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# This Fixable Problem Costs U.S. Businesses $1 Trillion

BY SHANE MCFEELY AND **BEN WIGERT**



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A *trillion* dollars.

That's what U.S. businesses are losing every year due to voluntary turnover. And the most astounding part is that most of this damage is self-inflicted.

Here's how it breaks down for an individual organization:

- The annual overall turnover rate in the U.S. in 2017 was 26.3%, based on the Bureau of Labor Statistics.
- The cost of replacing an individual employee can range from one-half to two times the employee's annual salary -- and that's a conservative estimate.
- So, a 100-person organization that provides an average salary of $50,000 could have turnover and replacement costs of approximately $660,000 to $2.6 million per year.

# The cost of replacing an individual employee can range from one-half to two times the employee's annual salary.

Add a highly competitive and tight labor market to the mix, and most organizations probably can't survive the loss of good people.

## It's About More Than Money

Voluntary turnover costs money. But, as any leader or manager knows, turnover has many costs that never register directly on a spreadsheet.

Losing your best people means losing your reliable winners, your constant innovators and your most effective problem solvers.

Internally, it breaks down team morale. Externally, it can mean lost customer relationships. Depending on the quality of the exit, it can threaten your brand or, at worst, lead to litigation.

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When it comes to rare talent, "voluntary turnover" is simply a nice way of saying, "You just lost the future."

## Most Regrettable Turnover Is Eminently Fixable

You might think this is all part of the natural churn of talent. But, according to Gallup research, it's not.

Fifty-two percent of voluntarily exiting employees say their manager or organization could have done something to prevent them from leaving their job.

You may assume their manager did everything they could to make things right, but statistically, that's probably not the case. Over half of exiting employees (51%) say that in the three months before they left, neither their manager nor any other leader spoke with

them about their job satisfaction or future with the organization.

Think about that for a minute.

In three months, nobody asked them how they felt about their job. Nobody talked about their future. So it makes sense that they decided they didn't have one there.

# Fifty-two percent of voluntarily exiting employees say their manager or organization could have done something to prevent them from leaving their job.

Here's how you plug a million-dollar leak in your company: Train your managers to have frequent, meaningful conversations with employees about what really matters to them. What's frustrating them? What are their dreams? Where do they want to go?

Then you'll at least have a shot at winning back your stars, and saving the future of your company.

**Gallup can help you retain your best employees:**
- Offer your managers a course on coaching, the key to talent retention.
- Download our perspective paper on the exit experience to learn everything that contributes to turnover.
- Partner with us to develop an employee experience strategy that attracts and keeps your stars.

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# The Real Value of Getting an Exit Interview Right

BY CAMILLE PATRICK AND DIPAK SUNDARAM

STORY HIGHLIGHTS

- Turnover is a natural part of business, but too costly to overlook
- The right exit interview questions will reveal more than you think
- There are four ways you can use exit data to keep your star employees

Employee turnover is a natural part of the workforce life cycle. However, high levels of undesirable turnover or losing people in critical roles can be both costly and disruptive.

Experts estimate that the cost of a lost employee is anywhere from tens of thousands of dollars to 1.5-2.0 times an employee's annual salary. The bottom line for organizations: Turnover, if not systematically studied and understood, can impede achievement of organizational outcomes.

Beyond the tangible costs of turnover, such as the cost of hiring and training an employee, hidden costs affect the employer brand and advocacy. Seventy-one percent of employees use referrals from current employees of an organization to learn about job opportunities.

Although the data from exit studies are a lagging indicator (i.e., data are typically collected when an employee has already decided to leave an organization), studying exits is important for learning how to keep your other star employees and continually improving your human capital practices.

Because of our partnership on exit surveys with clients across a variety of industries, Gallup has identified a few best practices for effectively designing exit-related studies and using the insights to:

- gain clear direction on how to reduce unwanted turnover
- create brand ambassadors by making your departing employees feel heard
- discover what your competitors are offering your employees
- build a bank of exit interview data from across the organization, trend it over time and see if new practices are working

## Good Exit Interviews Capture the Whole Picture

To understand how the exiting employee's needs changed during their employment, as well as their key motivators for leaving, exit surveys should tap into both an employee's former and current perceptions of their experience at an organization, as well as gain intel on their attraction to the new organization.

As a starting point, you should gather data on the following areas:

- the employee's overall experience of working in the organization (role, team, supervisor, job duties, advancement and development opportunities, and so on)
- aspects of the work culture
- initial reasons for joining the company they're exiting, as well as reasons they initially considered leaving and then chose to follow through
- professional goals
- perceptions of the workplace the employee is joining (if applicable)

*The benefits of conducting exit interviews depend on asking the right questions, though.* Exit interviewing may seem like something anyone can do, but survey design is easy to bias unintentionally.

