



CultureSmith Inc. Presents:

The Little Red Book On:

Turnover



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An Executive Summary on How To Retain The Most
Valuable Assets Your Company Will Ever Have.



Has Your Company Become A Revolving Door?

YOU DON'T BUILD
A BUSINESS.
YOU BUILD
PEOPLE,
AND PEOPLE
BUILD
THE BUSINESS.
—ZIG ZIGLAR

You're familiar with the phrase, **one step forward, two steps back**.

The Cambridge Dictionary describes the meaning of this phrase as, *"making progress but then experiencing events that cause you to be further behind than you were when you made the progress."*¹

The exact same statement could be used as the definition of employee turnover.

There is no positive argument that can be made for having high levels of turnover.

Even if the individuals exiting the organization are poorly aligned, disruptive or downright toxic, the time, effort and expense that goes into addressing issues of turnover forces organizations to slow their progress, lose competitive advantages and hemorrhage cash.

Turnover is costly, messy and disruptive. It is also entirely avoidable if you understand the forces behind it. This executive summary discusses these forces in a way you can understand so that you may take the necessary steps to prevent them.

Prevention is key. 60-70% of employee turnover is voluntary² meaning it's driven by **choice**. Understanding why people are **choosing** to leave gives you the insight that can influence them to **choose** to stay.

Which leaves you with a choice; implement what you learn here, or be content to rationalize turnover as a product of a 'tough market' or an 'entitled employee base'.

Which will you choose?

In our [Executive Summary on Toxicity](#), we broke down the costs associated with toxic workplaces across a number of categories. Some of the categories outlined below are the same as those used during that analysis.

With this summary, we wish to emphasize the **preventable** nature of turnover, which is why here these same factors are positioned as **risks** rather than direct **costs**. Fail to address turnover, and these costs will become real. However, if you follow the steps we will outline later, each risk becomes entirely avoidable.

The Escalating Risks of Turnover:



Financial Risk: Costs allocated to employee turnover represent more than 12% of pre-tax income for the average company. For companies in the 75th percentile of turnover rate, these costs are equivalent to nearly 40% of income.³



Data Security Risk: 87% of employees who leave a job, take with them data that they created in that job and 28% take data that others created.⁴



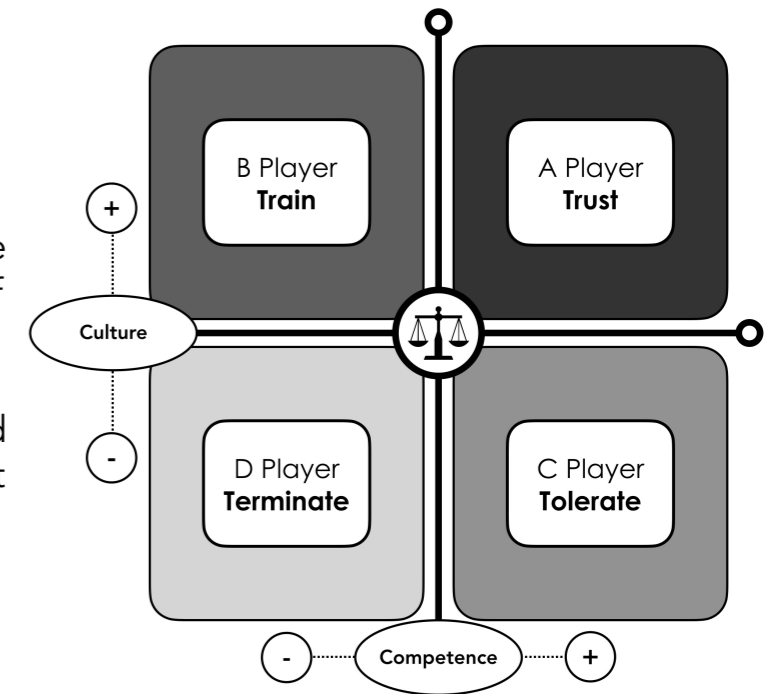
Productivity Risk: A new employee may take 1-2 years to reach the level of productivity of an existing person.⁵

Of course in order for these costs to be realized, someone needs to leave the organization. As a result, much of the academic theory around turnover is how to prevent it. As with all elements of organizational psychology however, it's not quite that black and white.

