Increase Productivity and Cut Costs: An Executive's Guide to Reducing EmployeeTurnover

Understanding how voluntary employee turnover impacts an enterprise is crucial. Many HR professionals are surprised to see the financial effects that come from letting too many employees get to the point where they want to leave. **Time, resources, and replacement costs add up—and turnover can also harm company image, morale, and productivity at a workplace.**

The approach in this resource will address retention strategies and tips for implementation.

WHY EMPLOYEE TURNOVER MATTERS

The Effect of Turnover on Organizational Performance

Customer service is negatively affected when a department or location does not have enough employees to manage all areas of the enterprise. **Lack of personnel can indirectly lead to loss of clients by way of delays in production and a decrease in quality**. When areas of a company are mismanaged or work is not delivered to an expected standard, this lack of quality can easily trickle back down to the customer.

Employee turnover can also have internal repercussions. When disruptions to team-based work cause extra stress and frustration for current team members, turnover can cause a domino effect that leads to further turnover. Additionally, there is a loss of diversity of skill sets at a workplace when employees decide to leave.

Turnover also has a negative appearance and impact internally. **When current employees witness many of their colleagues leave the company, they are more likely to follow suit. Do not let it bring down the morale**—or your ratings on employer review sites that allow future candidates a window into company life, such as Glassdoor and Indeed.

Certain industries have been observed to have higher separation rates than others. For example, two of the industries with the highest retention rates are insurance and government, coming in at under 10% turnover. Conversely, some fields with the highest turnover rates are service-based industries such as staffing, hospitality, retail, and fast food, each with 59% or higher separation.

Employee Replacement Costs

In 2016, the Society for Human Resource Management reported that **the average cost of employee replacement was $4,129. This number comes from necessary advertising, interviewing, HR's time, training, the uncertainty** of the new hire being successful, and other items that go into the overall replacement process. Some studies suggest that on average, it can cost companies as much as 40% of a salary to replace even an entry-level candidate.

Replacing an employee is not a straightforward task and can take longer than expected for many enterprises. It requires efforts and resources from multiple departments to bring on a team member and get them up to speed. The onboarding process is not one to underestimate.

Key Causes of Turnover

There are many reasons every enterprise has employees that are starting to look elsewhere, whether they are aware of it or not. While the company might not be able to help some aspects, fortunately, there are many areas in which they can do something to improve the employee experience. Let's examine the most common issues that cause employees to want to leave a company.

Misalignment With Company Culture

Culture is one of the areas in which enterprises may be slightly powerless, as it is person-based. To an extent, nature will take its course. Some candidates will simply never align with a company's culture due to their personality, values, or nuances. It is not necessarily the company's fault, as the majority of staff may be happy with the culture. This should be dealt with during the hiring process. Company alignment boils down to fit. For this reason, bringing on the wrong person can often be prevented early on.

Each enterprise is unique. Every company has a bit of a different culture. Some individuals are ideally suited for your company, and some are not. As a hiring manager, when interviewing a candidate, there are different tactics to employ to tell whether or not the candidate will be a culture match. The initial interviews are the best time to filter out unqualified candidates in this regard.

If they sign on without being properly vetted and they are not the right fit, that is when things get tricky. **Team relationships, or workgroup cohesion, is essential to workflow**. If people do not get along, they will not work well together. This impedes tasks getting done correctly, pleasantly, and in a timely fashion. If one wants their workforce to be productive, this point is crucial.

Conversely, when people have coworkers they can consider work "friends," this has been shown to better their overall satisfaction with their time at the company. They are less likely to leave if they feel a sense of belonging, camaraderie, and that it's easy to work with their colleagues. When this feeling is missing, it is generally more difficult to get the job done. Studies show that having to work with a coworker you don't get along with can actually bring productivity down 30% or more.

Job Satisfaction

It's not just the camaraderie between coworkers in different departments, or same-level within one cohort, that matters. A poor relationship with a direct supervisor can also make work feel tougher than it needs to be. An enterprise will want its employees to respect and work efficiently with their boss—and for the respect to be reciprocated. A draining mental struggle could ensue if someone is working under someone else with whom they have a particularly strained relationship.

