



REDUCING TURNOVER

starts with hiring
and developing
great leaders



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Leaders matter

Although many believe unwanted turnover is difficult to fix, there are very clear ways to understand how it impacts your organization and what can be done to reduce it. Organizations who have “solved” this problem do three things differently than their counterparts – and they all center on effective leadership.

1. Hire great leaders who focus on developing their people
2. Develop leaders so they can continue to engage and challenge their respective teams
3. Research the drivers and implement strategies to reduce unwanted turnover

As we all know, there are many reasons why employees leave. And some of this turnover should actually be categorized as “good turnover” (e.g., managing out poor performers). However, as we research unwanted turnover, there is a common thread underlying the reasons people leave and it is directly tied to their relationships with their manager and other leaders within the company.



Business case for turnover

The business case for why turnover is important and expensive has been well documented. Turnover can be a pain point for organizations across industries, occupations, and locations. The reason being that losing employees (especially well qualified ones and good leaders) is associated with devastating costs to organizations. There are obvious and tangible costs associated with turnover, including separation and replacement costs (e.g., HR time, training time, socialization time, productivity loss). In addition to these tangible costs, there are other intangible costs that are often not as obvious or easy to calculate. Some of these include added stress on remaining employees, teamwork disruption, cultural impact, and potential client/revenue loss – among many others.

Overall, it is estimated that the total cost of turnover ranges between 1.5 to 2.5 times the leaver’s salary. Turnover’s importance is not only limited to the costly effects of a departing employee, but is becoming increasingly relevant in today’s current labor environment. Specifically, as the unemployment rate continues to drop it provides more alternative employment options to employees. Also, as technology continues to advance, access to these alternatives becomes increasingly easier to gain.

The impact of leadership on turnover

We know that turnover is a problem that many organizations would like to solve. The impact that leaders have on this topic is often overlooked since leadership comprises only one small factor of the potentially endless number of turnover drivers. However, there have actually been a number of studies conducted investigating the role that leaders play in their employees' decisions to turnover, and the results are promising. To elaborate, one recent research study conducted by Talogy found that leaders' humility has an impact on the turnover decisions of their employees. Specifically, we found that employees who had high levels of engagement were less likely to turnover only when they were also working for a "humble boss." Alternatively, for employees who worked for a boss who lacked humility, there was no relationship between engagement and turnover. In other words, having engaged employees is only effective in reducing turnover when the leader they are working for is humble.

Additionally, other researchers have found that the level of support leaders provide to their employees can contribute to withdrawal as well. For example, one study found that the more subordinates perceive to have support from their supervisors, the less likely they are to turnover (Maertz, Griffeth, Campbell, & Allen, 2007). This compliments the result of another study which revealed that the more that leaders focus on motivating and developing their employees, the less likely those employees are to quit (Tse, Huang, & Lam, 2013). Overall, we can conclude that employees who work for humble, supportive, and motivational leaders are the least likely to quit their jobs. In other words, great leaders foster teams who enjoy working for them, and as a result, do not turnover.

Good leaders increase retention

Outstanding leaders
retain
3% more
top talent
than other leaders

Average cost
to replace
a bad hire: 2.5x
salary

Employee salary	Bottom line cost to replace
\$100,000	\$250,000
\$250,000	\$625,000
\$500,000	\$1,250,000

The findings of a recent study we conducted on leadership's effect on employee retention was not surprising. Leaders who were categorized as "outstanding" retained 3% more of their talent than their counterparts. When you think about the average costs to retain talent, just a few percentage points can make a huge difference.

Hiring great leaders

We know from this research that leaders can have a huge impact on turnover within their organizations. As such, one strategy to combat the devastating costs and negative consequences of turnover is to dedicate resources to hiring and developing great leaders. Everyone says they want to hire the best leaders. However, not all companies take the time and use an approach that will allow them to make data-driven decisions about which leaders to hire. There are five key steps involved in hiring top talent.

STEP 1 - Study the position

Before building any selection system, you need to do your homework and find out the knowledge, skills, and abilities (KSAs) needed for successful performance in the role. This is just as important for leadership positions. Knowing the dynamics of the workgroup that the person will lead can help you identify the candidate who is the best fit for the position.

STEP 2 - Build the process

Every position within the organization needs a hiring process or there will be chaos! I am only half joking when I say this. I have seen high-level applicants walk away from potential employers because their hiring process was a mess or it just took too long. Here are a few tips to remember when devising the hiring process steps.