CareerBuilder estimates the average cost of a poor hire that ultimately leaves is \$14,900.⁶ However, they estimate the cost of every **good** hire that leaves **as a result of retaining a poor hire** is \$29,600.⁶ 'Retention' on it's own cannot be the goal. Determining who to retain is where the actual value lies.

There are two variables when it comes to 'fit', the degree to which one can do the role (**Competence**) and the degree to which they align with your company (**Culture**). We refer to those who fit both as **A Players**. They can be **trusted** to not only do their jobs, but to do them in a way befitting the values and expectations of the organization. Those who lack some Competence, but fit Culture are **B Players** who can be **trained** into becoming future A's. **D Players** are those who fit neither Culture nor Competence and can safely be **terminated**, while **C Players** represent the biggest risk you will ever face as an employer.

A C Player by definition creates some value based on their Competence. Your level of **tolerance** for them is directly correlated to how much value their Competence creates. However, their lack of Culture fit often compels them to act out. Just because you are tolerating them based on what they are producing, it doesn't mean the rest of your people will. Hang on to too many C Players, and you will see your highest level of turnover with your A's and B's.



As you can see, dealing with turnover is far more nuanced than simply finding ways to make your people stay, and thanks to some once in a generation shifts in the world around us, it's about to get a lot more complicated.

63% of leaders claim to have seen an increase in turnover in the past three years.⁷ The figure to the right breaks down the 'perfect storm' of elements creating this increase. It's a phenomenon dubbed, '**The Mercenary Market**'.

Shrinking Corporate Lifespans: The average lifespan of a S&P 500 company shrunk from 68 years in 1958 to 18 years by 2012. It is forecast to be less than 5 years by 2026.⁸ This is due both to established companies being disrupted and new ventures being launched with the intent to be acquired within their first few years. Regardless, employees no longer join a company with thoughts of working there for 30 years and collecting a pension, because they no longer see companies that last that long.

Seismic Demographic Shift: During **each day** of the 18 year period between 2011 - 2029, 10,000 baby boomers are expected to retire.⁹ An entire generation is in the midst of leaving the workforce, all at once. It's important to point out that it's not a random 10,000 bodies per day either. It is the most senior and most tenured you have. Organizations are facing a critical loss of knowledge on top of the loss of labour capacity.

Advanced Recruitment Technology: 172,800 new LinkedIn profiles are created by job seekers **every day**. This works out to roughly 2 per second.¹⁰ The process of finding a new job used to be incredibly slow and manual, essentially tethering people to their jobs regardless of their level of happiness. Now, thanks to technology, employees can not only seek and apply for jobs easier, they are proactively contacted by recruiters and hiring managers even if they are not in an 'active' job search.

It's the overlap and resulting compound effect of these macro-level shifts that have altered the **Attitudes**, **Opportunities** and **Expectations** of employees, creating the Mercenary Market mentality.

Attitudes x Opportunities x Expectations = a collective change in employee behaviour. In short, your employees have never **needed** you less. Preventing turnover therefore requires making them **want** you more.

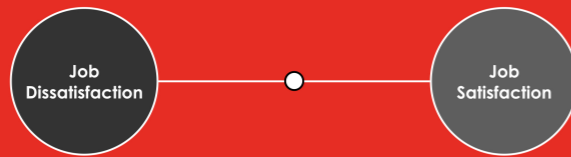
At the rate companies themselves are turning over, it's no wonder that employee perception has shifted to focusing on the needs of their career over the needs of their current employer. With senior level roles that meet those career needs opening up at an unprecedented level due to retirements, we've seen a decided shift toward employee-centric Attitudes.

Again, mass retirements lead to mass job openings. Jobs that employees learn about faster and apply for easier thanks to advancements in technology. Today's employee has more Opportunities to leave their organization than ever before.

