



## Invest to Keep

*“Today’s employees are placing greater emphasis on managing their own careers, demonstrating greater loyalty to their own personal advancement rather than their employer”.*

The Hudson Report, Australia, October – December 2007

### Turnover Facts

Alarming new figures from the Australian Chamber of Commerce have predicted that staff turnover costs will top more than \$100billion over the next 12 months unless companies change their focus from simply attracting new staff to developing and retaining their current employees.

Staff turnover costs to Australian business have increased by \$20billion, according to AHRI’s latest HRPulse survey. The survey found an average turnover rate of 18.5% (HR Pulse survey 2008) across all organisations, which is a rise of approximately 6% from last year (AIM National salary survey 2007).

The Australian Bureau of Statistics calculates the cost of turnover on an average salary of \$55,660.80, a workforce of 10.6 million and a conservative turnover cost estimate per employee of 75% of salary. Take into account also, the invisible costs such as loss of productivity, opportunity cost of the vacant position and the learning curve of the new hire.

Aside from costs, the issue of stability is also a concern. It is unsettling for both other staff members and for customers to see a high turnover rate. It neither inspires confidence or morale.

Minimising staff turnover will benefit your organisation. Replacing staff is a costly process - skills are lost, resources are disrupted and recruiting new personnel takes time and money.

### Why Do People Leave?

According to Regent Recruitment, the main reasons that good employees leave can be categorised into ten areas:

- 1. Under-staffing** - are your employees expected to carry an unrealistic workload that sees them working long hours day after day without respite or promise of a better future?
- 2. Poor Communication** - are management communicating with staff in an open, transparent and timely manner?
- 3. Lack of Challenge** - are departing employees saying that they needed more responsibility, and do they seek opportunities that just don't exist in your current organisation?
- 4. Lack of Empowerment** - Are staff empowered to make reasonable decisions in their job? Or is micro-management the rule?

**5. No Recognition** - Are employees being recognised for their efforts, over and above their pay packet? Does this recognition occur in both 'Manager-to-employee' and 'Manager-to-team' situations?

**6. Limited Work-Life Options** - Are you flexible with job sharing, maternity / paternity / study leave; are employees able to work part-time or from a home office?

**7. Poor Company Culture** - Are there ethical issues at conflict with what the company says its culture represents and how it actually operates?

**8. The Employee's Life Situation Has Changed** - Have departing employees just married or had a baby; are their salary and benefits no longer supportive of their life needs?

**9. Questionable Promotional Practices** - Has management promoted someone who lacks the training and/or necessary experience to supervise, alienating staff and driving away good employees?

**10. No Enjoyment** - Have departing employees simply stopped having fun at work and enjoying their jobs?

The above 10 reasons can be attributed in part to poor people management. Jo Mithen, CEO of the Australian HR institute believes that “***There are elements of truth in that people don't leave bad jobs so much as they leave bad managers***” Just because someone is good at their job does not mean that they will automatically be good at people management.

## **Learning, Development and Executive Coaching**

Another top reason for employee turnover is lack of training, according to many surveys and business publications, including the *Harvard Business Review*. The desire to learn is a significant catalyst in the attraction and retention of top employees.

Studies of training across developed nations reveal that organisations with lower staff turnover spend the most on training and education.

Staff who receive ongoing training are more likely to commit to their employers because:

- completion of the training develops their careers
- the training enables them to take on greater responsibility and higher paid work.

## **Preconceptions and Misnomers**

The perception of training and coaching is that it is expensive; staff aren't contributing to the business whilst attending learning and development sessions and it is time-consuming. However, results from a *2001 Manchester Consulting* survey of 100 executives participating in coaching programs suggested that coaching can deliver strong returns ([Click here to see the report](#)). In fact, participants said that coaching delivered them an average return on investment (ROI) of over \$100,000, almost six times the initial cost.

Seven out of 10 put ROI at \$100,000 plus, while three in 10 valued the ROI between \$500,000 and \$1 million.

One study of 43 executives involved in a coaching programme estimated the ROI as **5.7 times the initial investment** using measures such as increased turnover and organisational responsiveness.

*“Since we developed the team’s charter, turnover has been reduced. I know for a fact that we retained seven employees, each with a salary of \$65,000. It costs 20 percent of their salaries to replace them. Thus, \$91,000 has been saved. Also, I have been promoted and my salary increased by \$20,000 [indicating increased value to the organization]. In sum, the value of my coaching was \$111,000. I am 100 percent confident in this estimate.”*

*(Reference Manchester Consulting).*

Summary of the impact of coaching -

<b>Business characteristic</b>	<b>Average Improvement (after executive coaching)</b>
Leadership	27.6 %
Teamwork	13.0 %
Staff Morale	8.3 %
Satisfaction of senior management	7.0 %
Staff Satisfaction	5.5 %
Image of Organisation	3.5 %
Staff Turnover	0.5 %

*Ref: Research Report by Caroline Gladstone  
([Click here to see the report](#))*

## **Effective Methods of Learning and Development**

The *IRS Leadership Development Survey* of 84 organisations - covering a combined workforce of 476,000 people - shows that e-learning, while cited by two organisations as the most effective, is regarded as the least effective method by more than one-quarter (23) of the organisations polled. Other methods that failed to make the grade included external conferences (cited by nine organisations), classroom-based learning (six), and interactive/drama-based learning (six).

**Action learning, 360-degree feedback and coaching and mentoring have been cited as the most effective methods of leadership development, according to a survey by *Personnel Today's* sister publication *Employment Review*.**

No matter how busy you are, consider this. ***You could be much busier if you lost one of your team.*** Take a few minutes each day to think about your staff and one thing they have done that was good. Then pick up the phone or walk over to their desk and thank them for it.

*'Asking employees at time of termination "Why are you leaving?" is like asking your spouse "How to improve the marriage" on the day before the divorce is final! By that time it's too late to do much anyway'*

Dr John Sullivan

## References

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