings to keeping workers than losing them, which explains why "we look at the negative effects of employee turnover but not the positive effects," Dawn McCooey says. "These are expenses without invoices. Because they aren't easily measured, they're easily ignored." Ignored, that is, when discussing turnover. We continue to calculate retention benefits despite lingering intangibles.

For instance, we highlight the importance of retaining workers to preserve knowledge and skills but fail to acknowledge turnover's role in attracting fresh ideas, expertise, and competitive intelligence. Similarly, loyal clients may follow departing executives . . . straight to the organizations that hire them. (Hypothetically, you don't have to lose someone to bring in someone, but employment budgets are not so hypothetical.) Also, low turnover can turn hiring managers stale, given lack of opportunity to do their jobs. Ironically, then, efforts to keep good workers may cripple you from hiring any.

Meanwhile, we lament that turnover drags down productivity, but "when someone isn't pulling weight, losing that person can make you more money," explains Brandi Britton, a regional vice president in the Los Angeles area for staffing and recruiting firm Robert Half International. Imagine an underperformer who quits. Chances are, you'd replace him with a better worker—and it will probably take less than eight months and 150 percent of his salary, especially if you promote a high-potential employee, an opportunity you may not have had if not for someone leaving. In fact, the individual you're now elevating may otherwise have left.

Plus, turnover calculations rarely account for costs of continuing to employ a craptastic vampire who sucks spirit and productivity from those around him. We've all worked with, if not for, one of these irritating bats. Once one flies out the window, morale and other benefits usually flood back in.

THE ENGAGEMENT PARADOX

"When turnover is high, HR sends out newsletters and creates employment-appreciation weeks to fix it, which doesn't get them anywhere because no one quits or stays for the newsletter," Dick Finnegan says. "When's the last time you heard someone say, 'My boss treats me like dirt, but I'm holding on for employee-appreciation week?'"

Several years ago, researchers Todd Pittinsky and Margaret Shih asked managers to identify steps that they'd take to *retain* a valued worker. The managers cited actions such as "increase salary" or "change his or her title," which doesn't increase productivity or keep employees for more than a couple of months, according to Pittinsky and Shih. The researchers also asked a second group of managers how they'd *elicit commitment* from a valued worker. Responses

THE PRE-EXIT INTERVIEW

By the time an HR rep asks someone during an exit interview, "Why are you leaving?", one foot's already out the door. It's the wrong question, says Dick Finnegan, author of *The Power of Stay Interviews for Engagement and Retention*. It should be, "Why did you look for a new job in the first place?"

"Exit interviews tell you what I, the leaving employee, feel comfortable telling you so that the back door stays open should I want to come back. It's a bit of bull," says Beverly Kaye, founder of Career Systems International, a workforce-development consultancy. Even if someone is sincere, it's too late to make an immediate difference. "Our research shows that the supervisor who lost the employee often says, 'I wish the person would've told me that. I could've made it happen.' Sometimes, all it would've taken is a basic conversation"—a "stay interview" between a manager (*not* an HR rep) and a subordinate about an employee's perspective about work, while he's still at work, to find out why the person stays or might leave. Although 54 percent of HR respondents in an Allied Van Lines study said they conduct exit interviews, only 13 percent gauge satisfaction while employees are still with the organization.

But if workers lie when they leave organizations, why expect honesty while still employed? Any worker that divulges to his boss that he's been trawling Monster.com is either brave or stupid. "I think honest responses in a stay interview are a human-resources fantasy," agrees Jeanne Meister, author of *The 2020 Workplace*. "No one in their right mind will say, 'I have three interviews this month.'" Instead, she recommends scrutinizing how well employees actually work.

Performance, however, doesn't necessarily indicate a person's propensity to leave. Besides, Kaye insists that when done right, stay interviews yield actionable information. "Unfortunately," she says, "managers may have the will but not always the skill to speak to their people."

The best way to get direct answers may be to raise indirect questions. Rather than inquire, "Why do you stay?", Kaye recommends asking: If you were to win the lottery and resign, what would you miss the most about your job? What can we do to support your career goals? How do you like to be recognized? What about your job makes you jump out of bed in the morning? What makes you hit the snooze button?

