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MaxImizing insights

March 2005

Practical strategies for hiring, managing and motivating today's employees

News to Use

A 10% increase in turnover results in a 2.5% increase in total project labor costs.

According to a *USA Today* survey of top executives:

- 82% admitted to cheating at golf.
- 72% believed that behavior on the golf course was a good indicator of general business behavior.
- Interestingly, though, 99% still considered themselves "honest businesspeople."

When executives from 1,000 of the nation's largest companies were asked in another *USA Today* survey how comfortable they were looking for a new job while still employed, 36% said "very comfortable" and 33% said "somewhat comfortable."

Source: The Perfect Labor Storm *by Dr. Ira Wolfe*

"I don't think the term 'human resources' is degrading. Our last boss classified us as 'perishable supplies'."

The hidden costs of turnover

Protecting your company's bottom line from the unexpected

By Barbara Metzger
President, MaxImize

Let's face it: turnover is a natural part of running any business. Employees retire, change careers, move away, are let go or, on a brighter note, get promoted.

In fact, it's not unusual for some industries to experience as much as 100% turnover per year in certain entry level positions. And it's no secret that sales positions are notoriously high in turnover. How many companies simply resign themselves to hiring salesperson after salesperson, hoping against hope that the next one will A) be worth keeping, and B) be willing to stay? Too many, unfortunately.

Natural or not, turnover costs businesses money. And excessive turnover can really damage the bottom line. Consider these major areas of expense:

Lost Opportunities — Particularly if there's no replacement already lined up, an employee's sudden departure can dramatically hurt a business's efficiency and productivity. Someone else (or maybe everyone else) has to shoulder the extra load, which means other vital tasks are being neglected. Whether the result is administrative chaos, delayed project proposals, missed deadlines or poor customer service,

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Unsung workplace heroes: S is for "steady"

(Fourth article in a series about the DISC behavior assessment model.)

Since the 1950s, the DISC model has consistently proven a reliable and insightful tool for predicting workplace behavior. Although we tend to group people into one of the four dominant styles, the reality is that about 95% of us are a combination of styles.

In graphing the DISC model, the most observable behaviors show up as points either high above or far below the center line.

March has often been called the year's most unpredictable month, so it's fitting that our topic is "S": the measure of a person's steadiness.

High S's are fairly soft-spoken and outwardly unemotional. They move through life at a stately, steady pace and take their time in making decisions.

High S's are team players. They're good listeners, dependable, loyal and organized. They're deliberate, detail-oriented and process-driven, and they'll doggedly pursue a project until it's finished.

That steadiness comes at a price, though. High S's may have trouble prioritizing and multi-tasking. They may be slow decision makers who are resistant to

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High "S's" keep things running smoothly

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change and easily overwhelmed in pressure situations. Worse, they often don't speak up when pushed, resorting instead to passive-aggressive behaviors. Angry high S customers, for instance, probably won't let you know it — they'll just go away.

Low S's, meanwhile, usually appear flighty and scattered to high S's. They may have difficulty completing projects and can be easily distracted — but they are better multi-taskers than their high S peers.

If you're managing a high S, give them the time they need to absorb changes, make decisions and complete projects. Appeal to their sense of what's best for the team. Conscientiously and patiently poll them for their opinions and listen to the answers.

Most importantly, do what you can to alleviate pressure. Set expectations in advance so they can adjust their game plan. Stay consistent and reassuring, and avoid springing surprises on them.

Remember, high S's may not be flashy, but you wouldn't want to run a business without them.

Calculating the real cost of employee turnover

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it all too often means customers taking their business somewhere else.

Interviewing and Hiring — Talk about a time sink. Factor in all the hours set aside to advertise the position, analyze the job requirements, review resumés, screen applicants, interview applicants (perhaps more than once), make the hiring decision, provide an orientation for the new hire, and set up benefits and workstations. Add in the cost of actually advertising the position, paying travel expenses, offering signing bonuses, and buying training materials and equipment.

Training — Hiring is just the first step, of course. Now there's that painful adjustment as the new employee learns the ropes. Productivity is down and mistakes are up. And since someone has to hold their hand during this process, some trained employee is forced to spend valuable time away from their area of responsibility. If the ripples reach the customer (usually in the form of bad service, botched orders or missed deadlines), the result can be lost business — and some bad word of mouth.

A very conservative estimate of the real cost of replacing even an entry level employee still rings in at a costly 1.5 times their annual salary. For sales or management team members, the price is even steeper — usually 2 or 3 times their yearly pay. Even if your bottom line can absorb it, couldn't you find better uses for those fiscal resources?

How many employees have you lost in the last 12 months? Plug their numbers into the above formulas and see for yourself the drain on your bottom line.

The best way to control turnover is at the front-end, with a cohesive, comprehensive hiring plan. Make sure you get the right people in the right positions and the chances of them bolting (or being fired) dramatically decrease.

Take the guesswork out of hiring and you'll go a long way towards taking the sting out of unexpected employee turnover.