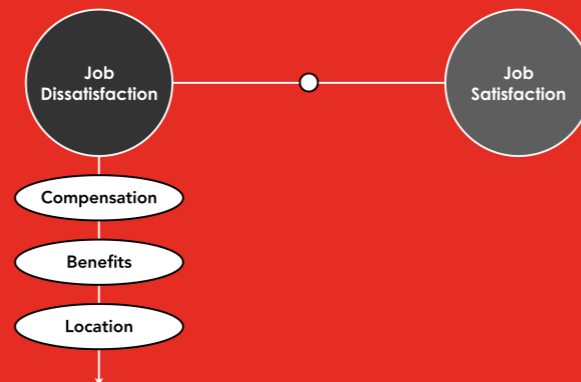


When technology allows you to be contacted by recruiters daily, it's easy to feel you're worth more than you're getting. Add in diminished employee loyalty due to shorter company lifespans and you have an increase in Expectations.

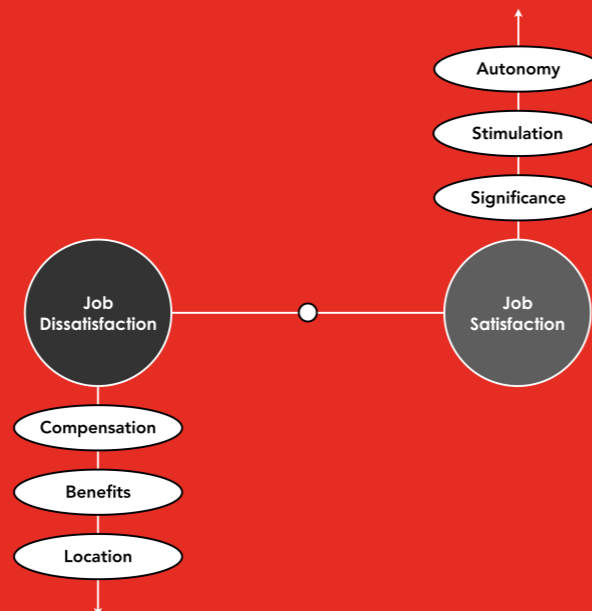
Now when we say you need to make your people **want** you more because they **need** you less, this does not mean you run out and offer them a raise and a parking spot to get them to stay. This is a trap that many organizations fall into when they mistakenly view **Job Satisfaction** and **Job Dissatisfaction** as opposing ends of the same spectrum.



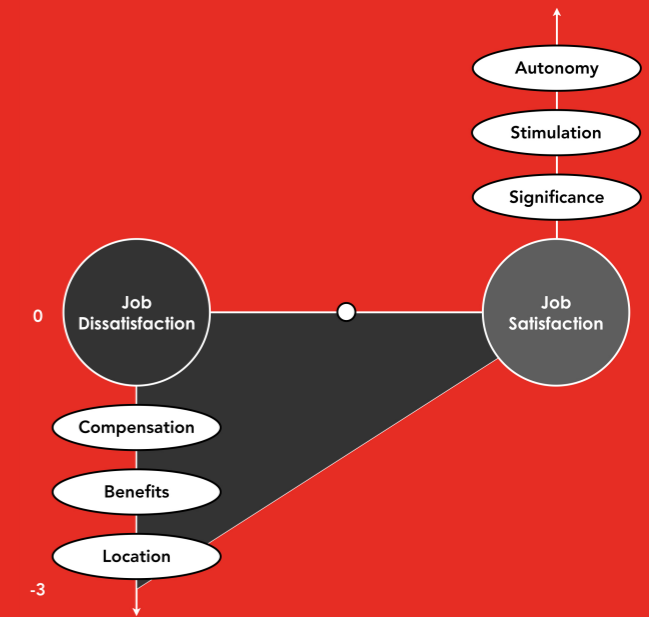
In reality they are two totally different concepts with two totally different sets of variables attached. Things like compensation, benefits and location of work are elements of **job dissatisfaction**. For example, when you feel underpaid, this **increases your level of dissatisfaction**. If however your employer raised your pay, this wouldn't make you love what you actually do any more or any less. These factors therefore have **no influence on satisfaction**.



