RETAINING TALENT

A GUIDE TO ANALYZING AND MANAGING EMPLOYEE TURNOVER

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RETAINING
TALENT

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AND MANAGING EMPLOYEE
TURNOVER

by David G. Allen, Ph.D., SPHR

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TALENT

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FOREWORD

Dear Colleague:

As a busy human resource professional, you probably find it difficult to keep up with the latest academic research in the field. Yet knowing which HR practices have been shown by research to be effective can help you in your role as an HR professional.

That's why the SHRM Foundation created the *Effective Practice Guidelines* series. These reports distill the latest research findings and expert opinion into specific advice on how to conduct effective HR practice. Written in a concise, easy-to-read style, these publications provide practical information to help you do your job better.

The *Effective Practice Guidelines* were created in 2004. The SHRM Foundation publishes new reports annually on different HR topics. Past reports, available online at www.shrm.org/foundation, include *Performance Management, Selection Assessment Methods, Employee Engagement and Commitment, Implementing Total Rewards Strategies* and *Developing Leadership Talent.* You are now reading the sixth report in the series: *Retaining Talent.*

For each report, a subject matter expert is chosen to be the author. The report is reviewed by a panel of academics and practitioners to ensure that the material is comprehensive and meets the needs of HR practitioners. An annotated bibliography, "Sources and Suggested Readings" section, is included with each report as a convenient reference tool.

This process ensures that the advice you receive in these reports is useful and based on solid academic research.

Our goal with this series is to present relevant, research-based knowledge in an easy-to-use format. Our vision for the SHRM Foundation is to "maximize the impact of the HR profession on organizational decision-making and performance, by promoting innovation, education, research and the use of research-based knowledge." In particular, we are strategically focused on initiatives designed to help organizations maximize leadership talent. This includes a focus on the assessment and acquisition of leadership talent, as well as leadership development, retention, and succession.

We are confident that the *Effective Practice Guidelines* series takes us one step closer to making that vision a reality.

Frederick P. Morgeson, Ph.D.

Chair, SHRM Foundation Research Applications Committee
Professor of Management, Michigan State University

ACKNOWLEDGEMENTS

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David Allen earned his Ph.D. from the Beebe Institute of Personnel and Employment Relations at Georgia State University. He is currently an Associate Professor of Management in the Fogelman College of Business and Economics at the University of Memphis, and the Director of the Management Ph.D. program. His primary research interests include the flow of people into and out of organizations and the role of technology in human resource management. His research on these topics has been published in the *Academy of Management Journal, Journal of Applied Psychology, Journal of Management, Personnel Psychology, Organizational Research Methods, Human Relations,* and other outlets.

Dr. Allen is a 2005-2006 recipient of a Suzanne Downs Palmer Professorship award for research. He teaches undergraduate and graduate courses primarily in the areas of human resource management and organizational behavior, as well as research methods. He does organizational research and consulting on topics such as recruitment, retention, and organizational effectiveness. He earned the designation of Senior Professional in Human Resources (SPHR) from the Human Resource Certification Institute. Dr. Allen has worked with organizations such as the Red Cross, Campbell Clinic, Georgia Department of Family and Children Services, Harrah's Entertainment, Methodist Hospitals, Pfizer, Region's Bank, and the U.S. Navy.

In 2006, 23.7% of American workers voluntarily quit their jobs.
– U.S. Bureau of Labor Statistics

RETAINING TALENT: A GUIDE TO ANALYZING AND MANAGING EMPLOYEE TURNOVER

by David G. Allen, Ph.D., SPHR

One of the most critical issues facing organizations today is how to retain the employees they want to keep. Yet nearly one quarter of all U.S. workers quit their jobs in 2006, and in some industries the turnover rate is considerably higher. There are more than 1,000 published research articles on turnover and retention. As a busy human resource practitioner, do you have the time to read them all, synthesize their recommendations, and translate them into usable practices to improve retention? If you're like most HR professionals, you probably do not. That's why the SHRM Foundation prepared this report—to summarize the latest research findings on employee turnover and retention and offer ideas for putting those findings into action in your organization.

This report explores several major themes related to retention management:

Why employees leave and why they stay. This presents the major theories and research findings in this area and explores the practical implications of each. A model is provided depicting how employees make turnover decisions.

How to develop an effective retention management plan. To create a sound plan, you need to determine the extent to which turnover is a problem in your firm, diagnose turnover drivers, and formulate retention strategies. These sections explain how to take these steps and include summaries of research on strategies.

Let's start by exploring what turnover is and why it is important to manage it.

Reducing Turnover at American Home Shield

American Home Shield, the major appliance warranty arm of ServiceMaster, is based in Memphis, Tenn. and has about 1,500 employees. A critical department at American Home Shield was experiencing an annual turnover rate of 89%. The company estimated the direct financial costs associated with losing employees and hiring and training replacements at over $250,000 annually. Managers also believed that the high turnover rate was eroding employee morale and customer loyalty. Using research-based retention management, the department reduced turnover to 35% in about one year.
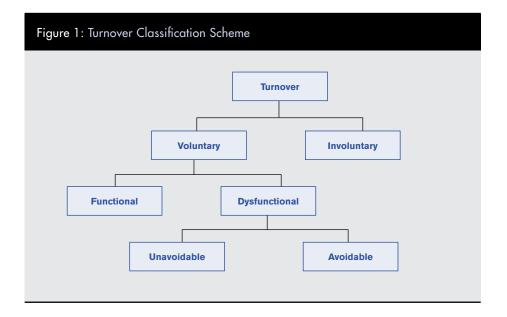
Source: Phil Bryant, former HR Manager, American Home Shield

To manage voluntary turnover in your organization, you need an in-depth understanding of why employees leave or stay with organizations in general, as well as strategies for managing turnover among valued workers in your company.

WHAT IS TURNOVER, EXACTLY?

Employees leave organizations for all sorts of reasons. Some find a different job, some go back to school, and some follow a spouse who has been transferred out of town. Others retire, get angry about something and quit on impulse, or never intended to keep working after earning a certain amount of money. Still others get fired or laid off, or they come into money (a lottery win, an inheritance) and decide they no longer need a job.

All of these examples represent turnover, but they don't all have the same organizational implications. To distinguish their implications, we need to define types of turnover. Consider Figure 1 Turnover Classification Scheme.[1]

Figure 1: Turnover Classification Scheme

```
                        Turnover
                  ┌────────┴────────┐
              Voluntary         Involuntary
          ┌───────┴───────┐
     Functional       Dysfunctional
                    ┌───────┴───────┐
               Unavoidable       Avoidable
```

As Figure 1 suggests, the first important distinction in turnover is between *voluntary* and *involuntary*. Voluntary turnover is initiated by the employee; for example, a worker quits to take another job. Involuntary turnover is initiated by the organization; for instance, a company dismisses an employee due to poor performance or an organizational restructuring. Voluntary and involuntary turnover require markedly different management techniques. *This report focuses on voluntary turnover.* To manage voluntary turnover in your organization, you need an in-depth understanding of why employees leave or stay with organizations in general, as well as strategies for managing turnover among valued workers in your company.

Another important distinction is between *functional* and *dysfunctional* voluntary turnover. Dysfunctional turnover is harmful to the organization and can take numerous forms, including the exit of high performers and employees with hard-to-replace skills, departures of women or minority group members that erode the diversity of your company's workforce, and turnover rates that

lead to high replacement costs. By contrast, functional turnover does not hurt an organization. Examples of this type of turnover include the exit of poor performers or employees whose talents are easy to replace.

This distinction between functional and dysfunctional turnover is relative. What makes an employee valuable and difficult to replace will vary by job, organization, industry, and other factors. To illustrate, a high turnover rate may be more dysfunctional in an industry characterized by skills that are in rare supply. Moreover, the question of whether the benefits of retaining a valued worker are worth the costs may generate a different answer in some companies than in others, depending on the organization's strategy and the current labor market.

Could your organization retain all its valued employees if it wanted to? The answer is no. Even if you invested heavily in keeping every key employee on board, some of those individuals would still leave. This brings up another important distinction: Some voluntary turnover is *avoidable* and some is *unavoidable*. Avoidable turnover stems from causes that the organization may be able to influence. For example, if employees are leaving because of low job satisfaction, the company could improve the situation by redesigning jobs to offer more challenge or more opportunities for people to develop their skills. Unavoidable turnover stems from causes over which the organization has little or no control. For instance, if employees leave

because of health problems or a desire to return to school, there may be little the organization can do to keep them.

The distinction between avoidable and unavoidable turnover is important because it makes little sense for a firm to invest heavily in reducing turnover that arises from largely unavoidable reasons. However, the line between avoidable and unavoidable turnover can be fuzzy. To illustrate, your company has no control over whether an employee decides to start a family. Yet it can elect to offer paid maternity leave, on-site child care, and other benefits intended to help working parents stay with your organization.

WHY TURNOVER MATTERS

Does turnover matter? Absolutely—even during times when the job market is tight and people are strongly motivated to stay with their current employer. At such times, it would be shortsighted to ignore retention management. That's because even high unemployment rates have little impact on the turnover of top-performing employees or those with in-demand skills.[2] Thus, organizations that ignore retention may inadvertently plant the seeds for losing these highly marketable workers. Moreover, businesses everywhere are facing impending shortages of overall talent as well as a dearth of employees with the specialized competencies companies need to stay ahead of the competition.[3]

Organizations that systematically manage retention—in good times and bad—will stand a greater chance of weathering such shortages.

Turnover matters for three key reasons: (1) it is costly; (2) it affects a business's performance; (3) it may become increasingly difficult to manage. The sections below examine each of these reasons in greater detail.

TURNOVER IS COSTLY

Employee departures cost a company time, money, and other resources. Research suggests that direct replacement costs can reach as high as 50%-60% of an employee's annual salary, with total costs associated with turnover ranging from 90% to 200% of annual salary.[4] Examples include turnover costs of $102,000 for a journeyman machinist, $133,000 for an HR manager at an automotive manufacturer, and $150,000 for an accounting professional.[5] If these estimates strike you as high, keep in mind that in addition to the obvious direct costs associated with turnover (such as accrued paid time off and replacement expenses), there are numerous other costs. Consider Table 1: Voluntary Turnover Costs and Benefits.[6]

Clearly, turnover costs can have an alarming impact. One study estimated that turnover-related costs represent more than 12% of pre-tax income for the average company and nearly 40% for companies at the 75th percentile for turnover rate.[7] However, remember that not all turnover is harmful (dysfunctional)

for an organization. As noted earlier, some turnover may generate important benefits; for example, the new hire turns out to be more productive or skilled than the previous employee. To develop an effective retention plan, you need to consider both the costs and benefits associated with turnover in your organization.

