

GLAD TO SEE YOU GO: The benefits of Employee Turnover

by Lin Gensing-Pophal

Last week, three employees turned in their resignations—just the tip of the iceberg when you look back at the number of people who have left over the past 18 months. As you consider the latest three, you note that one has been a chronic problem in terms of attitude and absenteeism, one has finally succumbed to pressure from her manager to "seek employment elsewhere," and another is leaving because his wife recently accepted a promotion in another state.

So, is turnover good, bad, inevitable, or inconsequential? It depends, says Nan Andrews Amish, a management consultant in El Granada, Calif. "If an organization has significant external challenges and increased competitive pressures and the internal staff does not see the environment clearly, turnover can be a very positive thing. New people bring new ideas, new approaches, industry expertise, and data from wherever they were last."

Of course, she adds, "when a departing person has significant intellectual property, client relationships, or knowledge of complex processes, the cost of training a new person and getting him up to speed can exceed the new person's salary by a factor of two."

Turnover is sometimes good, agrees Donna Flagg, principal of The Krysalis Group LLC, a human resource and management consulting firm in New York City. "It keeps organizations from becoming stale and stagnant. And when it's [from] natural [causes]—moving, marriage, childbirth, etc.—and not the fault of the company, it's healthy. It provides companies with an opportunity to bring in new talent."

But, says Clay Nelson, president of Clay Nelson Life Balance in Santa Barbara, Calif., turnover can be bad. "If a lot of people are leaving your company, you have to take a look at your overall environment. Usually, a seemingly unprovoked mass exodus is a symptom of something having gone wrong in communication or the treatment of employees." Still, he adds, "on the pro side of turnover, businesses that are growing often find that the skills and energy required for the jobs aren't being met simply because as the demands of the jobs grow, frequently the people in those jobs don't. In this case, seeing people leave their positions because they choose not to grow or take on any greater responsibility is a positive thing."

"I can unequivocally say that not all turnover is bad," says Leslie Furlow, Ph.D., founder of AchieveMentors Inc. and a partner in HardinessMentors LLC in Roanoke, Texas. In fact, Furlow points out, there are several instances where turnover is desirable. "As competency needs evolve, some staff members don't evolve with them. Change is essential. Furthermore, it can be a good thing for staff members to move on when they become stagnant as they cease to grow and think. Moving to a new job can revive and reenergize a person and add to their quality of life."

How much is too much?

If some amount of turnover is good, how much is too much? "Depending on the size of the company, 10-15 percent annual turnover rates are considered healthy," says Flagg. "Once you get beyond 20 percent, it's probably something to take a closer look at. Anything over 50 percent should get some serious attention." In fact, adds Flagg, "I once worked for a company where the turnover rate was close to 200 percent, and it was a nightmare."

Ultimately, of course, some turnover is inevitable, says Barbara Brannen, a 30-year HR executive. "My personal opinion is that turnover is a fact of life and driven by many different things. These factors have to do with what people want in life, how well companies manage their employees, and how well we train, educate, and prepare people for what they have to do."

The key, says Andrews Amish, is not just letting turnover happen. There are things that organizations and managers can do to understand and to more strategically manage turnover.

Avoiding the bad

Brooks Holtom is an assistant professor of management at the McDonough School of Business at Georgetown University and a co-author of *Shocks as Causes of Turnover*, based on research about the causes of turnover. According to the research, turnover is often triggered by a precipitating event, or "shock," such as a fight with the boss or an unexpected job offer.

What really matters, as Holtom and his colleagues also point out in their research, can be stated quite simply: Are you losing high performers or low performers? If you're losing high performers, you have a problem.

"Sometimes losing people with corporate intelligence is devastating to an organization," says Brannen. "To that end, it is important to know where this corporate intelligence is in your organization and to be proactive in retaining key individuals. Be sure there are at least semiannual one-on-ones with these key people, and keep them engaged."

Lisa MacKenzie with CareerWomen.com says, "What employers must look at is how to keep engaged the people who make their organizations hum, while allowing the dead weight to roll off." She offers three tips for employers to best manage turnover to keep their organizations running at top performance:

- Foster an environment of innovation - Reward new ideas that impact the bottom line.
- Attract employees that act like owners - Create a culture that supports independent decision making.
- Keep an eye on new talent - Work your network to keep your organization top of mind for power performers.

Managers and supervisors play a critical role in this process, with many studies pointing to the significant impact they have on keeping employees satisfied and engaged.

Facilitating the good

Face it, many organizations have certain employees they would welcome resignations from. It's not necessarily that these people are "bad," Brannen points out. Some-times, organizations simply "grow up" and move beyond the skills set of the person who was hired at an earlier point in the organization's life cycle. You may simply need to hire someone with more experience to meet the new challenges.

Sometimes, even when people are excellent at what they do, they're not really happy. "Their unhappiness permeates all that they will create and impacts the people around them." It can be good for all involved for these people to leave, says Brannen.

When performance isn't there, do you have a process where the employee is responsible for showing you he's capable of upgrading? Using this method will often allow the employee to gracefully make the decision to leave, thus avoiding termination.

Learning from your experiences

Cindy Ventrice is the author of *Make Their Day! Employee Recognition That Works* and an expert on creating workplace loyalty. Ventrice distinguishes between voluntary turnover (initiated by the employee) and involuntary turnover (initiated by the employer) and says it's the former type that organizations are typically most concerned about.

"Analyzing our voluntary turnover rate is a bit like taking our temperature," says Ventrice. "When our temperature goes up a degree or two, it means something. But what exactly does it indicate? It doesn't necessarily mean we're ill." In determining whether the rate of voluntary turnover indicates a problem in the organization, Ventrice suggests that organizations look at three possibilities:

1. Are people leaving because they've realized they're not well-suited for the job? This, she says, would be positive turnover. "You don't want people in your organization who don't have the skills or interest necessary to do a great job." Of course, she adds, if this is the issue, it points to another area of focus. "If people frequently come to this realization after they're hired, then there is a problem in the interview/hiring process that needs to be resolved. Maybe interviewers are glossing over the more gritty aspects of the job or exaggerating the positive aspects."
2. Have employees grown beyond the opportunities available in your organization? If your organization ignores the career development needs of these employees, this would be bad turnover, says Ventrice. On the other hand, "if your managers have nurtured these employees and they have now moved beyond the challenges your organization can provide, then turnover is a great thing! You don't want previously high-performing, but now bored, employees working for you."

3. Are pay and benefits much better elsewhere? "An employee who feels taken advantage of won't stick around for very long," Ventrice says. "But, if your organization really can't pay as well as the competition or the other industries in your area, people may understand - and stick around - if you find other ways to demonstrate that employees are valued."

"Turnover of bad apples is a good thing," stresses Bill Wiersma, founder and principal of Wiersma and Associates LLC, a management and consulting firm in Pleasant Hill, Calif. "While it does represent an experience loss, it can often represent a net gain-bringing on new workers with better attitudes." Newer workers, says Wiersma, are more open to new ideas and innovative ways of doing things. "They aren't biased by events that happened 20 years ago. They won't make unproductive mental associations about people who 'wronged' someone nearly a decade ago. In other words, the culture makes a turn for the better."

One era ends, another begins.

Lin Gensing-Pophal is an independent business journalist with a background in employee relations and corporate communications. She writes business and employee management articles for both general and trade publications and is the author of several books.