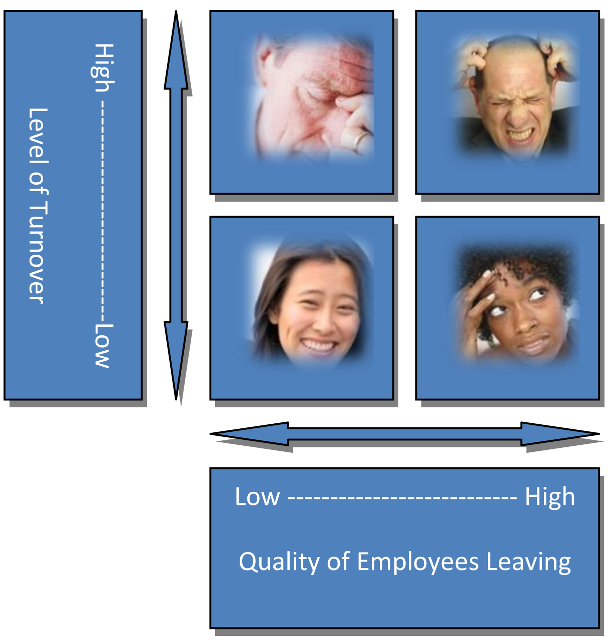
# What Does 20% Turnover Mean to You?

## Lower than average turnover isn't always good

Many companies tend to gauge their rate of employee churn against the other companies in their industry. So, if your industry average is 40% turnover, and your company is experiencing 20% turnover, then you can sleep peacefully at night, right?

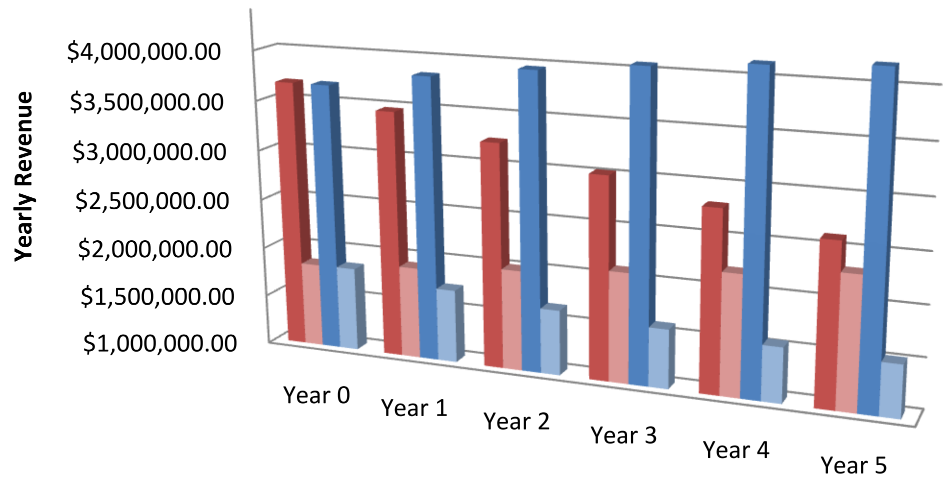
Not necessarily.




## Who's leaving?

This is the question that you should be asking, no matter the level of your turnover. This is an important question to answer, because if the 20% of your work force that's leaving you every year are your best employees, you're probably supplying your competitors with new, trained employees, and you're retaining the people that are the ones that are a burden on your company.

Even if you have low turnover, you need to know if you're losing your best employees. When you're losing the good employees that you're hiring and keeping the low performers, you're in a cycle that leaves you with a lot of low performers and hardly any superstars. More low performers in your organization can impact the climate of your office, and cause even more good people leave. That's a recipe for failure that can lead you to eventually having even higher turnover problems and leave your company hemorrhaging the people you need to keep around to be successful.




| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|---|
| Company A (High Performers) | $3,680,000.00 | $3,466,560.00 | $3,244,580.49 | $3,022,493.54 | $2,808,815.87 | $2,611,573.91 |
| Company A (Low Performers) | $1,840,000.00 | $1,917,280.00 | $2,004,778.40 | $2,101,644.04 | $2,206,566.63 | $2,317,555.64 |
| Company B (High Performers) | $3,680,000.00 | $3,834,560.00 | $3,961,694.43 | $4,063,580.20 | $4,139,755.67 | $4,190,872.80 |
| Company B (Low Performers) | $1,840,000.00 | $1,733,280.00 | $1,652,646.42 | $1,592,498.86 | $1,550,088.32 | $1,522,863.13 |

*An example using fictional data shows what's presented on the previous page about the vicious cycle of dysfunctional turnover. Company A is experiencing dysfunctional turnover (losing 10% more of its highest performing employees than company B), so when they recruit and hire new people, they're replacing at the same rate as company B, which is experiencing functional turnover. Your superstar employees are your higher producing employees, so when company A loses these at a faster rate than they can replace them, after 5 years, the results start to become very clear. Company B has more superstars and few low performers, and the difference between the two is that it is getting over $1.5 million more out of its highest performing employees.*

## How do you keep the best and never hire the rest?

Examining your performance management and rewards systems makes sure that they are motivating and reward the behaviors that you want them to. When you do this you can insure that employees you've hired know what's expected of them, and will want to continue performing to the best of their ability.

When your employees come into your company much more sure that they're in the right place, confident of what they need to do to succeed, and motivated to succeed, your company will reap the benefits of keeping the best people around and not the ones who will perform poorly and be unhappy.

If you're experiencing dysfunctional turnover, then the two most important places to look are:

- Hiring practices & selection system
- Performance management and rewards

Investigation of your hiring practices can help you be sure that you're selecting the right people for the job, and that you're giving them enough information about the job to let them decide if it's right them. Getting the right people on the job is all about insuring that the way you select for a job actually predicts performance. You can augment this with devices, called realistic job previews (RJPs) that help potential employees decide for themselves if they'll make good employees and be happy on the job. When these two pieces work together you can make sure that you keep your superstars.

For more information about turnover and fixing problems, contact Bill Sherman (bill.sherman@intulogy.com, 314.397.5648)

or

Dan Hawthorne (drhawthorne@nyctophobia.com, 314.898.2266)