TURNOVER AFFECTS ORGANIZATIONAL PERFORMANCE

A growing body of research links high turnover rates to shortfalls in organizational performance. For example, one nationwide study of nurses at 333 hospitals showed that turnover among registered nurses accounted for 68% of the variability in per-bed operating costs.[8] Likewise, reducing turnover rates has been shown to improve sales growth and workforce morale. In addition, high-performance HR practices (including reduction of dysfunctional turnover rates) increase firm profitability and market value.[9]

These relationships become even more pronounced when you consider who is leaving. For instance, research shows that high turnover among employees with extensive social capital can dramatically erode firm performance.[10] Thus, a savvy HR manager can make a clear business case for tailoring turnover management strategies to the types of employees departing the organization.

RETENTION MAY BECOME MORE CHALLENGING

Are you ready for a talent crunch? Opinions abound regarding whether demographic and labor market trends signal an impending shortage of overall labor supply. For example, according to Manpower, Inc., "Demographic shifts (aging populations, declining birthrates, economic migration), social evolution, inadequate educational programs, globalization, and entrepreneurial practices (outsourcing, off-shoring, on-demand employment) are . . . causing [labor] shortages, not only in the overall availability of talent but also—and more significantly—in the specific skills and competencies required."[11]

Table 1: Voluntary Turnover Costs and Benefits	
Separation Costs	
Financial	
	HR staff time (exit interview, payroll administration, benefits)
	Manager's time (retention attempts, exit interview)
	Accrued paid time off (vacation, sick pay)
	Temporary coverage (contingent employee, overtime for remaining employees)
Other	
	Delays in production and customer service; decreases in product or service quality
	Lost clients
	Clients not acquired that would have been acquired if employee had stayed
	Stiffer competition as employee moves to a rival company or forms own business
	Contagion (other employees decide to leave; for example, to join defector at his/her new organization)
	Disruptions to team-based work
	Loss of workforce diversity
Replacement Costs	
	New hire's compensation
	Hiring inducements (signing bonus, reimbursement of relocation expenses, perks)
	Hiring manager and unit/department employee time
	Orientation program time and materials
	HR staff induction costs (payroll, benefits enrollment)
Training Costs	
	Formal training (trainee and instruction time, materials, equipment)
	On-the-job training (supervisor and employee time)
	Mentoring (mentor's time)
	Socialization (other employees' time, travel)
	Productivity loss until replacement has mastered job

Source: Herbert G. Heneman, III and Timothy A. Judge, *Staffing Organizations* (5e), Middleton, WI: Mendota House, 2006; p 675. Reprinted with permission.

More and more observers agree that a talent scarcity is looming—and that this shortage will make finding and keeping the right people with the right skills increasingly challenging for organizations. In a SHRM survey of HR professionals, 62% of the respondents reported already having difficulty hiring workers with the skills essential for a 21st century workforce.[12] Many business leaders worry that this problem will worsen with important demographic shifts (such as waves of retirements among aging workers). Inadequate educational systems, increasingly mobile employees, and even generational differences in perceptions about the nature of work and careers will all likely aggravate matters further. HR professionals who take time now to create strategies for dealing with these developments will put their organizations at a competitive advantage.

WHY EMPLOYEES LEAVE

Much research on talent retention has centered on understanding the varied reasons behind employees' decisions to leave organizations, as well as the processes by which people make such choices. By understanding why people leave, organizations can also gain a better idea of why people stay and can learn how to influence these decisions.

The *theory of organizational equilibrium*[13] can shed valuable light on these matters. According to this theory, an individual will stay with an organization as long

as the *inducements* it offers (such as satisfactory pay, good working conditions, and developmental opportunities) are equal to or greater than the *contributions* (time, effort) required of the person by the organization. Moreover, these judgments are affected by both the individual's *desire* to leave the organization and the *ease* with which he or she could depart.

Clearly, turnover is a complex process. That is, although some individuals may quit a job on impulse, most people who leave spend time initially evaluating their current job against possible alternatives, developing intentions about what to do, and engaging in various types of job-search behavior.[14]

Figure 2: Comprehensive Voluntary Turnover Model captures this process. The research shows that specific turnover drivers affect key job attitudes such as satisfaction with one's role and commitment to the organization. Low satisfaction and commitment can initiate the withdrawal process, which includes thoughts of quitting, job searching, comparison of alternative opportunities, and the intention to leave. This process may lead to turnover if the organization fails to manage it effectively. Turnover drivers may also produce other work behaviors that suggest withdrawal, such as absenteeism, lateness, and poor performance, any of which may end in a departure without the person going through a job search, evaluation of alternatives, or extended consideration of quitting. The lesson? To proactively manage

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Spotlight: Turnover Is Tougher on Small Organizations

The loss of key employees can have a particularly damaging impact on small organizations:

• Departing workers are more likely to be the only ones possessing a particular skill or knowledge set.

• A small company's culture suffers a more serious blow when an essential person leaves.

• There is a smaller internal pool of workers to cover the lost employee's work and provide a replacement.

• The organization may have fewer resources available to cover replacement costs.

Managing the Inducements-Contributions Balance

Organizations can actively manage employees' turnover decisions by influencing the inducements-contributions balance.

To manage this balance, make changes affecting how intensely employees *want* to leave as well as how *easy* it is for them to leave.

Spotlight: **Intervening in the Turnover Process**

There are multiple points in the turnover process where organizations can intervene to influence turnover decisions. Key attitudes—job satisfaction and organizational commitment—are especially critical during the turnover process and therefore are worth paying special attention to.

In the withdrawal phase of the turnover process, the intention to leave is generally the most powerful predictor of turnover. Thus measuring it is vital.

retention, organizations must monitor and adjust key aspects of the work environment that influence employees' desire to stay or leave.
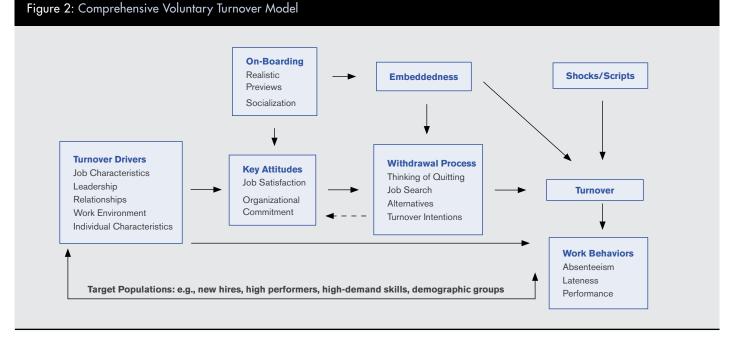
As we've seen, the ease with which the individual can leave an employer plays a role in the person's choices. When someone has numerous alternatives that are more attractive than his or her current role, the decision to leave grows that much easier. Retention-savvy managers thus keep tabs on alternate opportunities, so they can ensure that positions remain competitive. Also, in Figure 2, notice the feedback arrow from the withdrawal process to key attitudes. When attractive alternatives are plentiful, people tend to evaluate their current work environment against a higher standard than when options are few. It may become more difficult for their employer to keep them satisfied—which is a challenge

especially with highly valued workers in high-demand positions.

With limited resources, organizations may choose to focus on target populations rather than trying to retain every employee indefinitely. (See the bottom of Figure 2.) Depending on what's going on in the labor market, businesses may want to focus their retention efforts on particular employees or groups of employees, such as new hires, star performers, workers with high-demand or hard-to-replace skills, or members of particular demographic groups.
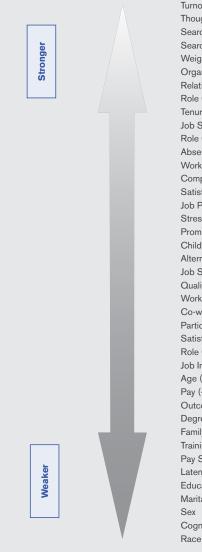
PREDICTING TURNOVER

Can you predict an employee's decision to leave? Extensive studies have looked into this question and many drivers of turnover have been identified. Figure 3 summarizes the results of this research.[15] The figure

Figure 2: Comprehensive Voluntary Turnover Model

lists predictors in order—from those with the strongest relationship to turnover at the top, to those with the weakest relationships at the bottom. Though the strength of these predictors may vary somewhat across job types, companies, industries, and individual situations, this list is a useful overall guide.

Figure 3 below reveals some interesting information. For example, most of the strongest predictors are related to the withdrawal part of the turnover process, suggesting that managers

Figure 3: Turnover Predictor

Stronger ↑

Turnover Intentions (+)
Thoughts of Quitting (+)
Search Intentions (+)
Search Behaviors (+)
Weighted Application Blank (+)
Organizational Commitment (-)
Relationship with Supervisor (-)
Role Clarity (-)
Tenure (-)
Job Satisfaction (-)
Role Conflict (+)
Absenteeism (+)
Work Satisfaction (-)
Comparison of Alternatives to Present Job or Company (+)
Satisfaction of Expectations of Job or Company (-)
Job Performance (-)
Stress (+)
Promotion Opportunities (-)
Children (-)
Alternative Job Opportunities (+)
Job Scope (-)
Quality of Communication in Organization (-)
Work-Group Cohesion (-)
Co-worker Satisfaction (-)
Participation in Decision Making (-)
Satisfaction with Supervisor (-)
Role Overload (+)
Job Involvement (-)
Age (-)
Pay (-)
Outcome Fairness (-)
Degree of Routinization of Job Responsibilities (+)
Family Responsibilities (-)
Training (-)
Pay Satisfaction (-)
Lateness (+)
Education (+)
Marital Status (-)
Sex
Cognitive Ability (+)
Race

Weaker ↓

Note: a plus (+) indicates that the predictor is positively related to turnover. (As the predictor increases, so does turnover.)
A minus (-) indicates that the predictor is negatively related to turnover. (As the predictor increases, turnover decreases.)

Spotlight: Managing Turnover Paths [17]

Through surveys and exit interviews, organizations can identify the percent of people leaving who follow each of the four primary paths to turnover. Each path has different implications for the company's retention strategies:

- *Dissatisfaction:* Attack this with traditional retention strategies such as monitoring workplace attitudes and managing the drivers of turnover identified earlier.

- *Better alternatives:* Ensure that your organization is competitive in terms of rewards, developmental opportunities, and the quality of the work environment. Be prepared to deal with external offers for valued employees.

- *Plans:* It may be difficult to counter these directly. Increasing rewards tied to tenure may alter some employees' plans. Determining which plans are common in your workforce may help you develop a tailored response; for example, more generous maternity and family-friendly policies if you discover numerous family-related plans.

- *No plan:* Analyze the types and frequencies of shocks that are driving employees to leave. Provide training to minimize prevalent negative shocks (such as harassment or perceptions of unfair treatment). Give employees realistic previews and clear communication to minimize unexpected shocks. Provide support mechanisms to help employees deal with shocks (for instance, grievance procedures, flexible work arrangements, and employee assistance programs).

