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Why replacing staff is lousy business

It wasn't uncommon, once, to know a dozen people who had been at their company for 20, 30, or even 50 years. Today it's becoming increasingly rare, as career paths are less of a straight line and more of a jagged edge.

At my company, we are especially proud of our employee tenure numbers. Nearly 20% of staff have been here for more than five years and 13% more than 10. We put it down to investing in the growth of our team at the same time as growth in our business. When we took on a new challenge, we promoted from within and encouraged people to learn new skills and then hit the ground running.

But around 10% of the UK's employed population will change jobs this year. And, you must ask, why wouldn't they? Gifts of gold watches and prime parking spaces are out, and so is the expectation that university-educated millennials would look for a job for life.

Not surprisingly, a Glassdoor 2019 report found 57% of the millennial workforce expected to change jobs within two years.

This is bad news for law firms, where the costs of recruiting or replacing staff are exceptionally high.

In 2019, the average cost-per-hire for a UK employee was £3,000 (Glassdoor). Compare that to the £39,887 needed to replace one legal professional (Oxford Economics).

The legal profession also has one of the longest 'bedding-in periods,' with new recruits needing up to 32 weeks to reach full productivity levels (Oxford Economics). That means every time an employee is replaced, up to seven months' revenue is affected.

Then there are recruitment costs, job advertising fees, and interview expenses. Plus, lost productivity for those involved in the hiring and onboarding process. Last year, the average length of the job interview process in the UK was 27.5 days (Glassdoor).

So, how can your firm hang on to the staff it has? Some are incorporating short-terms wins for workers, like flexible working arrangements and salary bumps. There is no question these are valued changes, but firms shouldn't forget about the long term. Firms must offer room to grow through training and development. Your staff must be able to clearly see where they could fit into the firm's long-term plan, otherwise where is the incentive to stay?

Above all else, people want an environment where they are treated with respect by other staff, and especially management, and that everyone in the business is working towards a common goal without office politics getting in the way. Staff must feel free to experiment and occasionally make and admit to mistakes, knowing that management will support them as they learn and grow.

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Starting from scratch: building a culture

My co-founder, Jack, and I were by ourselves for the first 14 months of Thirdfort's existence. On hiring our CTO, Udi, we built and launched our first product five months later. Since then, everything has changed – we have hired 14 people in 14 months and opened offices in Manchester and Sri Lanka.

As first time founders, the learning curve in creating an exciting and productive work environment was steep, but having spoken to other founders and picked up many lessons along the way, I've observed two key things that I believe help foster a dynamic and inclusive culture.

Firstly, we encourage everyone, no matter what role, to challenge ideas across the organisation. This leads to better business decisions with the benefit amplified from a team with diverse backgrounds and skills (we have seven nationalities in our team of 17 spread across the business). I want the most junior team member to challenge ideas with as much rigour as me or Jack.

In the early days, Jack and I wore 100 hats. From BD to accounting to client setup and support, it was dynamic but we quickly learnt that we couldn't be experts at everything. In scaling, the priority became about hiring quality people and getting out of their way. As Steve Jobs remarked, 'It doesn't make sense to hire smart people and tell them what to do; we hire smart people so they can tell us what to do'. I'm a firm believer in this approach – giving the right person autonomy frees them up to rapidly grow and exceed expectations. A collective operating this way is paramount and is why we work hard to hire and retain exceptional people who champion our core values.

Secondly, I've observed the power of giving all employees access to what's going on in the business (except for sensitive areas like compensation). This is harder operationally than one might imagine. Individual quarterly targets, weekly progress and cross function company folders are all open and we encourage new joiners to have a snoop around. Companies such as Monzo are particularly impressive here – their meteoric growth, from 300 employees in 2018 to 713 in 2019 whilst keeping a strong, cohesive culture (voted #1 LinkedIn employer 3 years running) is a testament to the benefit of investing in transparency.

Obviously, there are many intangible factors that help create a great culture but we've found constructive debate and letting capable people have visibility of 99.9% of the business crucial to us forming a strong, cohesive team of people without which Thirdfort would be impossible.

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