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PREOCCUPATIONS

## Here Comes A Turnover Storm

By JON PICOULT

LAYOFFS, cutbacks and stress inflicted on employees in the economic downturn have left many of them discontented and disengaged. As this pent-up frustration is released, the impact on businesses, their work forces and their customers will be pronounced. A turnover storm is looming, and most businesses are ill prepared for it.



George Ruhe for The New York Times

Jon Picoult says that as soon as the economy allows it, many workers will be looking to change jobs - and that companies must be ready to respond.

Even in normal times, turnover is an insidious force that weighs on a company's performance. Many costs, both direct and indirect, are tied to each employee's departure and each replacement's hiring, including those for separation tasks, recruiting, interviewing, testing and training. In addition, overtime and temporary workers are often needed to make up for the impaired productivity and quality problems that turnover spawns.

But turnover's impact can be most sinister on those left behind. Remaining employees must often shoulder the burden of staffing shortfalls, and must assuage dissatisfied customers who become increasingly frustrated with long waits, quality lapses and inferior service.

And as these employees see more and more of their colleagues heading for the exits, doubts start to surface in their own minds. They may wonder if they're sticking with a sinking ship and start questioning their own allegiance to the company. They become more susceptible to dissatisfaction, stress and absenteeism. If these employees also leave, a vicious cycle of turnover is created. Estimates for the cost of turnover commonly range from 50 percent to 400 percent of the departing employee's salary, depending on the nature of the job. Moreover, if an exodus starts at a company, the long-term cost of its weakened brand can be incalculable.

The current economic recovery is fragile, but at some point the cycle will turn. New opportunities will entice previously frustrated workers. To protect themselves from turnover risk, businesses need to take action. They must shift their focus from work-force reduction to work-force retention.

Many companies proclaim that people are their most valuable asset. Yet you'd hardly know it, given how quickly they shed these assets when times get tough. The very term that many companies use to describe their people, "human capital," is inherently dehumanizing and helps explain why employee disengagement is so rampant.

I recently spoke to a Fortune 500 executive who explained why an organization's human capital is really no different than any other type of capital equipment, like aircraft. You've got to develop and maintain people, just like planes, he argued, to make sure you get a good long-term return on your investment.

Lost in this analogy is the fact that capital assets like aircraft depreciate over time. From an accounting and market-value standpoint, they're gradually worth less. Eventually, they're written off entirely. So just what message are companies sending to their employees when they wave the human-capital banner?

# The New York Times

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People are not equipment. They're not investment capital. They have needs, wants, aspirations, worries, insecurities and lives outside of work. Companies that recognize this fact will shape their employer-employee interactions accordingly. These companies, and their managers, become more communicative, more appreciative, more connected and more civil. In a word, they become more human. The employee loyalty engendered by this simple approach can be striking.

Good companies will also take advantage of the emerging environment to attract talent from organizations that can't control their turnover. Here, too, there is much room for improvement in how companies define their employer brand, market their career opportunities and choreograph a recruiting experience that draws the most desirable talent into the fold.

Like existing employees, a company's job candidates don't appreciate being treated like human capital. Employers that bring real humanity to the typically uncharitable recruiting process — by being sensitive to candidates' time and interests and providing prompt feedback — are the ones that will win the day. Just as an employer brand can be tarnished by an exodus of good people, so can it be burnished with recruiting practices that exude kindness and respect.

The cost of turnover is often invisible. It doesn't come in the form of a check written by the C.E.O., or appear as a line item on the income statement. Yet its impact on an organization's people and its bottom line is undeniable.

With so many workers ready to seek new jobs as soon as the economy allows it, the turnover storm is a very real and significant threat to almost all companies. How they respond may shape their competitiveness for years to come.

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*Jon Picoult is founder and principal of [Watermark Consulting](#) in Simsbury, Conn.*