It can also be a problem if an employee finds that they are in the wrong role and the environment is not one in which a switch would be realistic. **When someone feels "stuck" in a job they do not enjoy or find interesting, it can rapidly lead to burnout**. Even if they love their coworkers or find the culture to be exemplary, if they are not passionate about the actual tasks they are doing, they most likely will not want to continue there for long.

Not only do some companies make it difficult for employees to change role type, they are also slow to promote personnel to another level within the same area of expertise. This is unfair to employees who consistently show their worth. A major job satisfaction factor for workers is the opportunity for growth. If they see little room to grow at a company, they will not be able to visualize a future within that organization.

A fair job scope and the opportunity to participate in decision making also help employees feel more fulfilled. As an HR Executive, having a process for promotions and defining job scope early on is vital to the success of each employee. We are not implying that employees do not like to be challenged. Scope deals in what is reasonable so employees are not being overworked or being made to feel that they should have to do tasks that are irrelevant to the line of work they signed on for.

HR

Better Opportunity

If they are not challenged enough, on the other hand, workers may get bored. Be competitive so that other enterprises are unable to present similar positions as better opportunities. Remember, employees generally seek growth. Make sure the role does not stay too stagnant, but that is it kept interesting enough to not give a worker a reason to seek something refreshing. Otherwise, they may very well begin longing for a change of scenery by way of a company change.

Pay is also key. While pay, of course, is not the only factor driving an employee to do well—they should be passionate about the work, too—it is critical that they feel they can provide for their families. People do largely work to be able to pay for the things they want to do in life.

Even if they are making what HR might consider a fair amount and enjoy other aspects of the job, **another company offering higher pay will have plenty of lure. Be sure to research and stay up-to-date on standard salaries in your particular industry as well as in employees' individual roles**.

Employee Retention Strategies

To get ideas on how to keep the employees that HR so carefully hired, read on. Executives will find the best tips and tricks of the trade to get employees to want to stay with their company for the long term—and do their best work while there. No one wants their HR department's time and resources going to waste.
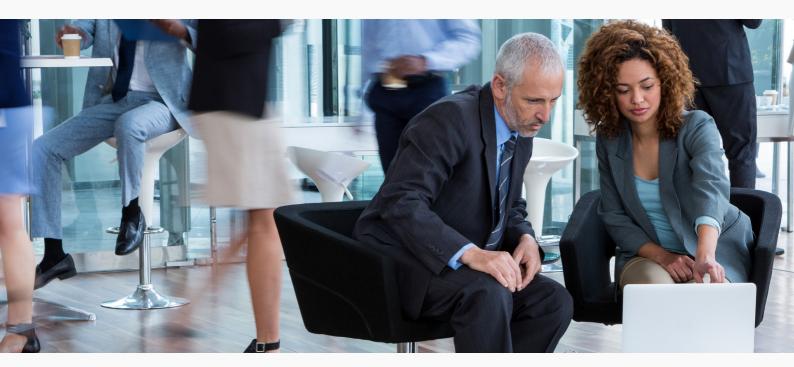
Developing an Engaged Culture

One way an enterprise can help develop an engaged culture is by fostering a sense of cohesiveness among its team members. Earlier we saw that people work better together when they get along well. Even though there will always be tasks that must be done individually, a sense of teamwork is important at any company. Workers should be made to feel that they are given all the opportunities and platforms necessary to easily collaborate with one another.

It will be beneficial to nail down a team culture sooner than later if there is not already a strong one in place. Have HR design what they want it to look like, create a plan, and set goals. These goals will become processes. They will then measure, analyze, and fine-tune them depending on what works and what does not. Get employee feedback; tell them that the enterprise values transparency, honesty, and trust.

Reward them along the way. Give them more vacation time the longer they have been with the company. Increase their pay or give gift cards after a specified number of years at your enterprise. Regularly give accolades, big and small—even just a mention in a newsletter or a certificate can be enough to make someone's week. **A little recognition can go a long way**.

