The Turnover Dilemma: Keeping Employees by Fulfilling Dreams

BY MATTHEW KELLY

If PC's were walking out the door with the same frequency that people are leaving companies in the present corporate culture, how long do you think it would take us to do something about it? We'd have an emergency meeting to discuss security issues and have a plan in place in less than 24 hours. The cost of an employee leaving is considerably greater than the cost of a PC and yet the turnover continues to go largely unaddressed in most companies today.

How Much Does Turnover Cost?

Anyone who tells you that they can accurately assess the total cost of turnover is lying. There are certain hard costs that can be very accurately measured, but there are many costs that result from turnover that are impossible to measure. For example, if you have one of your best people training new employees four days a month, you can accurately determine the hard cost by multiplying her daily salary by four and annualizing that cost. But it is impossible to accurately determine the overall cost to the business because you don't know what she would be doing if she was not training new employees: finding new customers, expanding opportunities with existing customers, creating new systems that increase efficiency and profitability within your company, or any number of things that are worth a lot more to your company than four days of her salary each month. The real cost of turnover is lost opportunity, and who can measure that?

This is a truth we should be aware of, but we shouldn't let it stop us from trying to determine the hard cost of turnover for our organization.

How big is the turnover problem? Huge. It's so big that the cost of turnover is often many times greater than the revenue most companies receive from their largest customers. Take Cintas, the uniform people, as an example. With a workforce of approximately 33,000 they had turnover of 11,000 employees last year, or 33%, and estimate the cost of turnover to their company at 110 million dollars. Each percentage of turnover is costing the organization more than 3 million dollars.

But at least they have started to do the math; it is the first step toward solving the problem. US Bank, with its 50,000 employees has a company wide turnover rate of about 30%. Conservative estimates would put their turnover costs at more than 150 million dollars.

Sooner than later, these companies and many others are going to have to start asking the question: Is it easier to find an extra 100 million dollars worth of business or tame turnover?

Most companies have not done the math. Earlier this week I had a conference call with a prospective client to discuss their turnover problem, and how my colleagues and I at Floyd could help them. The company is a call center in Colorado. I began as I always do with two questions for the owner (or CEO). What is your dream for your company? Do you know how much turnover is costing you?

In the next ten minutes I took him and his executive team down the fast and frightening path of accessing the cost of turnover. In brief this is their situation. The call center has 160 employees, 140 on the phones and 20 in administration. Of the 140 callers 75 leave each month. That means 54% of their callers (or 47% of their entire staff) are walking from their job each and every day. That's a 564% annual turnover.

I paused here to ask them how they felt about their turnover level, to which one of them replied, "We'll its within the acceptable range for our industry." Acceptable. I wondered whose idea of acceptable we were using as a yardstick.

Now it was time to break down some math, quick and dirty. How much was turnover costing them? I explained that there were many aspects of that question that could not be answered, but that we could take a look at the hard cost. First, I asked them what their annual revenue was for the last fiscal year. The answer: $3 million dollars. I then asked the owner to write down on a piece of paper how much money he made last year from both salary and profits, before explaining that two-thirds of potential profits are being drained by turnover. Then we got started…

Recruiting Costs: How much did you spend last year on recruiting costs?
$100,000 in salaries and $50,000 in ad placements.
Sub-total = $150,000

Training Costs: How much did it cost you train new employees last year?
They didn't know, so we ran through it. It takes two six-hour days to train an employee. The employee is paid $8 per hour during training. $96 per new employee multiplied by 900 (or 75 each month)=$86,400. Keep in mind, this does not even take into account the hard cost of the employees who are doing the training.
Sub-total = $236,400

Lost Business: Due to turnover was there any business you were not able to complete due to lack of staff? $175,000.
Sub-total = $411,400

Lost Productivity: After two-days of training, at what level are new employees operating?
I suggested a generous estimate. 70% in week one, 80% in week two, 90% in week three, and 100% in week four. Based on an hourly rate of $11 (once new employees complete their training) and a forty-hour workweek, I calculated the cost of lost productivity at: $132 per new employee in week one; $88 in week two; and $44 in week three.
Annualized cost of lost productivity due to turnover = $237,600.
Sub-total = $649,000

Cost of Lost Opportunities: Monumental and immeasurable.

Total = $649,000 + Lost Opportunity + the Aggravation.

Needless to say, it is not difficult for me to convince CEO's and business owners that they should take their turnover problems very seriously. For Cintas, the cost of turnover represents 37% of annual-profits. For this call center, the hard costs represent 21.6% of gross revenue.

Turnover is expensive. If you tried to get the cost of turnover approved as a voluntary expense by boards or shareholders you would fail miserably every time. So, why do we tolerate it? Most would say because it is unavoidable.

Why Do People Leave?

If you asked most consultants in the field why employees voluntarily leave a job they would give you some or all of the following answers...

1. The employee's relationship with his/her manager is dysfunctional.
2. The employee does not feel appreciated and valued.
3. The employee does not feel that his/her talents are being utilized. i.e. they feel like they have more to offer.
4. The employee has no way to measure his/her success or progress.

What most consultants will not tell you is that while these are all valid reasons, they are secondary to what is at the core of the turnover issue. The #1 reason people leave a job is not because they have a dysfunctional relationship with their manager or because they don't feel appreciated. They leave because they cannot see the connection between the work they are doing today and the future they imagine for themselves. When employees believe that what they are doing is helping them to accomplish their personal dreams they can tolerate quite a bit. I am not saying that they should, but they can. Without some understanding of the connection between their daily work and their future, employees will leave for the most trivial reasons.

