The High Cost of Employee Turnover . . .

and Best Practices for Improving Retention

An Impact White Paper
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Smart managers understand that their employees are their biggest asset in making their organization effective. This white paper will explain the costs of high turnover, how poor supervision may be contributing to employee churn, and how leading companies are teaching their supervisors to coach in a way that promotes employee engagement and long-term retention.

Employee retention is a growing challenge, and the consequences of high turnover have never been more grave. As managers and executives scramble to keep costs low and profits high, calculating the costs of employee turnover and increasing employee engagement is, unfortunately, on many daily to-do lists.

Three Most Overlooked Costs Associated With Employee Turnover

The three most detrimental and often overlooked costs associated with employee turnover are:

1. **Lost Productivity Costs**
   Getting a new engineer up to speed and well versed in company products, policies, and procedures can take many weeks. While you are paying new engineers 100 percent of their salary, they may only be contributing at a 25 percent productivity level. Therefore, the cost is 75 percent of a new employee’s full time salary. Add to that the reduced productivity cost of a supervisor who has not only lost a key team member, but who is also tasked with training a new agent.

2. **Lost Sales Costs**
   This cost applies not only to sales teams, but to all teams. New employees are often unable to provide great service. Customers who receive bad service are more likely to purchase from a competitor. The cost of the customer sharing the negative experience with others will have a long-term effect on sales and new customer acquisition.

3. **Lost Reputation Costs**
   High turnover disrupts and disheartens existing employees, leaving them questioning the company and their career choice. Also, high turnover means
additional workload for the remaining team members. Disheartened employees who are overworked tend to speak ill of the company. *Such malcontent spreads to other departments and even outside the company, and the reputation of the company suffers.*

**Bad Management Is the Number One Reason Employees Leave a Job**

High turnover may be caused by low pay, bad hours, and poor working conditions. But *the number one reason is bad management.* A poor supervisor can quickly sour an otherwise high performing team. The ripple effect of bad management reaches all aspects of business and quickly affects employee morale and customer loyalty.

**The Results of Bad Management**

Bad management costs. Let’s look at the numbers related to turnover. Think about your company procedures and what happens after an engineer leaves. Do you hire a temporary employee to fill the position while human resources sets recruitment wheels in motion? Do you miss your service levels because you’re understaffed? And what about the associated costs? Be sure to include the time to conduct an exit interview, the administrative costs of completing paperwork and stopping insurance and payroll, and the opportunity costs of fewer agents to handle calls. Adds up quickly doesn’t it? And we haven’t even gotten to hiring and training the new employee yet! *Bad management increases employee turnover which increases company overhead exponentially.*

According to the Rainmaker Group, turning over one employee can cost around 50% of a low-skilled hourly worker’s annual wages plus benefits, while losing a member of C-level upper management can cost 3 to 5 times his or her annual wages and benefits.

Consider this: If your center has a turnover rate of 25 percent (about the national average) and employs 40 agents each earning $25,000 annually, your costs of turning over 10 of these employees over the course of a year will be at least $125,000! What could you do with an additional $100,000+ in resources?

**Reduce Turnover by Improving the Coaching Skills of Supervisors and Managers**

*Good coaching starts at the top.* There are several best practices that successful support center managers and their supervisory staff have in common that will assist in reducing employee turnover.
Five Best Practice Tips

1. **Use positive language.** Encourage your managers and supervisors to use positive language when communicating with employees. *Using a genuine and supportive tone sets the foundation for building great rapport and opens the lines of communication.*

   Using positive language is not only essential to being a great leader, but particularly important when delivering bad news or having to decline an employee's request.

   To develop a healthy, positive language habit, remind your team of the following guidelines:

   - **Always highlight the POSITIVE.**
   - **Emphasize what they CAN do— not what they can’t.**
   - **Show willingness to find a SOLUTION.**
   - **If they have to say no, show EMPATHY and explain the reason.**

2. **Listen actively.** *Active and effective listening will transform not only your support center’s productivity but also your supervisory staff’s working and personal relationships and, therefore, their leadership capability.* Remind your managers and supervisors to use these three simple tips:

   - **Focus on the person speaking.**
   - **Let the person finish speaking.**
   - **Confirm understanding.**

3. **Praise with sincerity.** Despite it being easier to do and more fun for your leadership staff, praise rarely occurs in the workplace. Regular praising compels your managers and supervisors to seek the good in their direct reports, and over time a positive effect will be noticeable in the character of their staff. *When employees receive frequent, sincere, and relevant praise, they feel valued and supported by their supervisor.*

   When employees feel valued and supported, they become more committed to their job and are more willing to meet and exceed the needs of the company. *Employees who feel valued and supported are less likely to leave and will be open to additional training and responsibility.*

   If praising does not come naturally for your leadership staff, share these steps with them to help them streamline their thoughts. When praising, place a “BET.”
B = Behavior. Identify the preferred behavior so the employee can continue doing it.