Example: UPS has countered the threat of better job alternatives by providing well-above-market wages, ample vacation time, free health insurance, and a highly competitive pension plan. This approach has resulted in an unusually low annual turnover rate of 1.8%.[18]

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must monitor these variables (perhaps through employee surveys). Additional predictors that merit careful attention include:

- Key attitudes of organizational commitment and job satisfaction

- The quality of the relationship between an employee and his or her immediate supervisor

- Role clarity (including definition, communication, and reinforcing of performance expectations)

- Job design (including job scope, promotion opportunities, and opportunities to participate in decision-making)

- Workgroup cohesion

The figure also suggests that pay might not matter as much as you think in turnover decisions, as compensation and pay satisfaction are relatively weak predictors of employees' decisions to leave. Thus, offering pay increases or bonuses to keep people at your organization may not be the most efficient way to address retention. In addition, demographics (education, marital status, sex, and race) are also relatively weak predictors of turnover.

OTHER PATHS TO TURNOVER

The research findings we've been examining can help you identify and manage the turnover predictors most important in your organization. However, research has also recognized that not every employee follows the above-described path toward the decision to leave a job. The *unfolding model* of turnover identifies four different paths to turnover: (1) leaving an unsatisfying job, (2) leaving for something better, (3) following a plan, and (4) leaving without a plan.[20]

Shock n 1. Any event that leads someone to consider quitting his or her job. Shocks can be expected (e.g., completing a degree) or unexpected (discovering that a spouse has to relocate). They can also be job-related (a negative performance appraisal) or non-job-related (pregnancy). Finally, they can be positive (winning the lottery), neutral (a merger), or negative (sexual harassment).[19]

Leaving an unsatisfying job resembles the typical turnover process discussed above. *Leaving for something better* entails leaving for an attractive alternative, and may or may not involve dissatisfaction. That is, some people who are quite satisfied with their current jobs still leave when presented with an even more appealing alternative. These decisions may be initiated by a "shock," such as an unsolicited job offer that the individual can't resist.

Following a plan refers to leaving a job in response to a script or plan already in place. Examples may include employees who intend to quit if they or their spouse becomes pregnant, if they get accepted into a particular degree program, after they earn a certain amount of money or complete a particular training program, or after receiving a retention bonus. Again, these decisions may have little or nothing to do with job dissatisfaction. Further, there may be little or nothing organizations can do to influence these decisions.

Leaving without a plan is all about impulsive action, typically in response to negative shocks such as being passed over for a promotion or having a family member suffer a catastrophic illness requiring extensive care. Once more, these departures may or may not be associated with dissatisfaction before the shock. In addition, organizations can manage these decisions by minimizing certain types of negative shocks in the workplace (such as sexual harassment). Companies can also consider providing support mechanisms to help employees recover from a shock.

WHY EMPLOYEES STAY

A great deal of turnover research focuses on people who leave, on the assumption that understanding why people depart will help organizations determine how to retain them. Of course, it is also valuable to understand why employees stay. Some recent studies have examined the ways in which employees become *embedded* in their jobs and their communities.[21] As employees participate in their professional and community life, they develop a web of connections and relationships on and off the job. Leaving a job would require severing or rearranging these connections. Employees who have many connections are more embedded, and thus have numerous reasons to stay in an organization. There are three types of connections that foster embeddedness: (1) "links," (2) "fit," and (3) "sacrifice." Each of these types may be related to the organization or the surrounding community.

Links are connections with other people, groups, or organizations. Examples include relationships with co-workers, work groups, mentors, friends, relatives, church groups, and so forth. Employees with numerous links to others in their organization and community are more embedded and would find it more difficult to leave.

Spotlight: Managing Turnover Predictors at Running Pony

Research has not systematically determined differences in turnover predictors' strength based on organization size. Nevertheless, managers in small organizations should leverage well-established predictors they may be in a particularly good position to offer, such as building positive work-group cultures, providing employees with challenging jobs, and making each worker feel valued. Other strategies, including offering well-defined career paths or above-market rewards, may be more difficult for smaller companies.

Running Pony[22] understands that workplace relationships matter in people's decisions about staying or leaving an organization. Founded in 1994, Running Pony is a multiple Emmy Award-winning freelance production company. In business for 13 years and currently employing 17 people, the company has had 100% retention since its inception. How has it achieved this feat? Managers have strived to build a supportive and cohesive culture. As co-founder and managing partner Jonathan Epstein puts it, "We were trying to build a team of people who knew each other, who liked each other, who worked well together and complemented each other." Rod Starnes, also a co-founder and managing partner, adds that the company's biggest achievement is "creating an environment where creative and talented people are comfortable."

Fit represents the extent to which employees see themselves as compatible with their job, organization, and community. For example, an employee who relishes outdoor activities and lives in a community that offers excellent outdoor opportunities would find it more difficult to leave his or her job if doing so required moving to another community that did not provide such opportunities.

Sacrifice represents forms of value a person would have to give up if he or she left a job. Sacrifices include financial rewards based on tenure, a positive work environment, promotional opportunities, status in the community, and so forth. Employees who would have to sacrifice more are more embedded and therefore more likely to stay.

HOW TO DEVELOP YOUR RETENTION MANAGEMENT PLAN

The above-described suggestions for managing turnover predictors and employees' embeddedness are useful for any HR practitioner seeking to

Table 2: Embedding Your Employees

	In your organization	In the surrounding community
To build and strengthen links . . .	• Provide mentors. • Design work in teams. • Foster team cohesiveness. • Encourage employee referrals.	Encourage and support community involvement; for example, through community service organizations and recreational leagues.
To build and strengthen fit . . .	• Provide realistic information about the job and company during recruitment. • Incorporate job and organizational fit into employee selection. • Provide clear socialization and communication about the enterprise's values and culture.	• Recruit locally when feasible. • Provide relocating employees extensive information about the community during recruitment and selection. • Build ties between your company and the community (e.g., by sponsoring local events).
To build and strengthen sacrifice. . .	• Tie financial incentives to tenure. • Provide unique incentives that might be hard to find elsewhere (such as sabbaticals).	• Encourage home ownership (for instance, by providing home-buying assistance). • Develop career paths that do not require relocation.

Table 2: Embedding Your Employees[24] shows strategies for building and strengthening links, fit, and sacrifice in your organization.

help his or her organization retain talent. But they're not enough in themselves. That's because simple one-shot retention efforts (for example, a single employee attitude survey, a one-time bonus, or a once-offered management training program) are unlikely to exert much impact over the long run. To manage retention most effectively, you need to engage in an ongoing diagnosis of the nature and causes of turnover, as well as develop (and constantly hone) the right mix of retention initiatives.

That calls for thinking about retention before employees are hired, while they're working at your company, and after they leave. As an HR professional, you have a critical role to play in this process. Indeed, many organizations are integrating their retention efforts into a broader talent management strategy. Talent management comprises workforce planning, hiring, development, and retention to ensure that the organization has access to the quality and quantity of talent it needs to compete now and in the future. A recent study concluded that 53% of organizations have a talent management initiative in place, and 76% of these enterprises identify talent management as a top organizational priority.[25]

But keep in mind that each organization is unique, operates in its own idiosyncratic environment, and has its own human capital strategies and challenges. Even within a single organization, retention goals and challenges may differ across departments, divisions, job types, geographic locations, and even individuals. Thus, one-size-fits-all retention initiatives may backfire.

How, then, should you approach the task of developing the right retention management plan for your company?

Figure 4: Developing a Retention Management Plan[26] on page 12 shows the important steps in this process. In the sections below, we examine each of these steps more closely.

STEP 1: Is Turnover a Problem for Us?

As we noted earlier, not all voluntary turnover is harmful for an organization. Turnover among underperformers, turnover that enables your company to tap fresh perspectives and skill sets or lowers labor costs are all examples of functional turnover. Moreover, in most cases, it's impossible to prevent every employee from leaving a company. However, turnover becomes dysfunctional when the wrong people are leaving, or when the turnover rate becomes so high that the accompanying costs and instability outweigh the benefits. To determine whether turnover is problematic in your enterprise, you need to conduct a turnover analysis.
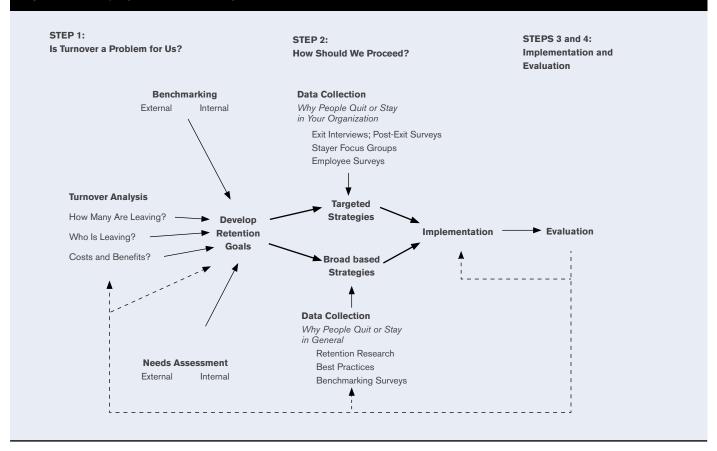
Turnover analysis

An effective turnover analysis examines three questions: (1) How many people are leaving (turnover rate)? (2) Who is leaving? (3) What are the relative costs and benefits of

Ongoing Retention Management at American Home Shield

American Home Shield recognized that to retain its most valued employees, managers first had to understand why some employees leave and others stay. To capture this information, an employee turnover project team surveyed a sample of employees who had already left the organization. It also implemented an ongoing procedure to survey people who left the organization after the initial survey. In addition, it surveyed remaining employees on a quarterly basis throughout the project to determine which aspects of their jobs made them stay and which caused them to consider leaving.

The team found that supervisor availability, job training, and job-requirement communications were the most important, yet most dissatisfying, aspects of working at American Home Shield.

Figure 4: Developing a Retention Management Plan

STEP 1:
Is Turnover a Problem for Us?

STEP 2:
How Should We Proceed?

STEPS 3 and 4:
Implementation and Evaluation

Benchmarking
External   Internal

Data Collection
Why People Quit or Stay in Your Organization

Exit Interviews; Post-Exit Surveys
Stayer Focus Groups
Employee Surveys

Turnover Analysis

How Many Are Leaving?

Who Is Leaving?

Costs and Benefits?

Develop Retention Goals

Targeted Strategies

Broad based Strategies

Implementation

Evaluation

Needs Assessment
External   Internal

Data Collection
Why People Quit or Stay in General

Retention Research
Best Practices
Benchmarking Surveys

our current turnover? Let's look at each of these in turn.

How many are leaving?

Use the equation on page 13 to calculate turnover rate over a certain time period (e.g., monthly or yearly).[27]

Also track types of turnover (such as voluntary vs. involuntary and avoidable vs. unavoidable), type of employee (part-time or full-time), job category, job level, geographic location, and other categorizations that may be important in your organization (for instance,

performance level of departing workers). These breakout data help you identify "turnover hotspots" to focus on.

Who is leaving?