- Only include steps that add value and measurement to the process
- Measure the critical skills and abilities uncovered in Step 1 multiple times throughout the process
- Make sure everyone involved in the process (particularly your C-level stakeholders) knows the process and their role within that process

STEP 3 - Use reliable assessment tools

This is an easy one, and most organizations have done a good job of incorporating assessments into their processes, by this point. If you haven't, you should strongly consider it. Using structured, online assessments adds a tremendous amount of value in the form of predicting future behavior. Assessments consistently outperform and out-predict all other aspects of the hiring process. If you don't already have an assessment in place, this is an easy one to fix. Your assessment process should focus on five areas, including; (1) leadership skill, (2) emotional intelligence, (3) learning agility, (4) execution, and (5) adaptability.

STEP 4 - Behavioral interviews (even at the executive level)

The number one thing I hear from top level leaders is that they just want to "get to know someone." That is great and probably not a terrible way to assess cultural fit, but also a very bad way to conduct an interview. The research shows that unstructured interviews are two to three times less reliable than a structured process. Structure is the only way to ensure you are obtaining reliable information. It is arguably even more important when you get to highlevel leaders because they can have a greater impact on the organization as a whole.

STEP 5 - Measure motivational fit

Frequently, organizations miss this very simple step. Companies should be measuring motivational fit (or job fit) as part of the hiring process. This is as simple as ensuring that the candidates' likes and dislikes are in alignment with the organization and its values. This seems like a no-brainer, but most organizations forget about this and don't measure it as part of the process.



Developing leaders

If you have done a good job of hiring effective leaders it certainly makes development that much easier. However, just hiring good people isn't enough. Even effective leaders need to learn and grow in their roles. Not only because they need to grow to help the business, but also to keep them engaged so they themselves don't turnover.

These leaders need to understand how they impact the organization, their respective teams, engagement, and turnover. Awareness is the first step to behavior change. Once your leaders have this awareness, the focus changes to actual development. Performance management and **development paradigms** have changed drastically over the last 30 years and are continuing to evolve. There are a few important considerations here.

1. Devise a strategy or vision for developing your leaders
2. Create or purchase tools to help your leaders **develop**
3. Provide opportunities for on-the-job development and learning
4. Create a culture of feedback and provide a mechanism for real-time **feedback**

These four important steps are easier said than done. However, focusing on development, and even incurring some cost to ensure it is effective, will pay dividends as it relates to employee/leader performance, as well as turnover reduction. It has been well documented that the mere existence of a HiPo program helps to retain top talent.

Hiring and developing your top leadership talent is a great start to reducing unwanted turnover. This alone is going to have a huge impact on organizational performance, engagement, and turnover. However, organizations are still going to have some unwanted turnover. The key to this third puzzle piece is actually researching what drives turnover and not just guessing. We need to start with some of the misconceptions surrounding what can cause unwanted turnover.

Misconceptions about the reasons for turnover

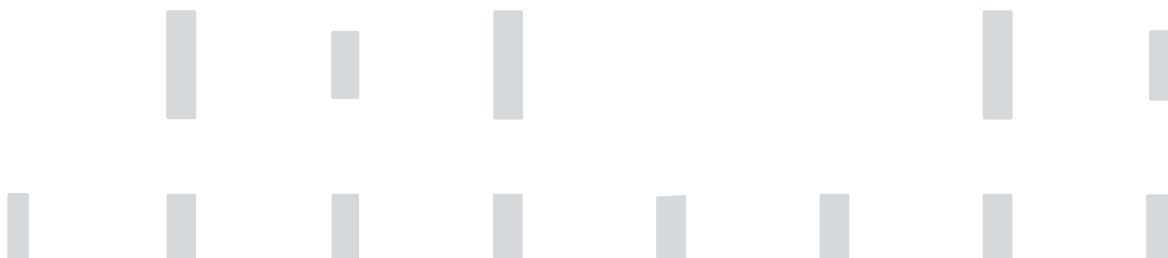
There are two misconceptions regarding turnover that occur.

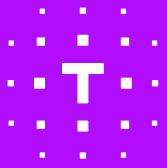
1. Organizations focus on entry-level roles to help drive turnover reduction
2. Organizations believe that simply increasing salaries will help

It is interesting when we start our engagements with organizations whose stated goals include the reduction of turnover. Most of the time the methods they use to reduce turnover include focusing solely on the "hourly" population and things they can do differently to find better candidates who are less likely to turnover. More times than not, the organization and HR team sees it as the "bad candidate pool" that is driving their turnover. I suppose it is easier to blame turnover on the hourly population and try to impact change through recruitment rather than develop their supervisors, managers, and leaders to be more effective.

Conclusions

Overall, the biggest takeaway should be that if you are unaware of what is driving turnover within your organization, you should not be allocating time, money, and resources to fix it. Selecting and developing your leaders, along with researching actual causes of turnover, will have a major impact on organizational turnover. The next time you are engaged with a turnover problem, do not forget about the individuals that can impact this issue most – your leaders. At the very least, ensure you are putting as much effort into your supervisor/ manager/leader selection process as you are for your higher volume (and higher turnover) hourly workers.





TALOGY