E = Effect. Explain how the behavior contributed to the customer’s positive experience, company bottom line, or anything else that details why the behavior is desired.

T = Thank. Always thank the employee to show appreciation, reinforcing employee behavior and encouraging them to continue improving.

A whopping 70% of employees leave their jobs related to controllable factors by their supervisor.

Source: The 7 Hidden Reasons Employees Leave by Leigh Branham

4. Empower employees. Empowering employees increases their motivation, self-esteem, and desire to tailor service to each individual customer’s needs. Great supervisors know the value in trusting employees to act with the company’s interests in mind.

Trust is key to empowerment, and trusted employees feel responsible not only for their own success, but for the company’s. They’re more engaged, and more likely to stay. Empowering employees is not always easy. Some departments may have strict policies and regulations while others may be more lax.

Here are a couple of tips that managers and supervisors can use to empower agents.

• Give employees the responsibility to make certain decisions that affect their job.

• Ask employees how they would solve a problem rather than tell them how to do it.

• Take time to teach engineers what you know so engineers can handle higher level or more complex calls and work towards reducing time-to-resolution.

5. Interact with employees. This may seem like an easy and obvious suggestion, but having your management staff present in the support center handling supervisory duties at their desks does not qualify as interacting. It is not enough to walk through the aisles and acknowledge a handful of engineers with a smile. True interaction requires a few more minutes of management’s time, and reciprocal action from the engineers.
Meaningfully interacting with agents allows managers and supervisors to get to know their employees on a personal level. Before too long they’ll find out what motivates their agents and what special talents they have.

Managers and supervisors must take the time to develop relationships with their employees, building invaluable rapport and creating a friendly, team-oriented work environment. When agents have meaningful interactions with their superiors, they feel acknowledged and know the lines of communication are open. *Employees who have meaningful interactions with their superiors are more likely to talk openly about issues instead of silently harboring negative feelings about their job or the company, and looking for work elsewhere.*

People stay at a job because of their boss, and they leave a job because of their boss. Bad bosses don’t keep people unless there’s a compelling preventive, such as a terrible economy.

*Source: Northern PA Business Journal*

**Good Supervisors Create Great Employees**

Good front-line supervision is integral to lowering employee turnover because the high costs of recruiting, hiring, and training new agents is continually increasing. Why not invest in existing employees and improve overall company operations? Some managers and supervisors naturally possess exemplary communication skills. Others need training and exposure to the positive effects of a learn-by-doing method of managing and motivating employees.

**Remember, It Starts at the Top!**

While we all like to think we are masters at our craft, over time soft skills are commonly the first skills to be left by the wayside. How can you expect your employees to possess exemplary coaching skills if you, yourself, do not? Your job as a manager is to not only support and reinforce high service and product standards, but also to embody those standards in your own work and disposition.
How We Can Help
Impact Learning Systems can help your front-line supervisors become stellar supervisors who create an engaging environment. A workplace where employees feel like valued contributors makes them want to stay and help the organization succeed.

Our best-practice training program Making It Happen™ is uniquely suited to supervisors who need to coach in a busy call-center environment where much of the coaching happens between calls.

In addition to creating a positive working environment and helping to reduce turnover, companies who have used this program in conjunction with our training programs for customer service, sales, and technical support reps have achieved outstanding results like these:

Sample Results

- Motorola increased customer satisfaction 10 percent while improving first call resolution rates 56 percent.
- McKesson Pharmaceuticals improved first call resolution 57 percent while reducing escalations 29.8 percent.
- MSN improved customer satisfaction 10 percent and reduced call length 9 percent.
- HP improved customer satisfaction 3 percent and reduced escalations 15 percent.

Many other companies have used Making It Happen™ with their own internal service and sales training programs to achieve similar results. To see a demo or to obtain a quote, please contact us at 800-545-9003 or visit our website at www.impactlearning.com.

Additional Resources:
Employee Satisfaction Survey:
http://info.impactlearning.com/reg_esatsurvey.html

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