

The High (and Sometimes Overlooked) Cost of Employee Turnover

People leave. They resign from their jobs, request transfers, move to jobs with the competition, and sometimes just stop showing up – often with little or no explanation for their actions. Unfortunately – and unsurprisingly – a lot of employee turnover is the result of emotions spinning out of control in the workplace. The costs to a company in actual revenue are a consideration that is often underestimated – or not even addressed by companies – until a crisis occurs. Studies by the American Management Association and other organizations reveal that a pattern of resignations and transfers needs to be looked at carefully because such a pattern can add up to significant unrecoverable costs for the company. Here are some of the costs that are generally identified in U.S. business:

- ▶ Actual exit costs surrounding the person's departure, including lost productivity from a vacant position and loss of departmental productivity and delivery of key projects due to the disruption, costs of temporary staffing, HR personnel hours, severance pay, unemployment insurance, loss of skills, and loss of customers that a departing employee may take with him or her.
- ▶ Costs of replacing the employee, including advertising, recruiting costs, HR costs of handling and processing resumes and conducting interviews and performing background checks.
- ▶ Costs of onboarding a new employee, including HR costs of putting the person on the payroll, setting the person up with computer and passwords and other office-related costs, orientation, costs of persons doing training and providing training materials, lost productivity from supervisor and other employees who are training and mentoring the new hire and reviewing his or her work.

And that's not even considering the costs in company brand and reputation. Financially, the costs of employee turnover can vary according to industry, job level and experience of the employee. Generally, cost of turnover is calculated based on the annual salary of the employee, ranging from roughly 6 months' salary (for hourly workers) to 18 months' salary (for professional employees). A rough

estimate of the cost of employee turnover can be computed as 150% of the yearly compensation of the departing professional employee, with a higher percentage for managers or salespeople, approaching 200-250% of salary. According to this formula, the departure of a professional employee earning \$32,000 will cost your company a minimum of \$48,000. Thus, multiple departures could add up to significant business loss – something to consider as you work with the concepts of emotional continuity in the workplace that we discuss in this book. – *Editors*

0.2.2 Goodwill

Think of the damage to the company's goodwill from these headlines! For most companies, goodwill determines longevity. Goodwill is mathematically factored by historical data, expectations of the industry, trends, and mythological predictions of future business. Predictions are fantasies. Certainly some fantasies match reality quite closely, but until a crystal ball is invented, or businesses hire psychics as consultants and their numbers are verified and repeatable, goodwill is a hope, not a sure thing. Many businesses attach a goodwill value to the selling price of their business. They have built up a reputation, and it is a valuable asset.

Clients and customers are attracted or repelled by goodwill concerns. Customer service is the subject of very expensive trainings and policy meetings for businesses that make an effort to keep people coming to their company for products or services. When people do not come, the bottom line is not maintained. And people don't come if they do not like you. This is one powerful domain of emotions at the workplace that can easily be translated into lost revenue. Large corporations spend billions on convincing the public that they are the "good guys." Loyalties shift rapidly, and one day the good guys are the bad guys and revenue dries up.

The loss of goodwill can span industries and revenue streams for decades. What does the word *Columbine* mean to you? What did it mean 10 years ago? The *Titanic* was pitched as the safest maritime product and service in the known world. The *Titanic* was sold as "unsinkable." Today the word *Titanic* is synonymous with loss and doomed failure. Some loss, like the *Titanic*, spans fiscal and goodwill costs for decades.

Do this: Consider goodwill as money on its way.

Don't: Think people aren't paying attention to the smallest ripple of attitude.