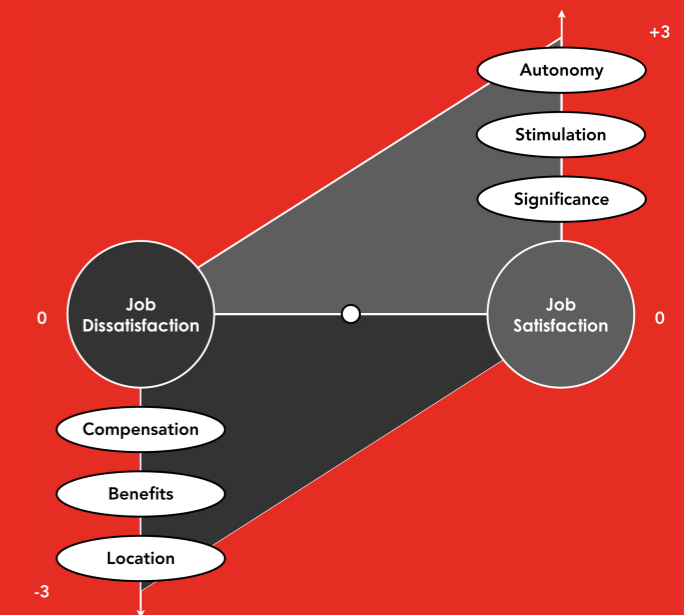
If however the work you did felt **significant**, the work itself was something you found **stimulating**, and you were given **autonomy** to do your job as you saw fit, you would experience increased levels of **job satisfaction**.



In essence, this is why conventional methods of addressing turnover often fail. Organizations feel pressured to 'give more'. They assume to know what people are dissatisfied with, and they begin to start giving them more of these. The **best** outcome they can hope for here is "**0 dissatisfaction**". However without addressing elements of satisfaction directly, they will still be exposed to turnover.



Winning strategies are ones that focus on **understanding job satisfaction**. They focus on connecting people to the overall purpose of the organization, increasing significance. They focus on understanding their employee's behavioural profiles and then assigning them tasks their profiles' find stimulating. The subsequent uptick in performance that results allows them to give their employees more responsibility, thereby increasing autonomy.



In short, you cannot buy your way out of your turnover problem. You need to increase your people's emotional connection to your organization. When someone is emotionally connected, they are more committed. As with job satisfaction however, commitment is a nuanced concept that is grossly misunderstood.

In order to make your people want you more, without falling victim to a situation where you're held ransom in your attempts to keep them, you need to understand the different types of **organizational commitment**.

Organizational commitment is the extent to which an employee develops an attachment and feels a sense of allegiance to their employer.¹¹ There are three types and all have been found to negatively correlate to turnover¹². This means, the higher the commitment, the lower the turnover.

However only one type of commitment creates a situation where the **needs** of the organization are aligned with the **wants** of individuals. Understanding the difference between these types will help you reframe any internal discussion on turnover you are currently having, ensuring that your plans to address it are creating the **specific type of retention you should be seeking**.

- Normative Commitment:

Staying with an organization because one feels they **ought** to.¹³ Employees with normative commitment feel obligated to remain with the organization because they believe it is morally right. They are unwilling to disappoint their employers and worry that their coworkers may think poorly of them for resigning.

- Continuance Commitment:

Staying with the organization because one feels they **have** to.¹³ Employees with continuance commitment stay with the organization because they cannot afford to leave. In essence, they are tied to the company with golden handcuffs because their allegiance is based on being unable to find a comparable salary and benefits package elsewhere.