The question of who is leaving is crucial for assessing the extent to which turnover is functional or dysfunctional, because not every employee is of equal value to your organization. Furthermore, some employees may leave for different reasons than others. For example, a SHRM survey found that women are more likely than men to report that flexible work

schedules are an effective retention strategy, and are more likely to cite a relocating spouse, child care issues, conflict with co-workers, and difficulty balancing work and personal life as reasons for leaving organizations.[28] Owing to these and other differences, you should track breakout data on the performance levels, skills (especially high-demand or hard-to-replace skills), tenure, and membership in underrepresented groups (e.g., minorities, females) of individuals who leave. This information will give you a more complete picture of the extent to which turnover is a problem in your

$$\text{Turnover Rate} = \frac{\text{Average number of employees}}{\text{Number of employees leaving}} \times 100$$

company, and will help you develop more effective retention strategies.

What are the relative costs and benefits of our current turnover?

Most retention strategies require investments of time, money, or other resources. To design strategies that yield acceptable returns on those investments, you need a clear idea of how much the costs associated with turnover in your company outweigh the benefits associated with turnover. Using this information, you can calculate total turnover costs as well as costs per incident of turnover. The formulae you use may vary based on factors such as job type or level, employee type, or employee performance level. A variety of resources are available to help you develop cost-benefit formulae and metrics, including the SHRM Retention Toolkit available at www.shrm.org.[29] In practice, your turnover-cost metrics need not be "perfect." It's more important that you arrive at an internal consensus on appropriate measures, so that the analysis, conclusions, and recommendations are seen as credible by others in your organization.

Benchmarking

Is a 15% annual turnover rate too high? This question is impossible to answer in isolation. For managerial employees in a stable, mature manufacturing organization, this rate is absolutely too high. That's because such organizations typically experience much lower levels of turnover. But for hourly employees in a retail or food-service environment, it almost certainly is not, because these types of organizations often experience much higher turnover. *Benchmarking* and *needs assessment* can give you additional information for determining whether turnover is a problem in your organization.

Through *external benchmarking*, you compare your organization's turnover rates against industry and competitor rates. If your rates are significantly higher than those of rival companies, your firm may be at a competitive disadvantage. Alternatively, relatively low rates in your company could provide an edge over rivals. One source of external benchmarking data is the U.S. government. For instance, the Department of Labor (DoL) publishes the Job Openings and Labor Turnover Survey (JOLTS; www.bls.gov/jlt). Table 3: JOLTS 2006 Quit Rates on page 14 shows an example. These data represent annual and monthly quit rates as a percentage of total employment for all non-farm employment across the United States. On the DoL's web site, you can find breakdowns by industry, geographic region, public-private, and government sector.

Another source of external benchmarking data could be private organizations such as the Attrition Consortium. This group of 25 *Fortune* 500 companies provides quit-rate statistics to a third-party organization that compiles the data and circulates benchmark statistics.[30]

Through *internal benchmarking*, you track your organization's turnover rates over time. If the rate is increasing, overall or among particular groups or locations, that could be a red flag.

Needs assessment

Through a needs assessment, you evaluate the implications of turnover for your organization in the context of future labor demand and availability.

Using an *external needs assessment*, you consider trends in the industry and larger labor market that may affect supply and demand of human capital. Some trends (such as industry growth) may increase demand for employees valued by your organization. Others (such as retirements of baby boomers) may worsen already shrinking supplies of labor.

Through an *internal needs assessment*, you evaluate your organization's future strategic direction and that direction's implications for your labor requirements. Some strategies

Spotlight: Tracking Turnover Rates at Harrah's Entertainment

Harrah's Entertainment tracks overall turnover rates as well as turnover rates by property (location) and by division/department. The company also codes each termination as voluntary or involuntary and controllable or uncontrollable. Within these broader categories, it breaks the data down into almost 30 more specific subcategories (such as voluntary-controllable-dissatisfied with pay; involuntary-policy violation). These data enable Harrah's to track turnover rates and types across business units and identify patterns that warrant attention.

(such as expansion of a business) will increase demand and may make turnover more problematic than strategies likely to decrease demand (including outsourcing or contraction). Some strategic plans may require a more nuanced approach to managing turnover. For example, if your company needs to decrease the size of its workforce and decides to do so by offering early retirement or severance packages, you may also want to simultaneously work on retaining certain other key employees.

STEP 2: How should we proceed?

Taken together, turnover analysis, benchmarking, and needs assessment enable you to determine the extent to which turnover is problematic in your organization. These data will help you develop appropriate responses and set your retention goals. If you've decided that turnover is not a problem, you may want to simply maintain the status quo while still monitoring turnover in your organization.

If you've determined that turnover does present a problem, you might want to consider broad-based or targeted retention strategies (or a combination of both), depending on your company's unique situation. *Broad-based strategies* are based on general principles of retention management and are intended to help reduce turnover rates across

the board. For example, "Decrease annual turnover in our company by 7%." *Targeted strategies* are designed for organization-specific turnover drivers and are intended to address organization-specific issues. Often, these strategies are also used to influence turnover among certain employee populations. For instance, "Increase the retention rate of female engineers by 10%."

Figure 5: Adapting Your Retention Strategies provides guidance for how to proceed based on the criteria of *turnover costs*, *turnover rates*, and *who is leaving*.

As Figure 5 suggests, when turnover costs are tolerable, turnover rates acceptable, and turnover is considered functional, then turnover is not a significant current issue. Thus, your organization can focus on monitoring the situation and maintaining the status quo. When costs are tolerable, but employee departures are considered dysfunctional, consider low-investment strategies targeted at people who leave, for example creating more flexible work arrangements. When costs are tolerable, but turnover rate is problematic, you may want to try low-investment but broad-based strategies. When both the turnover rate and who is leaving are problematic, you'll need both targeted and broad-based strategies. When turnover costs are deemed intolerably high, look for strategies

Table 3: JOLTS 2006 Quit Rates												
Annual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
23.7%	1.8%	1.6%	1.9%	1.8%	2.1%	2.2%	2.1%	2.7%	2.1%	1.9%	1.7%	1.7%

that provide a positive cost-benefit ratio, even if they require extensive resources. Finally, when neither the rate nor who is leaving is problematic but turnover costs are high, seek to streamline and reduce the costs associated with each person who quits.

Note that broad-based and targeted strategies don't have to be mutually exclusive. Indeed, general retention best practices can help you keep specific employees on board and determine which organization-specific turnover drivers to measure. At the same time, data that you collect on those organization-specific drivers can help you reduce overall turnover rates. Still, you'll get the best returns on your retention investments if you use data collection and retention strategies that are tailored to your particular turnover problem. Let's take a closer look at the differences between broad-based and targeted strategies.

Broad-based strategies

As we've seen, broad-based retention strategies are directed at the entire organization or at large subsystems, and are intended to address overall retention rates.[31] Examples might include providing across-the-board market-based salary increases, changing your company's hiring process to incorporate retention-related criteria, and improving the work environment. The data to help you proceed can come from several sources, including (1) retention research, (2) best practices, and (3) benchmarking surveys.

Retention research can shed valuable light on the primary drivers of turnover in organizations. Earlier in this report, you saw a summary of the predictors most consistently related to turnover and the relative strengths of those relationships. The Annotated Bibliography at the end of this report describes additional useful resources. You may also want to attend conferences of certain professional associations to gain access to the latest research on turnover and retention; for example, the Academy of Management and the Society for Industrial and Organizational Psychology.

In addition, you'll want to learn from *best practices*—the strategies that other organizations are doing and are finding effective or ineffective. For example, a WorldatWork survey of HR professionals found the following top ten retention initiatives in use:[32]

62% Market adjustment/base salary increase

60% Hiring bonus

49% Work environment (e.g., flexible schedules, casual dress, telecommuting)

28% Retention bonus

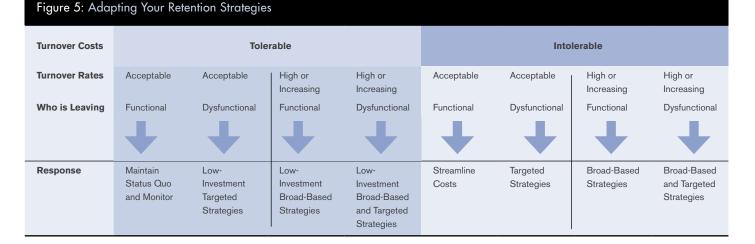27% Promotion and career-development opportunities

24% Above-market pay

22% Special training and educational opportunities

22% Individual spot bonuses

19% Stock programs

15% Project milestone/completion bonuses

Figure 5: Adapting Your Retention Strategies

Turnover Costs	Tolerable				Intolerable			
Turnover Rates	Acceptable	Acceptable	High or Increasing	High or Increasing	Acceptable	Acceptable	High or Increasing	High or Increasing
Who is Leaving	Functional	Dysfunctional	Functional	Dysfunctional	Functional	Dysfunctional	Functional	Dysfunctional
	↓	↓	↓	↓	↓	↓	↓	↓
Response	Maintain Status Quo and Monitor	Low-Investment Targeted Strategies	Low-Investment Broad-Based Strategies	Low-Investment Broad-Based and Targeted Strategies	Streamline Costs	Targeted Strategies	Broad-Based Strategies	Broad-Based and Targeted Strategies

Professional associations such as SHRM can also be useful sources of best practices data. The SHRM web site (www.shrm.org) offers a wealth of survey data, research reports, toolkits, white papers, and other resources related to retention practices. For example, Table 4: Retention Initiative Effectiveness[33] is drawn from a SHRM retention practices survey.

Finally, *benchmarking surveys* can also provide useful data for developing broad-based retention strategies. For example, organizations regularly conduct compensation and salary reviews to know where they stand in terms of tangible rewards relative to those offered by other companies. This kind information can be invaluable as you consider system-wide changes or new reward structures intended to influence overall retention. You can also collect benchmarking data on retention initiatives from consortia that conduct such studies.

Targeted strategies

At times, HR practitioners need to determine more specific drivers of turnover in their organization. For example, a research project in the gaming industry found that one of the best predictors of turnover among new hires was whether the shift they were told they would work during recruitment matched the shift actually assigned to them once they were on the job. Communicating realistic information during recruitment is a useful broad-based strategy for lowering turnover rates. But communicating accurate shift information to new hires (as in the

Implications for Small Organizations

Organization size can be a factor in determining the extent to which turnover is a problem, as well as appropriate retention goals. Smaller organizations may be more sensitive to high turnover rates and to the loss of key employees. If an excellent HR manager leaves a large organization, it may hurt, but the organization has the human capital and other resources to move on. If the excellent (and only) HR manager leaves a small organization, it can be devastating. Small organizations may also have different thresholds for evaluating what represents a high cost and what represents a reasonable investment in retention strategies.

above example) is a targeted strategy. To develop a targeted strategy, you can gather data from several sources, including (1) exit interviews, (2) post-exit surveys, (3) current-employee focus groups, (4) linkage research, (5) predictive turnover studies, and (6) qualitative studies.