Obviously, no one will reply, "I could do my job better if you weren't so incompetent at yours." Indeed, Teresa Tanner, an executive vice president at Fifth Third Bank, concedes that "some of the responses will be valid; some not. The only thing you can do is continue to ask questions, because sometimes you will get valuable answers." Adds Brandi Britton of staffing firm Robert Half International: "You may find out that it's not always, 'I want to be promoted and make $10,000 more.' Sometimes it's just reducing obstacles to getting work done."

—V.L.

included "find out what challenges make him or her tick" and "provide opportunities for learning on the job."

The takeaway: Low turnover for the sake of low turnover is nonsensical at best and damaging at worst—because focusing on turnover isn't just aiming at the wrong problem. It's not targeting a problem at all. Issues with turnover are really issues with engagement.

Presumably you've given plenty of thought to engaging your employees—though perhaps not to exactly how engagement might affect who stays and who leaves.

Consider training, which everybody knows that you must offer to keep employees, right? Half-right. Training may encourage your people to leave. Turns out that what matters is not training but, rather, the opportunity to apply newly acquired skills, according to recent research from the University of Iowa. Training without related chances to grow may only frustrate employees to the point of departure (though it's unclear whether trained or untrained workers are likelier to leave).

But there's a bigger catch-22: Training, along with other engagement drivers, may foster an environment where your best people aren't leaving—and neither are your worst. After all, *everyone* appreciates free bagels in the pantry and a boss who says "thank you."

"But what's the solution?" asks Jeanne Meister. "You're not going to reduce benefits to force out underperformers. You'll lose top people that way." She's right, of course. But that engagement efforts can detain dead weight underscores that engagement isn't the corporate panacea many proclaim it to be. Furthermore, if you're doing all the right things only to see people walk out, it's worth considering whether engagement is relevant to turnover at all.

The answer hinges on which group of employees—engaged or disengaged—is likelier to vacate. On one hand, there's the argument that engaged workers are more apt to stay because, well, they're engaged. Those detached from their jobs, then, are more prone to seek fulfillment elsewhere. On the other hand, engaged staffers are psyched about their jobs *and* their careers. They continually network, speak to recruiters, and check job boards, while their slacker co-workers are checking Facebook.

Though Jamie Hale, workplace-planning practice leader at Towers Watson, points out that 16 percent of engaged and 64 percent of disengaged employees fall into what she calls a high-retention-risk group, ultimately, we don't know for sure who's likelier to leave, given a dearth of solid research (partly because engagement metrics themselves are open to much interpretation and criticism). Moreover, *it is irrelevant*—because again, what's the alternative? It's not as if the choice to engage your workers is really a choice. You're going to do it. You're going to provide people with opportunities, but there are only so many internal doors a company can open for an employee before eventually shutting one, at which point he'll find an escape hatch.

THE OTHER TURNOVER

Short of losing their own jobs, managers fear nothing more than telling subordinates they're out of theirs. Some feel sorry for employees, some panic over finding and training replacements, while others fret over the impact on those remaining. More deeply, when firing someone, bosses self-interrogate over their own possible inadequacies. "Was I a horrible mentor?" "Did I fully appreciate the person's needs?" "Is the employee's failure my own?"

Others within the organization may similarly question the manager's abilities, especially if there's pressure to cap turnover. Between the doubts and demands, it's unrealistic for any organization to rely on involuntary turnover alone to weed out poor performers.

"There are probably companies that wish their turnover were higher, but they can't figure out how to make that happen," says Towers Watson's Jamie Hale. "They don't fire people because they aren't bad enough to terminate. These folks are disengaged, though not enough to where they want to go someplace else, but you kind of wish they would."

So how to tell someone to get out without telling someone to get out? One option is to rank them poorly, though you needn't take Jack Welch's advice to subsequently fire them; the bad appraisal alone may persuade sufficiently. "There can be pressure where if I know I'm not meeting expectations, then I'm going to look elsewhere," Hale says. For example, those failing to make partner at law and accounting firms often leave—without the company having to shell out for unemployment, severance, and benefits.

Still, while a rank-and-yank-yourself approach may help purge your bottom performers, it neglects your mediocre middle, the people whom you'd ideally want to replace without firings. Naturally, there are coercive ways to push them out, but "there's a downside to that," says Robert Half International's Brandi Britton. "There are negative repercussions as peers become aware of the outgoing person's negative experience. Also, once this person leaves, he may give your company a negative reputation." Seems that winning approaches to losing people don't come easily. —V.L.

