

## **J. Michael Locke**

### **Musings**

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#### **#39: Managing Turnover** **April 30, 2020**

Turnover of talented people is a killer in business. You spend all of the time and effort to select and grow talent and then losing it really hurts. Some industries (like childcare or fast food) have models with turnover in excess of 100%. It is almost impossible to ensure quality in those models. Here are some thoughts on managing turnover in a professional services type business.

First, you need to measure turnover every month and then present it on an annualized basis. If you have 100 employees and you lost 5 one month, you could say turnover is 5%. While technically that is your turnover that month, you need to annualize it and say your turnover rate is 60%. Having to replace 60% of your employees in a year gives you a far different picture of things.

You should breakdown turnover measurement between voluntary and involuntary. If you are properly managing performance, you will have some terminations where you push someone out. Some amount of involuntary turnover is healthy and necessary. What you don't want is voluntary turnover where you wanted someone to stay but they chose to leave. So 15% annualized turnover is about normal but if you have 10% involuntary and 5% voluntary, I think you are doing an exemplary job leading the team.

You should measure turnover by job classification and tenure. Certain occupations will have a higher turnover rate. For instance, your call center will likely have 25%+ annualized turnover. You also need to look at it by how long people have been there. Typically, employees with under one year on the job will have the highest turnover rate. Personally, I would hold the hiring manager and recruiting department responsible for any turnover within the first year. That was a bad hire. The wrong fit. I even like to build one year retention into any contracts to use outside search firms. Most of them will give you a "replace for free" clause if the person leaves within six months but push to extend that.

Don't give up on someone once you hear they are leaving. Sometimes there is a window to change someone's mind. I was a big fan of having a "resignation alert" any time you heard someone was leaving and the top executives could get all over it and try to change the outcome if it was a high performer.

Once folks have left, I recommend you use an outside group to do exit interviews or call directly as the leader. If you have someone too close to the situation do the exit interview, they will bring a bias to the dialogue. The departing employee might also hold back the truth. Third parties usually get better info.

Turnover is not just about losing someone good, it is expensive. From Google: "some studies (such as SHRM) predict that every time a business replaces a salaried employee, it costs 6 to 9 months' salary on average. For a manager making \$40,000 a year, that's \$20,000 to \$30,000 in recruiting and training expenses."

Back to *Musing #10 Leader as Coach*, turnover is a report card on the manager. If you have exceptionally high turnover, you probably have the wrong person in charge.

Be safe.

Jml

### *Second Thoughts*

It seems to me that our elected leaders have deferred to the medical experts in making the decisions about the Covid-19 crisis. The result is a prioritization of optimal health outcomes (almost at all costs) despite the economic damage occurring (Q1 GDP down 4.8% and some projecting Q2 GDP down 47%). Did we oversteer? My understanding is that we need herd immunity or a vaccine and the current shelter at home is delaying herd immunity. Sheltering might have been necessary to stretch need out to match up with healthcare capacity but now that the curve has been slowed/flattened and healthcare capacity increased, there is a strong argument that we should be opening up (at least in certain rural or less affected geographic areas). An interesting opinion piece by Thomas Friedman on Sweden's different approach is attached.