Exit interviews

Exit interviews are used to collect data on why employees are leaving an organization. In a SHRM survey of HR professionals on the use of routine organizational practices related to talent management, 61% of the respondents reported that they used this type of interview.[34] Exit interviews are popular because they generate immediate data on why an employee is leaving. They can also help an organization salvage a valued employee. Moreover, they can serve a public-relations function by ending the employment relationship on a positive note.

Despite their popularity, exit interviews have raised some concerns about the data they uncover. Research suggests that many departing employees are reluctant

to cite negative aspects of the organization that have contributed to their decision to leave (such as dissatisfaction with their supervisor). In addition, they tend to cite positive external factors that lie outside the organization's control (for example, better opportunities elsewhere) as causes for their departure.

In one study of exit interviews, 38% of employees reported leaving because of salary and 4%, because of dissatisfactory supervision. In a questionnaire posed to these same individuals 18 months later, only 12% reported leaving because of salary, whereas 24% cited supervision as the cause.[35] Why the distortion? People may want to avoid doing anything that might end the employment relationship on a negative note, especially if they believe they may need references from the company in the future. They may also find it easier to give the impression that there is little the organization could have done. That way, the interviewer will be less likely to try to retain them.

To get the most from exit interviews:[36]

- Use neutral interviewers (such as someone from HR or an external consultant).

- Train interviewers.

- Use a structured interview format.

- Emphasize confidentiality to the extent possible. (Certain legal issues, such as allegations of illegal harassment or discrimination, cannot be guaranteed confidentiality.)

- Cross-check results with other data sources such as employee surveys.

- Use the information gained from the interview to make positive changes and let managers know how the information is being used.

Post-exit surveys

Exit interviews are conducted just before or just as employees are leaving. At these times, employees may find it most difficult to be objective and candid. For this reason, consider using *post-exit surveys* to collect similar information some time after an employee has left your organization. Typically, you would gather this data through a telephone survey. As you would during an exit interview, use a neutral source and structured format, and emphasize confidentiality.

Current-employee focus groups

Exit and post-exit data collections focus on why employees have left. You need to be equally interested in what's causing employees to stay at your organization. *Interviews or focus groups with current employees* can be valuable additional sources of information for developing targeted retention strategies. In particular, these methods can shed light on the reasons employees may have considered leaving your organization, why they have opted to stay, and the factors they consider most important for remaining with the company in the future.

You can get the most from current-employee focus groups by paying particular attention to the input of

Table 4: Retention Initiative Effectiveness

Initiative	Effectiveness	Offer the Initiative?		
		Yes	No	Plan To
Health care benefits	1.96	94%	3%	--
Competitive salaries	2.02	83%	8%	5%
Competitive salary increases	2.05	75%	15%	6%
Competitive vacation/holiday benefits	2.09	92%	4%	1%
Regular salary reviews	2.11	89%	6%	4%
Defined contribution retirement	2.21	73%	21%	2%
Paid personal time off	2.21	75%	20%	2%
Flexible work schedules	2.25	60%	32%	4%
Training and development opportunities	2.26	88%	4%	4%
Open-door policy	2.32	93%	3%	2%
New-hire orientation	2.32	92%	2%	3%
Defined benefit plan	2.32	52%	41%	2%
Child care paid or on-site	2.40	3%	89%	5%
Early eligibility for benefits	2.41	40%	54%	2%
Workplace location	2.41	59%	23%	--
Tuition reimbursement	2.42	77%	17%	3%
Retention bonuses	2.43	22%	71%	4%
Child care subsidies	2.46	8%	84%	4%
Spot cash	2.48	43%	47%	6%
Stock options	2.53	27%	66%	3%
Succession planning	2.54	32%	46%	16%
Non-cash or low-cash rewards	2.56	63%	25%	8%
Casual dress	2.59	76%	18%	1%
360-degree feedback	2.60	31%	51%	14%
On-site parking	2.64	86%	10%	1%
Domestic-partner benefits	2.66	12%	74%	4%
Elder care subsidies	2.66	4%	89%	2%
Attitude surveys/focus groups	2.67	46%	41%	10%
Alternative dispute resolution	2.67	31%	60%	5%
Transportation subsidies	2.74	16%	75%	4%
Fitness facilities	2.75	26%	62%	8%
Severance package	2.77	56%	38%	1%
Sabbaticals	2.78	12%	82%	2%
Telecommuting	2.79	26%	64%	7%
Non-compete agreements	2.84	46%	48%	--
Concierge services	2.92	5%	87%	4%

Scale: 1=very effective; 5=not effective at all

employees whom your organization is most interested in retaining (such as high performers or individuals in high-turnover jobs). As with the other methods discussed, be sure to use trained neutral parties and a structured format, emphasize confidentiality to the extent possible, and provide a clear mechanism for using the information generated.

Linkage research

Through *linkage research*, you measure employee attitudes and opinions through anonymous surveys, aggregate the responses to the business-unit level, and statistically correlate the aggregated responses with your company's turnover rates and other important business outcomes (such as customer satisfaction, sales, and profitability). This technique can give you a clear picture of the drivers of business-unit turnover rates.

How do you decide what to measure with a linkage survey? Draw from retention research and best practices, exit interviews, and focus group data from those who stay. Also look to your own hypotheses about what may be causing turnover in your organization. University researchers and outside consultants can further help you design and administer the surveys as well as analyze and interpret the results.

Predictive turnover studies

Whereas linkage surveys look for connections between trends at the business-unit level and turnover rates, *predictive surveys* examine direct relationships between

individual survey responses and individual turnover decisions. Employees complete attitude and opinion surveys (often developed in the same manner as described above). Then, after some period of time (typically six months or one year), you track who leaves and who stays. The goal is to statistically examine the relationships between survey responses and subsequent retention patterns.

Predictive surveys provide clear data on the strength of the relationships between specific predictors and actual turnover decisions in your organization—valuable information for determining how to craft targeted retention strategies. However, this method requires employees to identify themselves so that you can link their survey responses to subsequent turnover decisions. Without the comfort that comes with anonymity, employees may be unwilling to give candid responses during the surveys. Thus, you'll need to take special care to protect confidentiality and reassure participants that their supervisor will not see their responses. The use of outside researchers or consultants can help make employees feel more comfortable.

Qualitative studies

Finally, it may be worthwhile to conduct more in-depth *qualitative* studies. Instead of focusing on quantifying relationships between turnover and other factors, qualitative studies attempt to uncover the complex, harder-to-measure decision-making processes

that may underlie employee departures. These methods typically require more resources. However, they can sometimes reveal patterns or relationships that surveys don't capture.

Qualitative studies may include repeated interviews with representatives of key employee groups as well as analysis of diaries in which workers record their thoughts about the employment relationship. These studies may also take the form of experience sampling methods, in which workers respond to repeated measures of their employment relationship at a particular point in time. For instance, you might provide specific individuals with a personal digital assistant and ask them to report their job satisfaction at random times.

Targeting specific employee groups

After collecting data through one or several of the above-described means, you may discover that some groups or types of employees leave for different reasons than others. For example, suppose the data show that a particular division or location has higher and more dysfunctional turnover than others. Moreover, employees of that division or location report lower job satisfaction and less positive relationships with supervisors than workers in other divisions or locations, and these differences are related to the differences in turnover rates. These findings may prompt you to develop a retention strategy (such as supervisor training) targeted at that particular division or location.

Alternatively, suppose the data reveal that employees with high-demand and hard-to-replace skills (for example, engineers) are generating particularly high and costly turnover. In addition, you've found that departing engineers are especially unhappy with their compensation. You may develop a targeted retention strategy that calls for changing their compensation to reflect the engineering labor market.

In both of these cases, a targeted strategy will be far more cost-effective than a system-wide one.

You can likewise use turnover data to craft targeted strategies for retaining high-value employees, such as (1) star performers, (2) women and minorities, and (3) new generations entering the workforce. Any turnover among *high performers* may be exceptionally dysfunctional for some organizations. The research highlights three primary conclusions for how organizations can best retain these workers:[37]

• Performance-based rewards can *increase retention* among high performers (and may *increase turnover* among low performers).

• Top performers in jobs or occupations with extensive visibility or easily documented performance accomplishments are more at risk for turnover.

• The ability of well-designed pay-for-performance plans to reduce harmful turnover can more than offset these plans' increased costs.

In addition to developing retention strategies targeted at star performers, your organization may be particularly concerned about retaining *women and minorities*; for example, if the company views workforce diversity as a means of gaining a competitive advantage. Though research shows a weak correlation between sex or race and individual turnover decisions, data suggests that in the labor market as a whole, women and minorities may be somewhat more likely than men and members of majority groups to depart an organization.[38]

If you want to develop targeted strategies for retaining women and minorities, take care to understand the unique drivers behind their employment decisions. For example, women may be more likely to report leaving because of family or relationship issues. A recent summary of potential causes of turnover among women and minorities included seven drivers:[39]

• Supervisor bias

• Pay inequity

• Less interesting jobs

• Performance pressures

• Blocked careers

• Unsupportive co-workers

• Sexual harassment

Many of these drivers can be addressed with training (such as workshops on avoiding sexual harassment or prejudice) or with HR practices (for example, equitable compensation schemes and career development opportunities).

Fostering a pro-diversity work climate can help mitigate turnover related to unsupportive co-workers or performance pressures stemming from, say, being the only woman in a division staffed by men. Recent research has shown that the diversity climate in an organization is related to turnover intentions, especially among African-Americans.[40]

Finally, you may want to consider retention strategies based on generational differences. Although research shows that the likelihood of turnover generally declines with age, many organizations are finding that different generations of employees look for different things from their professional lives. For instance, as baby boomers (those born between 1946 and 1964) approach retirement age, they may value schedules that allow them to transition to part-time work and then full-time retirement. Their employers must decide how to retain their knowledge and experience while making room for the next generation of leaders. Meanwhile, members of Generation X (born 1965 to the late 1970s) experienced the breakdown of the lifetime employment contract and bring to the workplace an emphasis on market-based rewards, personal and professional development opportunities, work-life balance, and use of technology. Members of Generation Y (born early 1980s to 2000) are now entering the workforce, expect to be changing jobs frequently, and have been wired to technology since childhood. Some sources feel these employees will be extraordinarily technologically savvy,

at ease with global business and diversity, and skilled multi-taskers. Nevertheless, other observers believe they have less of a work ethic than older employees, have unrealistic expectations regarding career advancement, and lack the ability to make independent decisions.[41]

So far, research suggests that generational differences may be overstated as drivers of job satisfaction and turnover.[42] Still, considering generational differences in employees' reasons for leaving may be helpful for developing targeted retention strategies. For example, some evidence indicates that younger employees may place higher value on work-life balance and advancement opportunities than older employees.[43]

STEPS 3 and 4: Implementing Your Plan and Evaluating the Results

The third phase of retention management is implementation of your plan, while the fourth is evaluating the plan's results. Let's consider implementation first.