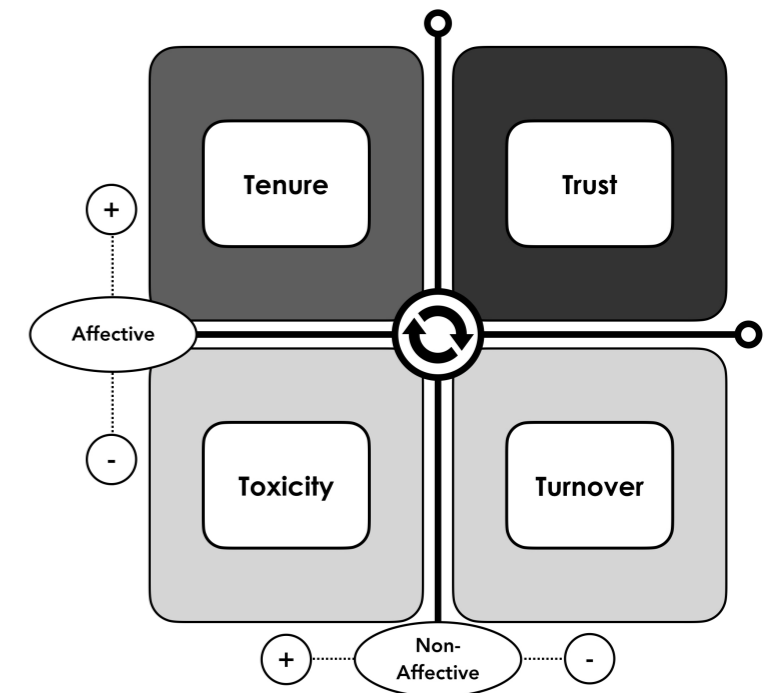
- Affective Commitment:

Staying with the organization because one **wants** to.¹³ Employees with affective commitment identify with the organization and are emotionally attached to it. They have a willingness to work hard for the organization and feel genuine loyalty because they like their job and the company itself.

It's clear that creating affective commitment within your teams must be the goal. Linking this to our previous discussion, **affective commitment is a measure of the level of job satisfaction** your people have, while **normative and continuance commitment are measures of job dissatisfaction**. In other words, high levels of any form of non-affective commitment simply means you have low levels of job dissatisfaction, it does not mean that your people are actually happy with their jobs.

The question becomes, do you really want to keep unhappy people?

When people **want** to stay with you (High Affective) yet **don't need** to (Low Non-Affective) you can **Trust** they are with you for the right reasons. You receive the highest levels of engagement here. If they both **want** (High Affective) and **need** (High Non-Affective) to stay with you, you will see long term **Tenure**. However, if someone **needs** (High Non-Affective) yet **doesn't want** (Low Affective) to stay with you, things get **Toxic** in a hurry.



This is why measuring **Turnover** without some context is actually a poor measure of how healthy your organization is. If someone **doesn't want** to be with you (Low Affective) and they **don't need** to be with you (Low Non-Affective) clearly they will leave. But again, just because they stay, doesn't always mean you want them to stay.

In short **why** some stays matters most and that why must be because they want to. With that understood we will now detail the process to create affective commitment in your teams. Just know that process actually starts before a person is even on your team.

“

The cost of hiring someone bad
is so much greater than missing out on
someone good.

JOE KRAUS

Stopping Turnover Means Going Back To Where It Starts

If you have a problem with turnover your real problem is with how you hire. Building a better **Hiring Process** is therefore the solution.

The process has three steps, representing work that needs to be done at each of the **Organizational, Individual** and **Leadership** levels.

To the right are brief descriptions of each with more detailed explanations to follow on the next few pages.

Establish Purpose

Establishing Purpose happens at the **Organizational** level.

People want to work for organizations that matter. Having a clearly articulated Purpose tells your people what you are all about, allowing them to anchor their emotions to something bigger than a paycheck.

Establishing this creates the feeling of *'I love my company'* within your people.

Intrinsic Motivation

Intrinsic Motivation happens at the **Individual** level.

Intrinsic motivators are elements of emotional intelligence. Learning what makes your people tick from a behavioural standpoint, and then aligning as many of their job functions as possible with what stimulates them creates the feeling of *'I love my job'*.

Persuasion

Persuasion happens at the **Leadership** level.

Persuasive leadership involves using logic and reason to appeal to a follower's best interest. The opposite of this, coercion, leaves people feeling forced to do what they do not want not to do.

Using persuasion to guide the actions of your people creates the feeling of *'I love my boss'*.

According to Harvard Business Review, 80% of **all** employee turnover is a result of poor hiring decisions.¹⁴ This includes both poor hires who leave or are let go as well as the good hires that leave when they are negatively impacted by these poor hires being added to their team.

When it comes to hiring we often talk about the difference between the **reason for** hiring and the **purpose of** hiring. The reason you hire is to fill a vacancy. The purpose of hiring should be to make those you already employ even better. Of course hiring 'on purpose' requires you to know what the purpose of your organization is to begin with.