A GOOD LEADER HAS A TRANSPARENT RELATIONSHIP WITH THE EMPLOYEE. IF THE WORKER IS A GOOD PERFORMER AND YOU CAN'T FIND A BETTER ROLE FOR THE PERSON, YOU'RE BETTER OFF HELPING THE INDIVIDUAL TRANSITION OUT OF THE ORGANIZATION.

If an ambitious manager outgrows her position, with no room to advance—hierarchically or otherwise—she may lose interest in the work. When a job and a worker no longer fit together well, the best way to encourage the worker is to discourage her from staying. "Managers should be really open about this," suggests Brandi Britton. "A good leader has a transparent relationship with the employee. If the worker is a good performer and you can't find a better role for the person, you're better off helping the individual transition out of the organization. That's a value to people because most don't want to be in an environment where they aren't appreciated. Sometimes it's hard for them to see that, so it takes another person to say, 'We like you, but this may not be the right job for you.' There's nothing negative about that. It's good for both parties."

MEASURES MINUS MEANING

It all amounts to this: Turnover metrics assess . . . turnover only. Unfortunately, companies often conflate optimal, higher, lower, good, and bad. Calculating a voluntary turnover of, say, 4 percent is easy—and pointless, for it says nothing about why some of your employees become ex-employees. "The overall rate is almost not worthwhile to measure," Britton says. The only reason, she adds, would be for benchmarking.

And then what? If overall turnover measurements themselves shouldn't guide strategy—and they shouldn't—then your position relative to others is just another measurement that's . . . interesting. Still, even if a company's overall turnover is irrelevant, that doesn't mean all turnover is irrelevant to a company—it's not *that* but *which* people leave. "If someone who you want to keep walks out the door, no one will say, 'We wanted to keep that person, but it's good that he's leaving because we now can get fresh blood,'" Dick Finnegan points out. Therefore, the question, "Who's likely to leave?" matters less (if at all), than, "Whom do you want to keep?"

Some companies, like Applebee's and IndyMac Mortgage Services, already concentrate on what many call regrettable turnover, the departure of people who businesses wish had stayed. Obviously, you want to keep your—

—top talent? Well, that depends. How replaceable is the worker? Are there others in the marketplace with similar skills? Not every high performer would cause an equal loss to your organization.

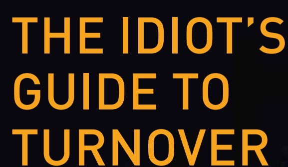
"It isn't strategic to say you want turnover at X percent across the entire enterprise," says Teresa Tanner. "You need different strategies for different segments of your workforce. It's about strategic workforce planning based on customer service and economic value. You simply can't afford to have A players in every position, nor do you need to, nor can you sustain that. What you want are A players in A positions. Where cost-to-performance variability is not that high, where it's easy to bring people up to speed, you may not care if you're the best in the industry in that segment because the higher turnover doesn't impact your business as much. That doesn't mean you don't care about every employee or try to develop them. It just means that turnover goals are not a one-size-fits-all equation."

Why set turnover goals at all? Yes, you could assign departmental targets relative to others—2 percent for sales; 4 percent for accounting—but internal benchmarking faces the same drawback as its external version: Turnover rates are numerical facts, not judgments, and not even bases for management calls. Suppose sales' actual turnover were 1 percent, or 3 percent? How are we to judge that? Is that a "good" number as long as it still falls below accounting's? What if sales stays at 2 percent, but accounting drops to 1 percent? Which number is good or bad now? This very annoying exercise hints that to a degree, we're making arbitrary calls—because there are too many variables, including issues around engagement, recruitment, training, salaries, etc. And so, if setting goals around turnover seems irrational, measuring it seems even more so.

Ultimately, all turnover may be regrettable. Says Tanner: "It aggravates me when I talk to HR people who say that the only turnover they care about is of people they regret losing. If someone leaves dissatisfied, then something went terribly wrong in the assessment, interview, or selection process."

Rather than focus on turnover itself, you're better off concentrating on its potential drivers, such as engagement, recruiting, training, benefits—these are the things you should address. By doing so, you'll likely discover that it's OK if some, maybe many, people leave. To do that, don't punish managers for low retention, or reward them when it's high. It sends the wrong messages. "If a company brushes under the rug that turnover can have positive results, then managers will assume there are negative consequences every time people leave," Brandi Britton explains. "But if a company highlights retention *and* turnover by pointing out their pros and cons, then people will see more of a balance."