The actions you take to implement your plan will depend on the strategies you are pursuing and the unique circumstances of your organization. With any organizational change, you'll want to get top management support and buy-in for your strategy. It will also be important to develop a communications plan to ensure that managers understand the changes and are prepared to implement new policies and procedures. Try to anticipate any possible objections to

your new strategy and be prepared to answer those concerns.

After implementing your plan, it will be important to evaluate the results. Retention efforts may require substantial investments, so you'll want to assess their impact relative to the cost. For example, consider how many employees are leaving, which employees are leaving, and

what return your company is getting on its investment in the strategies. Do these results support your company's retention goals? If not, are some of those goals unrealistic, and do they need to be modified? Do unsatisfactory results suggest the need to gather new kinds of data or to develop a more effective implementation approach? Exploring

Implementing and Evaluating Retention Strategies at American Home Shield

Armed with an understanding of why some of their employees were leaving, the American Home Shield retention management team was ready to develop and implement a plan. The plan included both broad-based and targeted strategies, and was organized around the three job characteristics the team had identified as particularly problematic: job training, supervisor availability, and job requirement communications. The team included several solutions in their plan as well as a management "dashboard" it would use on an ongoing basis to ensure that all solutions continued to deliver as promised.

Several solutions implemented by American Home Shield were based directly on the data the team had collected:

• Reorganize the training schedule so that it matched the typical learning curve of the specific job.

• Increase the authority of front-line employees to free up supervisors to handle higher-level issues.

• Streamline the procedure for communicating job-requirement changes by (a) giving only department managers the authority to make job-requirement changes and (b) giving department employees e-mail accounts through which all job-requirement changes would be communicated.

American Home Shield also implemented a solution suggested by research the team had reviewed: improve hiring procedures. This solution consisted of structured interviews of job candidates using a trained interview team asking pre-screened behavioral questions. The purpose of this solution was to increase the reliability and validity of the selection process and the likelihood of hiring employees who would be a good fit for the job and the organization.

these questions can help you tease out the causes behind less-than-ideal outcomes. This allows you to objectively assess your retention strategies and make the changes needed to improve the results.

A MENU OF RETENTION PRACTICES

Research shows that certain HR practices can be especially powerful in enabling an organization to achieve its retention goals. These practices include (1) recruitment, (2) selection, (3) socialization, (4) training and development, (5) compensation and rewards, (6) supervision, and (7) employee engagement. The sections below summarize findings from that literature regarding these practices. They also explore the findings' implications for how you might approach retention management in your organization.

RECRUITMENT

Evidence suggests that recruitment practices strongly influence turnover. Considerable research shows that presenting applicants with a *realistic job preview* (RJP) during the recruitment process has a positive effect on retention of those new hires.[44] An RJP presents accurate information about the positive characteristics and potential challenges associated with any job, as well as clear details about performance expectations and the company's performance management processes. RJPs help employees adjust easily to their new

work environment. However, they can also reduce applicant pools, as some applicants decide that the job or organization is not for them. Thus, RJPs are most appropriate for positions in which retention is an issue but for which the organization does not have great difficulty finding enough qualified applicants.

SELECTION

How managers at your organization handle the selection process can also influence turnover. Using *biographical data* (*biodata*) during selection is one especially effective technique. Biodata empirically identifies life experiences that tend to differentiate those who stay with an organization from those who quit. Life experiences associated with people who stay may include significant tenure on previous jobs, education experiences, involvement and leadership in career-related clubs and organizations, and early work experiences. In considering which kinds of biodata to use, avoid

Providing Realistic Job Previews at AIMCO

AIMCO, an apartment management and investment company, found that people were leaving the organization because their jobs were not what they had expected. By providing realistic job previews through enhanced, more accurate job descriptions in recruiting advertisements, the company cut turnover in certain jobs from 22% down to just 3%.[45]

How to create a Realistic Job Preview (RJP): [46]

1) Interview incumbents about their job duties and work experiences.

2) Identify common themes and descriptors.

3) Validate that the resulting statements portray a relatively common work experience.

4) Develop the RJP in booklet, brochure, or electronic form. Oral presentations can be particularly effective.[47]

5) Use the RJP with a group of applicants while maintaining a control group of applicants who are not exposed to the RJP.

6) Revise and update the RJP as needed based on findings from the previous step.

In addition to using RJPs, consider encouraging employee referrals during recruitment. Research consistently shows that individuals hired through employee referrals tend to stay with the organization longer than those hired through any other recruitment source.[48]

Developing a WAB

Weighted application blanks (WABs) are powerful predictors of retention. Specific weights will vary for each organization and may vary by position within an organization. Empirically determine your own weights and avoid items related to protected class status.

those that could be seen as sensitive (for instance, anything related to protected class status or family background).

Research shows that biodata questionnaires can be quite predictive of retention, yet they are not widely used by organizations.[49] One straightforward way to leverage this tool is through a *weighted application blank* (*WAB*). A WAB uses the answers of current and former employees to application questions to empirically determine whether some items differentiate those who stay from those who leave. Items that differentiate can then be weighted according to how strongly they differentiate people who stay from people who leave. You can then use these items during selection from among future applicants. WABs are among the best predictors of turnover.

To better manage retention, many organizations are beginning to assess *fit* (with the job and organization) during the selection process. *Fit* is the compatibility of an individual with the work environment. Research shows that both person-job and person-organization fit are related to turnover.[50] Although potentially useful, assessing fit during selection presents some challenges since many of the criteria seem subjective in nature. For instance, one could argue that to fit well with an organization, an individual should have similar values and a compatible work style to other employees—and these can be difficult to measure in an interview. To surmount these challenges, consider using structured

interviews, structured questionnaires such as the Organizational Culture Profile or the Job Compatibility Questionnaire, or values and personality profile matching.[51] Texas Instruments, for example, has a Fit Check Tool on their web site that enables applicants to evaluate their own fit with an open position and with the company in terms of their education and work experience as well as their workplace values (www.ti.com).

SOCIALIZATION

For many organizations, turnover rates are often high among new employees. This situation is particularly troubling, because the organization may have made significant investments in recruitment, selection, and training—and high turnover prevents the company from seeing a return on these investments.[52] Research has shown that socialization practices can help new hires become embedded in the company and thus more likely to stay.[53] These practices include shared and individualized learning experiences, formal and informal activities that help people get to know one another, and the assignment of more seasoned employees as role models for newcomers.[54]

Using Socialization to Improve New Hire Retention

- Involve experienced organization insiders as role models, mentors, or trainers.

- Provide new hires with positive feedback as they adapt.

- Structure orientation activities so that groups of new hires experience them together.

- Provide clear information about the stages of the socialization process.

To develop a Weighted Application Blank:[55]

1) Identify those employees who are likely to stay and those who are likely to leave.

2) Select items from application blanks for analysis.

3) From personnel records, identify the application-blank responses of people who stay and people who leave.

4) Determine the weight of each application blank response category by computing the percentage difference between people who stay and people who leave.

5) Estimate the predictive accuracy of the WAB. If the correlation between WAB scores and membership in the stay or leave groups is significant, use the WAB for selection purposes.

6) Continue to cross-validate your WAB's predictive power.

TRAINING AND DEVELOPMENT

Some observers worry that training and development opportunities may be a double-edged sword.

These opportunities may discourage turnover by keeping current employees satisfied and well-positioned for future growth opportunities. People in certain jobs that require constant updating of skills (such as information technology) might leave if they have no options for strengthening those skills. However, training may make employees more marketable and thus increase the ease with which they can be recruited by rival organizations.

Still, research suggests a modest negative relationship between training and turnover: Those who receive more training are somewhat less likely to quit than those who receive little or no training. Growing evidence also indicates that employees are increasingly factoring future growth opportunities into their turnover decisions, and training and development play an important role here.[56] If you're concerned that training will increase turnover in your organization, you may want to consider offering *job-specific* training (which is less transferable to other contexts) instead of more *generalized* training (which transfers easily).[57] Also think about linking some types of developmental opportunities to retention. For example, reimburse tuition for employees who remain with your company for a specified amount of time after they complete a degree program.

COMPENSATION AND REWARDS

Compensation and rewards offered by your organization obviously play a critical role in the inducements-contributions balance described

Assessing Organizational Fit

Assessing fit with the organization and with the job during selection improves retention. Fit can be assessed via structured interviews, structured questionnaires, or values and personality profile matching.

earlier, which we can also think of as the employee value proposition (EVP). Fail to offer competitive rewards, and you may put your company at a disadvantage for attracting and retaining talent.

At the same time, pay levels and pay satisfaction are only modest predictors of people's turnover decisions, as you saw earlier.[59] Thus, you need to carefully consider how you use rewards to retain employees. Research suggests several approaches. One is to *lead the market* with respect to rewards. This has the dual benefit of promoting satisfaction (thereby decreasing workers' desire to leave) and minimizing the relative attractiveness of alternatives.[60] Of course, this approach needs to be consistent with your organization's overall strategy and its HR strategy. Also, keep in mind that you can lead the market with types of rewards other than base pay. For example, market-leading variable or incentive pay, benefits, or intrinsic rewards such as increased decision-making autonomy can powerfully motivate people to stay.

You can also *tailor rewards to individual needs.* Employees may differ in their preferences for certain types of rewards—variable pay, benefits, work arrangements, and so forth. Although organizations continuously try to balance market forces, internal compensation structures, and individual fairness, many are increasingly weighting market forces and individual needs more heavily.[61] True, tailoring rewards to individual needs may raise concerns about internal equity; however, it can also make your

company more competitive in the war for talent.

Finally, you can *explicitly link rewards to retention*. For example, many organizations tie vacation hours to seniority, offer retention bonuses or stock options to longtime workers, or link defined benefit plan payouts to years of service. Interestingly, research shows that both defined benefit and defined contribution plans are associated with longer tenure.[62] Likewise, retention bonuses or "golden handcuffs" may help you keep employees on board during periods of transition or uncertainty, such as mergers or reorganizations. However, these may be less effective as ongoing retention tools, because more organizations are offering "golden hellos" to lure employees away from competitors.[63]

In weighing the pros and cons of any compensation and rewards strategies, keep in mind that employees are concerned not only with the fairness of the *outcomes* of reward-allocation decisions but also with the fairness of the *processes* by which reward decisions are made and communicated. Reward-allocation processes that are seen as fair may trigger less upset over individual tailoring than processes seen as unfair. This research also raises questions about the long-term efficacy of pay-secrecy policies. In the short run, these policies may help the organization avoid triggering dissatisfaction associated with rewarding employees differently. However, over time, they tend to give the impression of unfairness.