Questions need to be refined to minimize bias and to probe to uncover rich insights. The following is an example: *"Is your tenure in the organization longer, about the same or shorter than you thought it would be when you first joined the company?"*

Findings from this question provide the ability to separately examine information about employees who stayed longer or shorter than expected and uncover the reasons behind those outcomes. At an organization level, aggregating the data and monitoring the ratio of employees staying longer versus shorter than expected can help to identify meaningful organizational trends beyond retention numbers alone.

How to Ask the Right Questions in the Right Way

Exit studies may be conducted in person, via phone interview or via web surveys, depending on budget and scale.

In-person and phone interviews can lead to higher-quality conversations with the employee and deeper insights, compared with a web survey. Especially when it comes to senior-level exits, Gallup recommends a more personal and in-depth option.

Web surveys, on the other hand, can help you collect responses faster and on a larger scale -- and many exiting employees will provide frank comments since they're not speaking directly to a person.

If you want to solicit honest and candid feedback, a direct manager should not conduct the interviews. Using a reputable third party is a best practice for conducting exit survey studies because it protects confidentiality and solicits unbiased responses. Respondents can also choose to waive confidentiality to make data available at an individual level for human resources, leaders, managers and other relevant parties if needed.

The next aspect to consider is timing. Here are the pros and cons of conducting the exit survey or interview *before* and *after* an employee leaves the organization:

Conducting exit studies *before* an employee departs could yield the following benefits:

- ensures that responses are not tainted by their perception of working at the new organization
- achieves higher participation rates
- enables organizations to act upon ethical or critical compliance issues proactively

- secures the opportunity to contact the employee via an internal method in case their contact information in the system is not updated or accurate

Conducting exit studies *after* an employee departs could yield the following benefits:

- produces potentially more transparency due to lack of fear of retaliation or consequences
- provides the employee ample time to process the exit experience and reasons for leaving
- creates the best opportunity to hear an accurate perception of other workplaces since experiences with the new employer can only be obtained once the employee has begun working at the new organization
- allows a longer time period in which to schedule the exit study, as certain industries and workplaces produce challenges associated with having adequate time to reach an employee between the time they give their notice and their last day

Organizations should take into consideration all of the above factors before choosing the appropriate cadence and mode of obtaining feedback.

The Recommended Actions to Take on Your Exit Interview Data

Gathering data is just the beginning of the endeavor to uncover ways of improving your workplace. Too often organizations have insights but fail to follow through on what they know their organization needs.

Gallup recommends having an action team in place that will be responsible for making change happen. Moreover, you should combine exit data with key performance indicators and other data points to paint a more comprehensive picture. This requires strong data science experience and survey data expertise.

Here are a few ways to leverage exit study data:

- **Monitor and act on reasons for turnover.** Identify root causes of turnover for different employee segments of the workforce and create a targeted retention plan.
- **Revisit exit data for rehires.** Use previously completed exit interviews for returning employees to address past roadblocks.

- **Add market intelligence to your recruitment strategy.** Understand which employers are your primary recruitment competitors and which aspects of those employers are most appealing to employees who leave.
- **Use the information to coach managers.** For managers who have unusually high levels of turnover, exit data can be used as feedback to coach managers on their management style.

Jackie's Exit Interview Insights Scorecard

| Direct Report Exits This Year | Top Turnover Reasons for Jackie's Team | Top Turnover Reasons for Company/Business Unit | Positive Comments About Jackie | Areas of Opportunity for Jackie |
|---|---|---|---|---|
| 15 | 1. Career change | 1. Work-life balance | Hardworking | May not have enough time to meet one on one and give feedback |
| | 2. Need for relocation | 2. Supervisor issues | Customer-centric | Sometimes micromanages |
| | 3. Work-life balance | 3. Pay | Demonstrates subject matter expertise | |

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When it comes to exit studies, most organizations think of retention. The ultimate focus, however, should be the retention of your top-talent individuals who drive the majority of productivity, creativity and value for your organization.

Exit surveys, as well as "stay surveys," of your star employees can help you identify why talented people leave or stay at your organization. Over the long run, a robust exit data strategy can improve more than just the number of employees you have -- it can improve their quality as well.

*Create an exit interview strategy that helps you reduce unwanted turnover and improve the overall quality of your employees.*

- Consider using the Gallup Access survey platform to create proven surveys that come with actionable feedback to help you improve the employee experience at your company.
- Inquire about working with Gallup to build a comprehensive, analytics-based strategy for keeping your star employees.
- Download our State of the American Workplace report to gain instant insight into what the modern workforce wants from their company today.

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