Certain kinds of work are mind-numbing and menial, but history is full of ordinary men and woman who have labored at such tasks, not because they loved the work or their managers, but because they knew why they were doing it—they had a dream. In some cases, the dream was as simple as putting food on the table for their family or educating their children. For others, the dream was saving enough money to make the voyage to America where a new life and abundant opportunities awaited them. I am not fool enough to believe that we can all be highly engaged by our work. I don't think working in a call center, cleaning office buildings, or a thousand other occupations are particularly engaging. But I do believe that those who see their work as a stepping stone toward their dreams and the future they have imagined for themselves will be infinitely more engaged in their work (regardless of what that work is) than those who do not have a dream or those that do not see the connection between their work and the fulfillment of their dreams.

What Do the Highly Engaged Have?

If you look at the employees of almost any company today you see people from one extreme to the other in terms of engagement: from the highly engaged to those who have quit but refuse to leave. So, what is the difference between these employees? Is it their work? No. There are janitors who are more engaged than some nurses. The nature of the work does not produce engagement in and of itself. Is it the pay scale? No. There is no amount of compensation that can guarantee engagement. Is it the employees level of intellect? No, in fact, some of the smartest people are the most disengaged from their work. So, what is the difference? **Highly engaged employees tend to have a vision that they are working toward.**

Some are working to hit their sales numbers, to get that bonus, so that they can take a vacation. That is their dream, and their dream engages them. Not the work. Not the money. The dream. Others have a vision for their career and they are working hard to achieve the next promotion, which will take them one step closer to their dream. The dream engages them. Not the job. Not the title they have or the one they seek. The dream. Some work to give their children all the things they never had. Others are engaged by the dream of an early retirement or financial security.

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For the most part, it is not our work that engages us, nor the money and things that our work brings into our lives… it is our dreams. Highly engaged employees have a dream and they are working toward their dream.

We may not be able to solve the turnover problem, but we can certainly tame it. In many cases all that would be required to massively increase the profits of companies would be to increase the average time an employee spends with the company from three months to six months. Nobody is under the illusion that employees are going to spend their whole lives at a company, but surely we can convince people that working in a job for a year or two is a good first step in the direction of their dreams? This is the key to taming the turnover problem.

What's Your Dream?

If you have to stop to think about this question, then you have been neglecting one of the most important aspects of life. We are driven by our dreams. Nothing animates the human person like the pursuit of a dream. If you want to breathe passion and enthusiasm into any situation, relationship, or team, place a dream at the center of it. Dreams inspire people, and we don't do anything until we are inspired.

The corporate world is desperate for visionaries, for men and women who have a vision for themselves and a vision for their project, team, department, or company.

So, where do we get started? I could tell you a hundred ways to apply these ideas to your company, but what is most important is that you apply them to your life. Apply them to your life, and applying them to your team or company will be an easy next step. This then is your first assignment if you wish to partake in the revolution that the ideas in this manifesto demand. Take a few minutes today to sit down and make a list of your dreams.

Consider these twelve areas. Physical. Emotional. Intellectual. Spiritual. Psychological. Material. Professional. Financial. Creative. Adventure. Legacy. Character.

Jot down your dreams in each of these areas, and carry that list with you in the coming days and weeks. When you have a few minutes while you are in line at the supermarket or sitting in the waiting room at the dentist, take it out and reflect on your list. Review your list at least once each day for the next month, adding to it as new dreams occur to you.

Become a man with a dream. Become a woman with a dream. Dreamers believe that their future is going to be bigger than their past, and it is exciting to be around people with that belief. We all have a different definition of bigger, and that's okay. For some people a bigger future means more money, more things, more customers, and more market share. For others bigger is a better marriage, more time with their children, more learning, more experiences, more opportunity. For others yet, a bigger future means better education and health care for the needy and a world in which our children can grow free and strong. What does your bigger future look like?

Now is a time to dream. This is a time for dreamers. We need politicians with the courage to dream, we need teachers who are willing to dream, and we need business leaders who are dreamers. The bean-counters may be necessary, but they have had their day. The future belongs to those men and woman who have the courage to dream and the conviction to articulate and pursue their dreams. Gandhi did not just have an idea, he dreamt of an India free to determine its own destiny. Abraham Lincoln dreamt of a nation united under one flag. Lee Iaccoa didn't just have a plan - he had a dream. Steve Jobs had a dream. Jack Welch had a dream. Warren Buffet had a dream. Bill Gates had a dream. Mary Kay, Ray Kroc, and Henry Ford, they all had dreams.

In a land where there are no men and woman of vision and leadership, in a land where there are no poets and musicians, in a land where there are no dreamers—the people of that land will most certainly perish. But you and I, we are the men and women of vision and leadership, we are the poets and musicians, and we are the dreamers of the dreams.

Martin Luther King Jr. didn't stand on the steps of the Lincoln Memorial and say to the thronging crowds: "I have a strategic plan…." No, he announced to the world: "I have a dream…"

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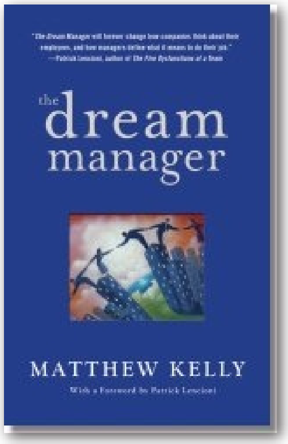

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Get more details or buy a copy of Matthew Kelly's *The Dream Manager*.

ABOUT THE AUTHOR

Matthew Kelly is an internationally acclaimed speaker and New York Times bestselling author. His latest book, *The Dream Manager* deals specifically with the issues of employee engagement and turnover. Kelly is also the president of Floyd Consulting, a Chicago-based consulting firm founded on the belief that a company can only become the-best-version-of-itself to the extent that the people who drive that company a becoming better-versions-of-themselves. Kelly's passion is helping people and organizations identify and pursue their dreams.

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