Leveraging Rewards to Retain Valued Employees [64]

- Lead the market on rewards that fit with business and HR strategy

- Tailor rewards to individual needs and preferences

- Promote justice and fairness in pay and reward decisions

- Explicitly link rewards to retention

SUPERVISION

You've heard the maxim before: "People leave because of bad bosses." Research supports this claim: the quality of employees' relationships with their supervisors is an important driver of turnover. Evidence also suggests that a worker's satisfaction with his or her boss, the quality of the exchanges between them, and fair treatment by supervisors are related to retention.[65] One study found that *fair treatment by supervisors was more important than the distribution of outcomes in predicting turnover.*[66]

This body of research points to several recommendations for managing retention. First, prepare the supervisors and managers in your organization to lead and to develop effective relationships with their subordinates. In many companies, individual contributors are promoted to managerial positions based solely on their performance on technical aspects of the job—not on their supervisory abilities. However, there is no guarantee that good technical performance will translate into effective supervision. To prepare people in your organization to take

on leadership roles, you may want to provide training and coaching that covers not only how to be a good boss but also how to retain talent.

Also remember that a manager's behavior stems in part from how he or she is evaluated and rewarded. One way to encourage supervisors to focus on retention is to measure retention among their teams. You can then incorporate this metric into your company's evaluation and reward system. Federal Express, for example, explicitly evaluates managers on retention metrics in their work groups.

Finally, pay particular attention to abusive supervision—defined as sustained hostile verbal and/or nonverbal behaviors such as criticizing direct reports in public, ridiculing subordinates, lying, breaking promises, making threats, and misdirecting anger at employees.[67] Training may discourage some of these behaviors. If it doesn't, you'll need to remove abusive supervisors if their actions are driving valued employees away.

Developing Better Managers

- Train supervisors and managers how to lead and how to develop effective relationships with subordinates

- Hold supervisors and managers accountable for retention

- Identify and remove abusive supervisors

Offering Training and Development as a Retention Tool

- Providing training and development opportunities generally decreases the desire to leave. This may be particularly critical in certain jobs that require constant skills updating.

- Organizations concerned about losing employees by making them more marketable should consider job-specific training and linking developmental opportunities to tenure.

EMPLOYEE ENGAGEMENT

Strengthening employee engagement in your organization can also help you retain talent. Engaged employees are satisfied with their jobs, enjoy their work and the organization, believe that their job is important, take pride in the company, and believe that their employer values their contributions.[69] One report on measuring engagement at Intuit found that highly engaged employees were five times less likely to quit than employees who were not engaged.[70] To learn more about the implications of such findings for HR practitioners and about ways to improve engagement in your organization, see the SHRM Foundation *Effective Practice Guidelines* report "Employee Engagement and Commitment." Table 5: Strengthening Engagement in Your Organization[71] offers additional tips.

Table 5: Strengthening Engagement in Your Organization	
Job design	• Increase meaningfulness, autonomy, variety, and co-worker support in jobs.
Recruitment and selection	• Use clear communication to achieve person-job and person-organization fit. • Hire internally where strategically and practically feasible.
Training and development	• Provide orientation that communicates how jobs contribute to the organization's mission and that helps new hires establish relationships with colleagues. • Offer ongoing skills development.
Compensation and performance management	• Consider competency-based and pay-for-performance systems. • Define challenging goals. • Provide positive feedback and recognition of all types of contributions.

CONCLUSION

Effectively managing retention in your organization isn't easy. It takes extensive analysis, a thorough understanding of the many strategies and practices available, and the ability to put retention plans into action and learn from their outcomes. But given the increasing difficulty of keeping valued employees on board in the face of major shifts in the talent landscape, it is well worth the effort.

To get the most from your retention management plans, you'll need to: (1) analyze the nature of turnover in your organization and the extent to which it is a problem (or likely to become one); (2) understand research findings on the drivers of employee turnover and the ways in which workers make turnover decisions; (3) diagnose the most important and manageable drivers of turnover in your company; and, (4) design, implement, and evaluate strategies to improve retention in ways that meet your organization's unique needs. The research, guidelines, and examples provided in this report will help you to tackle this challenging but crucial responsibility.

Retention Results at American Home Shield

Using primary and secondary research to develop their retention management strategy, American Home Shield was able to reduce turnover from nearly 90% to about 35% in a short period of time. American Home Shield first defined the extent to which turnover mattered in their organization. It then gathered primary data to measure and understand why some employees were leaving and others were remaining with the organization. Finally, the company developed a retention management plan that allowed management to control employee turnover on an ongoing basis.

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Strengthening employee engagement in your organization can also help you retain talent. One report on measuring engagement at Intuit found that highly engaged employees were five times less likely to quit than employees who were not engaged.[72]

SOURCES AND SUGGESTED READINGS

Abelson, M.A. 1987. Examination of avoidable and unavoidable turnover. *Journal of Applied Psychology,* **72 (3): 382-386.**

Past research has suggested that workers leave either voluntarily or involuntarily. In this article, the author holds that this approach excludes some involuntary departures from analysis, while treating all people who leave voluntarily as being similar. Drawing on Dalton, Krackhardt, and Porter's (1981) suggested taxonomy of avoidable and unavoidable turnover, this article examines whether the taxonomy aids in the analysis of turnover. The key finding from this research is that unavoidable departures and retentions did not significantly differ on four variables: Commitment, satisfaction, job tension, and withdrawal cognitions. These findings suggest that researchers should consider the circumstances of job quits when analyzing the causes of employee turnover.

Alexander, J., Bloom, J., & Nuchols, B. 1994. Nursing turnover and hospital efficiency: an organization-level analysis. *Industrial Relations, 33,* **505-520.**

This article explores the relationships between organization-level turnover and firm performance using a national sample of registered nurses at 333 hospitals. Although a U-shaped relationship between turnover and performance is proposed, the findings indicate that even low levels of turnover increase both non-personnel and personnel costs, suggesting that turnover harms organizational efficiency via disruptions created by employees who leave. The negative relationship between turnover and efficiency was found in this study to not be U-shaped as proposed, but instead linear in nature.

Allen, D.G. 2006. Do organizational socialization tactics influence newcomer embeddedness and turnover? *Journal of Management, 32,* **237-256.**

The study provides evidence that organizational socialization tactics influence turnover among new hires. The author uses hierarchal logistic regression to analyze the relationship between socialization tactics and turnover. Two socialization tactics, serial and investiture, are significantly negatively related to turnover. For each one-unit increase in investiture tactics, the odds of quitting go down by a multiplicative factor of 0.524, and for each one-unit increase in serial tactics, the odds of quitting go down by a multiplicative factor of 0.438.

Additionally, three socialization tactics, collective, fixed, and investiture, are shown to be positively related to job embeddedness. These results suggest that how new hires are socialized can more fully embed them in the organization, and thus reduce turnover.

Allen, D.G. and Griffeth, R.W. 2001. Test of a mediated performance-turnover relationship highlighting the moderating roles of visibility and reward contingency. *Journal of Applied Psychology, 86,* **1014-1021.**

A model of the performance-turnover relationship was tested that addressed at least three shortcomings of previous research (first empirical test of a mediated performance-turnover relationship). First, the model recognized that performance may have simultaneous and sometimes conflicting effects on both the desire and the ability to leave an organization. Second, the model explicitly included two important moderators of these relationships: contingent rewards and visibility. Third, the model suggested that performance is a somewhat psychologically distal antecedent of turnover with effects that are mediated by other variables. Data consisted of organizational performance and turnover records for 130 employees of a medical services organization. During the period under investigation, 20% of the sample voluntarily quit.

The results provide support for the proposed model of the performance-turnover relationship, and may help explain the complex relationship between performance and turnover. The results indicate that visibility moderates the relationship between performance and alternatives, and that reward contingencies moderate the relationship between performance and satisfaction. The mediation results were less clear because of a lack of direct effects involving performance. Additionally, the potentially conflicting mechanisms of ease and desirability of movement may help to explain the mixed results found regarding the performance-turnover relationship.

Allen, D.G., and Griffeth, R.W. 1999. Job performance and turnover: A review and integrative multi-route model. *Human Resource Management Review, 9,* **525-548.**

The authors argue that research should examine which individuals are leaving the organization. If, for example, only the poorest performing individuals are leaving, turnover could be beneficial and not negative for the organization. Conversely, if the very highest performers are leaving, the results could be highly negative for the organization. An integrative model of the relationship between individual job performance and turnover is proposed, which argues that performance may lead to turnover through three different routes: 1) cognitive and affective

evaluations of the desire to leave the organization, 2) actual and perceived mobility in the job market, and 3) performance, which may lead more directly to turnover in response to performance-related shocks in the system.

Allen, D.G., Shore, L.M., and Griffeth, R.W. 2003. The role of perceived organizational support and supportive human resource practices in the turnover process. *Journal of Management, 29,* **99-118.**

A model investigating antecedents of perceived organizational support (POS) and the role of POS in predicting voluntary turnover was developed and tested in two samples via structural equation modeling. Both samples of employees (N=205 department sales people; N=197 insurance agents) completed attitude surveys that were connected to turnover data collected approximately one year later. Procedures were similar in both samples, except measures in sample one were taken at two points in time, whereas those in sample two were taken at three points. Identical analyses were performed on both samples. A confirmatory factor analysis (CFA) was performed to assess the distinctiveness of the measures.

The results suggest that perceptions of supportive human resources practices (participation in decision-making, fairness of rewards, and growth opportunities) contribute to the development of POS, and that

POS mediates their relationships with organizational commitment and job satisfaction. Further, POS is negatively related to withdrawal, with the relationship between POS and withdrawal mediated by commitment and satisfaction. Thus, the authors suggest that POS may be a more distal determinant of turnover that affects turnover as a critical antecedent to commitment.

Aquino, K., Griffeth, R.W., Allen, D.G., & Hom, P.W. 1997. An integration of justice constructs into the turnover process: Test of a referent cognitions model. *Academy of Management Journal, 40,* **1208-1227.**

The authors propose a model for clarifying psychological processes by which felt deprivation instigates quitting. Using referent cognitions theory, which holds that individual dissatisfaction arises when a person compares existing reality to a more favorable alternative, the results illustrate that outcome and supervisor satisfaction are negatively related to withdrawal cognitions.

Referent cognitions occur when individuals compare their outcomes with another person's, and thus think about "what might have been". The results explained that people may view existing outcomes as temporary because satisfaction may be influenced by what they expect to receive in the future. If they believe that the organization can change, then inferior outcomes may not necessarily produce dissatisfaction. But, if employees do

not hold this belief, poor outcomes can produce negative responses directed inward (stress, depression) or outward (absenteeism, poor performance, resignations). Linkages between referent cognitions, turnover intentions, and turnover were established.

Batt, R. 2002. Managing Customer Services: Human Resource Practices, Quit Rates, and Sales Growth. *Academy of Management Journal, 45,* **587-597.**

This study examines relationships between high-involvement HR practices, quit rates, and sales growth. A sample of call centers across the United States yielded a mean quit rate of 14%. Notably, high-involvement HR practices were significantly negatively correlated with quit rate (r = -.28), and quit rate was negatively correlated with sales growth, with a pairwise correlation of -.10.