We first introduced the concept of Establishing Purpose in our Executive summary on Toxicity. Not only does purpose help people overcome the fear of speaking up that we highlighted in that summary, it also increases their level of affective commitment by giving them 'something big' to strive for.

Establishing Purpose requires 'the 3 D's':

- DESIRABLE:

Even those who love their jobs still have elements of their day-to-day that they don't like. Having something big and desirable to chase makes these daily annoyances feel like investments into a worthy cause. You must get clear on purpose and use it as a benchmark to measure potential employees against. Those who are excited by the 'size of the game' your organization is playing, stand to be those who will be the most committed.

- DIFFICULT:

A mistake hiring managers routinely make is downplaying the problems the company is dealing with for fear they will drive top talent away. People are problem solvers. We simply like to solve the problems we are uniquely suited to solve. Showcasing the difficulties of the role is one of the best ways to test future commitment as the more you do this, the more excited the right person will get.

- DETERMINED:

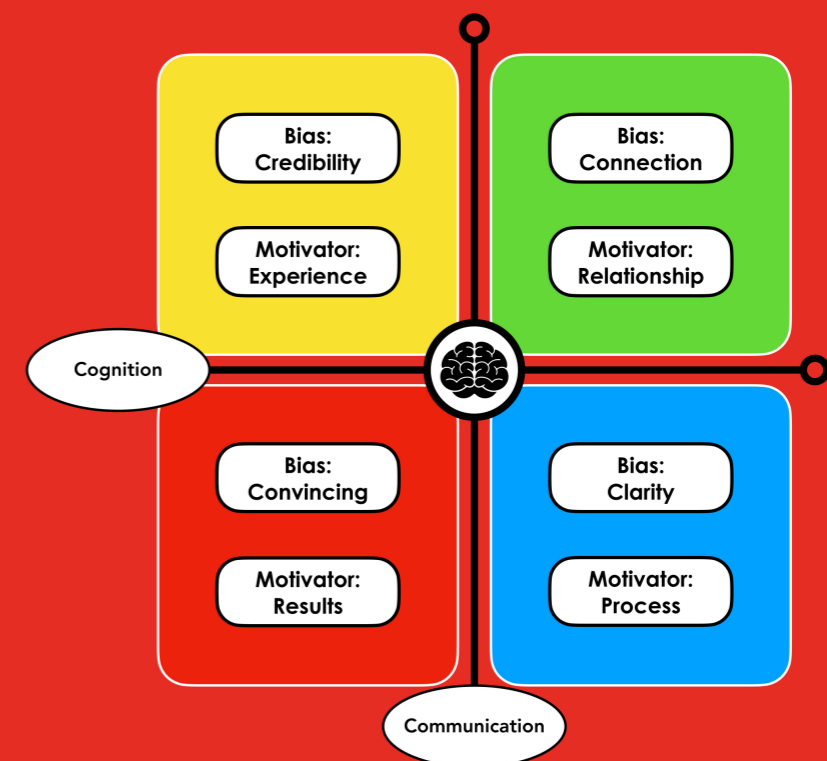
If something is both desirable and difficult it is easy to become determined to achieve it. Establishing purpose creates significance which allows affective commitment to begin.

Intrinsic motivation is the drive to do something simply for the sake of doing it. You do not need to **will** yourself to do it, you actually **want** to do it.

The challenge is, everyone has a different intrinsic motivator based on their Behavioural Type. For some it is having the best **Experience**. For others it's investing in **Relationships**. Some love work that allows them to follow **Processes** while others are at their best when chasing **Results**.

You'll recall that stimulation is another element of job satisfaction and therefore a key component of affective commitment. The amount of time someone's job allows them to live within their intrinsic motivator (thus operating from want-power) versus the amount of time they are forced to live outside their intrinsic motivator (thus operating from a place of willpower) as a direct impact on commitment.

Determining the behavioural profile of your applicants, and matching these to the required tasks of the role, allows you to assess how stimulating the job itself will be for them, helping you to determine how well affective commitment will be maintained.



If Establishing Purpose allows affective commitment to begin, and Intrinsic Motivation is what allows it to continue, then leadership is the act of supplementing it during times it is put at risk.