In other words, turnover should be a non-issue. Stop making it one. ■



THE IDIOT'S GUIDE TO TURNOVER

To keep employees, don't hire candidates who'll leave. Simple, except almost everyone leaves, eventually. Still, the argument—some unexceptional staffer is bound to murmur it—against hiring some people because "they're likely to leave anyway" is—

"—a sad statement," says Dawn McCooey, a Victoria, British Columbia-based retention consultant. "It's like saying, 'I'm going to marry someone who's not really my suitor because we're not going to stay together anyway.'" Plus, the illogic connotes an odd paradox: Don't recruit top talent—just retain it.

"It would be shortsighted not to hire the individual," suggests consultant Jeanne Meister. Deciding otherwise, she says, speaks more to your own insecurities. It's also like telling a candidate (not that you actually would): "You'd make a so-so addition to our team. You're hired!"

Some years back, researchers Todd Pittinsky and Margaret Shih claimed that "knowledge nomads"—highly mobile workers who spring from firm to firm—can be as committed to an employer as longer-term workers. "Length of time in an organization is certainly the most common way of measuring employee commitment, but it is hardly the most interesting or helpful for managers," they write. "Far more important . . . is the quality and quantity of the work he or she does while there."

Perhaps Fifth Third Bank's CHRO Teresa Tanner offers the best advice: "Take superior talent and get as much out of it as you can for the time you have with it. Be happy, and then move on." —V.L.

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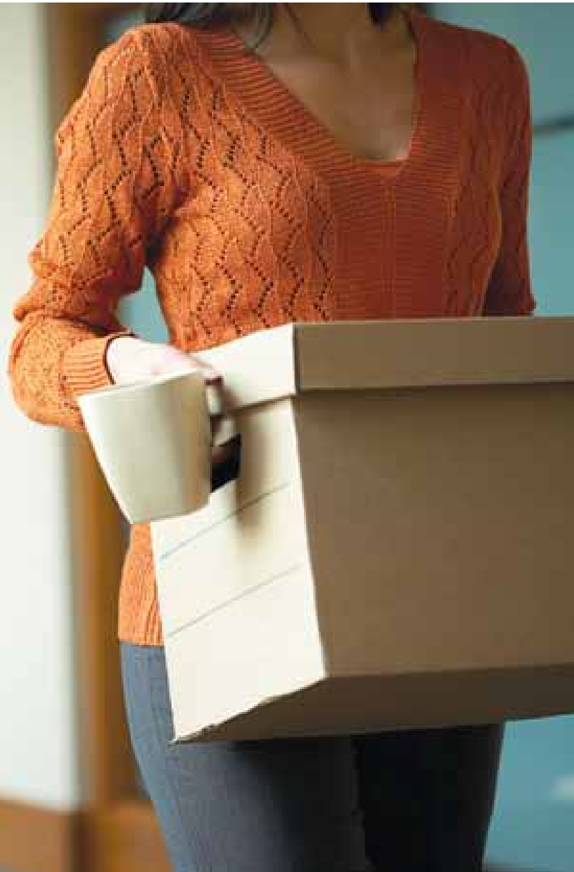

"THE OFFER"

Most organizations pay employees to work. One pays them to leave work.

Four years ago, Zappos began offering workers $100 to quit. After a training period of a few weeks, during which the retailer immersed new employees into its culture and operating procedures, a manager sat down with each person to extend "The Offer," a super-early-resignation bribe and an opportunity for both business and workers to ensure a good job fit. Better to cut potential losses now than to suffer future, greater costs associated with disengagement, turnover, and potentially unhappy customers.

"It's an interesting approach, but it almost suggests a bad job of selecting people," says Towers Watson's Jamie Hale. "Maybe it's better to do new-employee surveys or other things that would identify if people are dissatisfied with their decision."

Adds Brandi Britton of staffing firm Robert Half International, "At the end of the day, if the economy is bad, people aren't going to leave even if you offer them $1,000."

What about today's offer of $4,000? After Zappos raised the amount from $100 to $1,500 within a few months in 2008, a company training manager told *Internet Retailer* that only 2 to 3 percent of new hires accepted the money, which she attributed to proper screening of candidates. Still, one has to wonder at what sum the company would find it disadvantageous to continue the program—or how many dollars Zappos would have to wave at new hires before significantly more of them waved goodbye? —V.L.