Give them any tools they will need for great internal communication. Employees need to be connected to really feel that they are part of a team. There is a multitude of applications available today, so compare features, reviews, and prices. Trust us, what is spent on purchasing the right software is likely to cost the business much less in the long run than what it will cost to replace employees.

Setting Clear Career Paths

As we have learned, growth is a huge driving factor for employees. **Professional development and growth opportunities will show workers that the company cares about giving them more than just a job—employees want a career**. Make it clear through the programs created that there is a path forward and they can continue to expand their career when they increase their tenure at your enterprise. Do not let them feel they are headed nowhere. Otherwise, what's the point?

Internal promotions will help them see that they are valued. They will feel that they can move up to bigger and better things without completely jumping ship. Do not make them wait too long to see movement. If someone is in the same role for years and has been noticeably working harder and harder with nothing to show for it on your end, they will be sure to find a business that is quicker to show appreciation.

Company Perks and Benefits

It is not just about providing healthcare and retirement plans, or free meals at the office. Allow for flexible schedules. Remote work and distributed teams are becoming increasingly popular among companies that are embracing the digital age. If there is a job that can realistically be done remotely, why make every employee come into the physical office location every single day?

Every full-time worker craves a good work-life balance, and studies have shown that it is most often telecommuters that feel they achieve a healthy balance. If that is not feasible, try offering team retreats, bigger holiday parties, or more frequent after-work social functions. Make employees proud and excited that they chose to work for this enterprise over others.

Hiring the Right People

The organizational fit is a must, as discussed. **Aim to filter out those that would not be an appropriate match for the company during the initial hiring process**. By clearly communicating the enterprise's culture and values from the beginning and getting a sense of how the candidate responds, HR can get a good idea of whether or not they will be a fit. Do not make the mistake of hiring someone purely based on skills.

They may hand in a resume and look great on paper, but it is about their people skills as well. Can they get along seamlessly with current employees? Will they be an asset? Conversely, will their presence lead to conflict, thereby leaving more work for HR to solve? The last thing current workers want is a new team member who slows work for them or whose personality makes them miserable.

Every enterprise wants candidates to believe in the vision and mission too. If everyone believes in the same goals, they will work toward them happily and cohesively.

Develop Better Managers

The same goes for managers. **If a manager is constantly making an employee feel bad or is not conducting themselves in a professional way, HR needs to reconsider the manager's employment with the company**. Many companies have come to the unfortunate realization that a worker has been struggling not because of a lack of ability or effort on their part, but because their superior is giving them a hard time. Bullies should not be tolerated in a professional environment.

See to it that there is no place for poor behavior in the workplace. Teams should be working to build each other up, not tear each other down. Constructive criticism and holding workers accountable is one thing, allowing them to feel unhappy behind the scenes is another. HR needs to be aware of what is going on; if someone brings something to their attention, they should be ready and willing to listen.

Bring both parties into the office for a conversation to get to the bottom of what is really happening. Hear both sides. Develop a plan to fix any problems and move forward. Let a bad manager go or create training programs to improve their management. Managers need to live the culture of the enterprise every day. If they are found to be the cause for staff retention issues, they should not stay.

Having What It Takes to Hold Onto an Enterprise's Best Employees

You now know some of the top, proven tactics to get the best employees to build tenure with an enterprise. It takes effort to create a culture worthy of everyone's dedication. But ultimately, once that culture is created, it becomes clear that a significant amount of money, time, effort, frustration, and reputation have been saved. Use the advice in this guide to put together a plan and improve each of the key noted areas going forward.

Work will go more smoothly when the right people for the job and the business, as a whole, are hired—and retained. **Learn even more about how to foster an engaging company culture at an enterprise and identify several types of impediments a team may be experiencing at www.hrcloud.com**.

Unleashing Human Resourcefulness

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For more information visit **hrcloud.com** or contact **Info@hrcloud.com**.