Human beings are emotional creatures. In our [Executive Summary on Conflict](#), we discussed the model of the Triune Brain which shows how much emotion drives human behaviour.

The point is, no matter how much someone loves the company they work for, and no matter how much they love the job they have within that company, they will still have bad days and will need tailored support when this happens. That support must come from a place of **Persuasion** over **Coercion**.

Persuasion: *"relying on logic and explanation to appeal to another's best interest."*¹⁵

Coercion: *"the process of attempting to influence another person through the use of threats, punishment, force, direct pressure, and other negative forms of power."*¹⁶

When someone is emotionally triggered, using force to motivate them amplifies the emotion. Conversely, using logic actually pulls the person out of their over-inflamed limbic system (emotional brain) by forcing them to use their prefrontal cortex (rational brain).

If someone is connected to the company's Purpose, acting against that purpose means acting against their own best interest. A leader well versed in persuasion is able to use logic to appeal to that, restoring a person's affective commitment during times when it is threatened.

When you have a boss who can 'talk you off the ledge' you are no longer afraid to step out onto that ledge to begin with. The chances you are now willing to take benefits your organization by pushing boundaries and challenging what's possible.

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Persuasion can go
through obstacles
that force cannot.

YUSUF A. LEINGE

Love your Company + Love your Job + Love your Boss = the highest level of affective commitment possible, which not only prevents turnover, it creates the **specific** type of retention high-performing organizations require.

If you've read any of our other 'Little Red Books' you are familiar with the figure to the right, the flywheel. If you're unfamiliar with this model we encourage you to [book your free consult](#). Not only will we uncover your Behavioural Colour so that you can learn your Intrinsic Motivator, we will break down how establishing affective commitment is a product of the three foundational theories of organizational psychology that combine to create this flywheel.

Psychological Safety is amount of interpersonal risk-taking within a team¹⁷. The more connected someone is to the purpose of your organization, the more willing they are to overcome the fear that asking a question or challenging an assumption may make them look foolish in front of others.

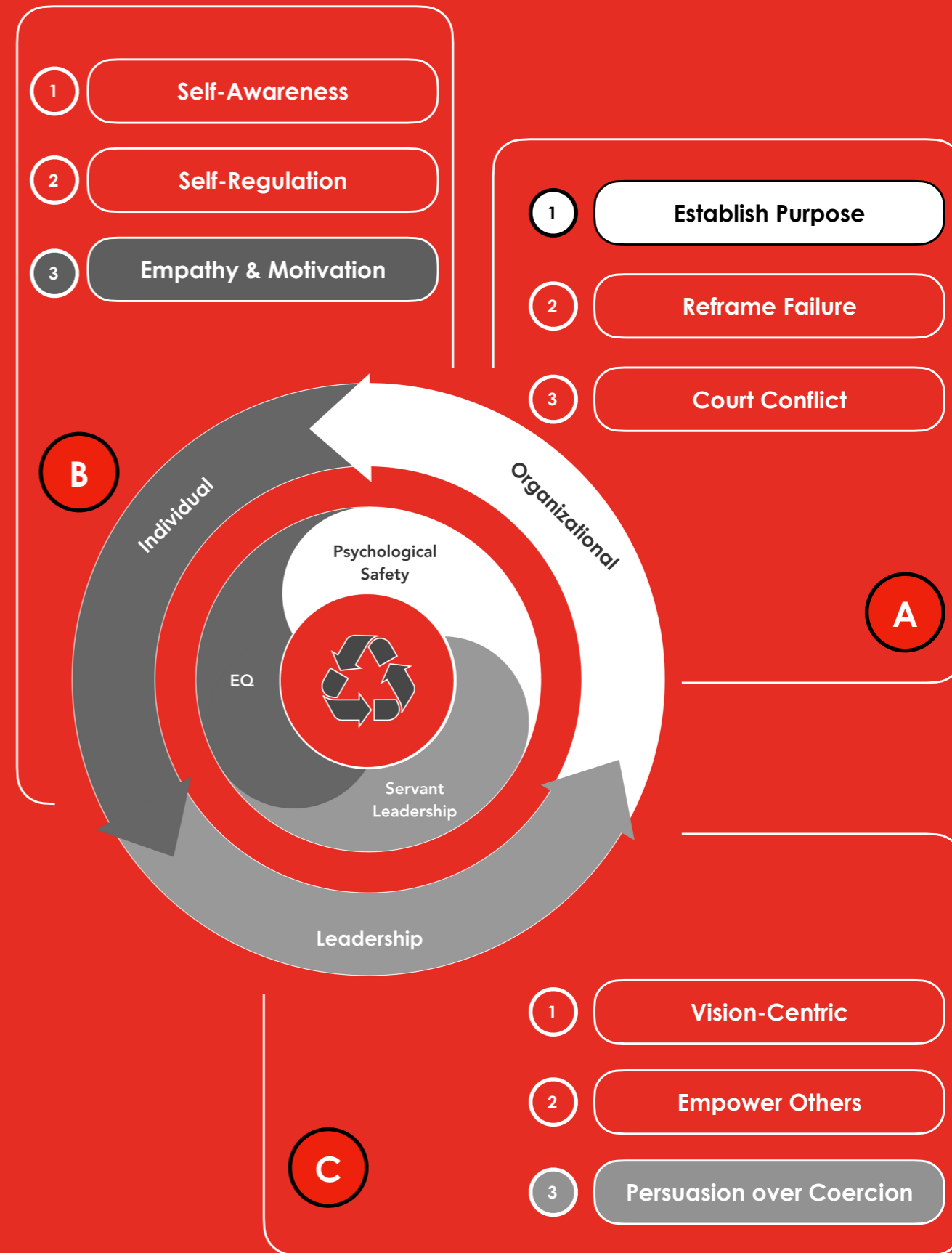
Intrinsic motivation is a dimension of EQ.¹⁸ In order for someone to be motivated to do their job, they must be aware of what motivates them. Growing your peoples' EQ allows them to tap into this vein of energy in key times.

Servant Leadership, places an emphasis on using one's influence as a leader to grow and develop others¹⁹. A central concept within the theory is using Persuasion over Coercion as the latter places the emphasis on what the leader needs.

The point is, addressing issues of turnover may be what prompted you to download and read this ebook, but addressing those issues in the right way unlocks even greater potential for your organization.

Not only will this model allow you to eliminate unwanted turnover, it will help you better have constructive conflict, grow trust and accountability, and create the type of engagement that few companies ever achieve.

If any of this sounds appealing to you, we encourage you to [book your free consult now](#).



We are committed to *turning organizations into places people care about*, and we'd love to make your organization one of them. Below is a recap of why you should consider the changes outlined in this Executive Summary, and why we are uniquely suited to be your guide as you make them.

Why Change?

You wouldn't try and carry water from a well with a bucket full of holes. That is exactly what you're doing if you fail to address issues of turnover. Your organization is nothing more than a collection of people. Identifying and retaining the right ones will be the difference between success and failure.

Why Now?

If you refer back to the discussion on the Mercenary Market you will realize that there are only two types of companies: those with turnover challenges and those about to have them. Now is the time to change the way you hire so that you can weather the storm better than your competitors.

Why This Process?

Understanding and placing Affective Commitment at the forefront of your hiring initiatives will ensure that you not only decrease turnover but that you increase engagement as well.

Why CultureSmith?

We have interviewed over 20,000 job seekers in an effort to find out why people leave their companies. Our HireEQ™ model takes what you've learned in this summary and automates it. This removes the guesswork, and increases the speed with which you can start to add fully-aligned people to your team.

Why Invest?

In the time it took you to read this summary, approximately \$19,406 worth of waste was created due to unnecessary turnover costs in North America alone. It's up to you whether or not you want to keep picking up your share of that tab.

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¹⁰LinkedIn Pressroom, 2020.

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¹⁶"coercion." American Psychological Association. Dictionary.APA.org. 2021.

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¹⁸Goleman, D. (1998). What makes a leader: *Harvard Business Review*, 76(6), 93-102.

¹⁹Greenleaf, R. K. (1970). *The servant as leader*. Atlanta, GA: The Center for Servant Leadership.