The results of the article suggest that HR practices that emphasize an investment in human capital reduce turnover and thus increase firm performance. Key among the findings is the confirmation of the tie between quit rates and performance.

Cascio, W.F. 2006. Managing Human Resources: Productivity, Quality of Work Life, Profits (7th ed.). Burr Ridge, IL: Irwin/ McGraw-Hill.

The portion of this text devoted to turnover concerns the costs of

employee turnover. Specifically, the chapter provides methods for calculating the associated costs of separation and organizational quit rates, and offers three categories of turnover costs: Separation costs, replacement costs, and training costs. Separation costs are those costs associated with the loss of continuity from an employee leaving. Replacement costs are costs associated with finding employees to take the place of employees who leave. Training costs are costs associated with getting new employees integrated into the prevalent practices of the organization.

Dalton, D.R., Todor, W.D., & Krackhardt, D.M. 1982. Turnover overstated: A functional taxonomy. *Academy of Management Review, 7,* **117-123.**

This article provides a critical look at how turnover is viewed as well as measured. The key theme posited is that turnover among employees who are evaluated negatively by the organization is a positive for said organization. Specifically, that while too much turnover may be negative, limited amounts of turnover may actually be positive for the performance of the firm. The authors hold that recommendation for rehire is an adequate proxy for "good" (functional versus dysfunctional) turnover.

Dess, G., & Shaw, J. 2001. Voluntary turnover, social capital and organizational performance. *Academy of Management Review, 26, 446-456.*

This treatise draws upon the work of Dalton, Todor, and Krackhardt (1982) to further the notion that turnover is not always a "problem" for the organization. The authors expound on the idea the general indicator quit rate is not adequate to explain the impact of turnover on firm performance. Specifically, it is proposed that losses of individuals with large amounts of social capital may be more damaging to firm performance than quitting by low-capital employees.

Ferris, G.R. 1985. Role of leadership in the employee withdrawal process: A constructive replication. *Journal of Applied Psychology, 70, 777-781.*

The contributions of average exchange and leader-member exchange (LMX) to explaining variance in employee turnover were examined in an investigation designed to constructively replicate a study by Graen, Liden, and Hoel (1982). The results showed LMX to be a stronger predictor of turnover than average leadership style, although the effect size was not as large as in the Graen et al. study. Also, LMX predicted turnover better than did employee attitudes, despite the fact that employee attitudes seemed to mask the LMX-turnover relationship.

Fitz-Enz, J. 2002. How To Measure Human Resources Management (3rd ed.). McGraw-Hill.

The chapter of this text devoted to turnover focuses on the hidden costs of high organizational quit rates and provides a unique look into the categorization of people who leave. Separations, as the authors call them, are divided into quits, layoffs, and discharges. The text also offers formulas for accession rate (total hires/average headcount) and separation rate (total termination/average headcount). The key theme put forth is that retention management should be a proactive process, not an eleventh-hour afterthought. The authors also provide illumination on hidden costs of turnover, such as costs for unemployment and workers' compensation insurance.

Glebbeek, A., & Bax, E. 2004. Is high employee turnover really harmful? An empirical test using company records. *Academy of Management Journal, 47(2), 277-286.*

The authors tested the hypothesis that employee turnover and firm performance have an inverted U-shaped relationship. The article hypothesizes that overly high or low turnover is harmful for firm success. The analysis was based on performance data from 110 offices of a temporary employment agency. The offices had high variation in turnover but were otherwise similar, allowing the researchers to control for important intervening variables.

Regression analysis revealed a curvilinear relationship. The findings indicate that high turnover was harmful, but the proposed inverted U-shape was not found.

Griffeth, R.W. & Hom, P.W. 2004. Innovative Theory and Empirical Research on Employee Turnover. Information Age Publishing.

This missive offers a look at particularly innovative research on turnover and retention. Multiple theoretical perspectives are offered. The book offers a view into the history, scope, theory development, and generalizability of research on turnover and retention. Additionally, the authors delve into unresolved issues in existing theoretical frameworks of turnover. Issues regarding models from March and Simon's equilibrium framework to the job embeddedness construct are discussed. A key advance on turnover theory in this text is the notion of turnover as a risky decision that weighs upon the individual organization member. The interaction of individual risk traits as well as risky situational aspects is discussed in the context of extant turnover models.

Griffeth, R.W. & Hom, P.W. 2001. Retaining Valued Employees. Sage.

This work provides a comprehensive look at how firms can keep key members of the organization. A national survey of American corporations reveals that 52% of

companies report that turnover is increasing. The authors also draw on survey results to state that employee loyalty at U.S. companies is at an all-time low, making employee retention a key issue in the 21st century. The key issue raised by the authors is that academic studies on turnover and retention, while theoretically insightful, have offered very little in the way of direction for management practitioners.

A turnover classification scheme which delineates voluntary versus involuntary, functional versus dysfunctional, and unavoidable and avoidable turnover is put forth. Also discussed are the tangible and intangible costs of turnover. Specifically addressed are the often unrecognized costs of turnover, such as a loss of organizational memory and a lack of seasoned mentors that comes with high turnover rates. Tactics for reducing turnover are offering, such as an increased emphasis on socialization of new hires to promote job embeddedness.

Griffeth, R.W., Hom, P.W., & Gaertner, S. 2000. A meta-analysis of antecedents and correlates of employee turnover: Update, moderator tests, and research implications for the next millennium. *Journal of Management, 26,* **463-488.**

This article provides an update to the turnover meta-analysis of Hom and Griffeth (1995). Among its contributions is the identification of various moderators of antecedent-turnover correlations. Additionally, this article is the most wide-ranging quantitative review to date of

the predictors of turnover. The meta-analysis yields new findings. Notably, intentions to quit remain the best predictor of turnover with a correlation of .46, up from .35 in the 1995 study. Commitment and satisfaction were shown to be modest predictors of turnover with correlations of .27 and -.19 respectively, consistent with the 1995 study. The study examined 6 general variable categories and their prediction of turnover: personal characteristics, satisfaction, other dimensions of work experience, external environmental factors, behavioral predictors, and withdrawal cognitions.

Harrison, D.A., Newman, D.A., & Roth, P.L. How important are job attitudes? Meta-analytic comparisons of integrative behavioral outcomes and time sequences. *Academy of Management Journal, 49,* **305-325.**

This article proposes that overall job attitudes (satisfaction and commitment) predict a variety of behavioral criteria, including turnover. The study confirmed a moderate correlation between overall job attitude and turnover (corrected r = -.22). The 95% confidence interval (-.12 through -.36) indicates that although the correlation is moderate, it is legitimate. This article emphasizes that when examining the impact of job attitudes on job-related behavior, researchers should view the outcome at a high level of abstraction, with the idea being that a general attitude will be linked to a general outcome.

Heneman, H.G. & Judge, T.A. 2006. Staffing Organizations, 5th edition. McGraw-Hill Irwin.

This text examines three types of turnover: voluntary, discharge, and downsizing. Each form of turnover and its drivers are explored. Additionally, each type is examined from the perspective of three primary causes—ease of movement, cost of leaving, and availability of alternatives. Also examined are development and initiation of retention strategies, with a particular focus on reducing voluntary turnover, employee discharges, and the consequences of downsizing.

Hom, P.W. & Griffeth, R.W. 1991. Structural equations modeling test of a turnover theory. *Journal of Applied Psychology, 76,* **350-376.**

This study uses Hom, Griffeth, and Sellaro's (1984) theoretical alternative to Mobley's (1977) turnover model in two investigational studies. Study 1 validated conceptual distinctions among model constructs and operationalizations of those constructs. A sample of 206 nurses was surveyed, and constructs were assessed with multiple indicators. This article illustrates how the use of structural equation modeling (SEM) identified more parsimonious conceptualization than do previous linear growth models.

Hom, P.W. & Griffeth, R.W. 1995. Employee Turnover. South-Western.

This text features a meta-analysis of research on turnover among individuals. The meta-analysis categorizes antecedents of turnover into six groups: Demographic and personal determinants, satisfaction, work environment, job content, external environment, and withdrawal cognitions. Examples of variables in each category include cognitive ability (demographic determinants), job satisfaction (satisfaction), compensation (work environment), job scope (job content), labor market conditions (external environment), and turnover intentions (withdrawal cognitions).

The study yielded interesting results. Turnover intentions proved to be the best predictor of actual turnover (r=.35). However, the passage of time between developing intentions to quit and quitting weakened the relationship. Satisfaction and commitment showed a consistent but weak correlation with turnover.

Hulin, C.L., Roznowski, M., & Hachiya, D. 1985. Alternative opportunities and withdrawal decisions: Empirical and theoretical discrepancies and an integration. *Psychological Bulletin, 97*, 233-250.

The authors argue that aggregate and individual level data may not come to the same conclusions about turnover. This phenomenon, termed an *ecological fallacy,* means

that properties that are correlated at one level of aggregation are not necessarily correlated within the same unit at the individual level.

The labor market/turnover literature shows the consistency and strength of the negative relation between job opportunities or unemployment and voluntary job terminations (turnover) in aggregated data – sharing up to 70% of the variance. However, in studies of individual decisions to turnover, the consistency and strength of the effect is not as large as expected based on the aggregate data. In addition, results do not show that alternative job options or assessment of labor conditions behave at the individual level in the same manner as at aggregate level.

Huselid, M. 1995. The impact of human resource management on practices, on turnover, productivity, and corporate financial performance. *Academy of Management Journal, 38,* 291-313.

This study provides a wide-ranging evaluation of the links between systems of High Performance Work Systems (HPWS) and firm performance. Results based on a nationwide sample of almost 1,000 firms indicate that HPWS have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of organizational financial performance.

The article establishes the role of strategic human resources management in the success of the organization, specifically by reducing organizational turnover rates. In this study, HPWS were shown to improve corporate financial performance through reduced costs associated with high quit rates.

Ippolito, R.A. 1991. Encouraging long-term tenure: Wage tilt or pension? *Industrial and Labor Relations Review, 44,* 520-535.

This article examines the influence of wage tilt (the payment of below-market wages in the early years of the worker's employment with a firm and above-market wages in the later years) and the presence of defined benefit pension plans on worker tenure. A sample of 6,416 persons in 109 firms was examined to test whether wage tilt or pension plan was a greater contributor to tenure. Contrary to the popular (but little tested) belief that wage tilt creates commitment by workers to the organization, the results show that wage tilt had no significant effect on tenure. On the other hand, pensions increased average tenure by more than 20%.

Ippolito, R.A. 2002. Stayers as workers and savers. *Journal of Human Resources, 37,* **275-308.**

This paper presents an alternate explanation to the traditionally held belief that deferred wage contracts keep employees in the organization. The authors propose that deferred wages instead attract employees who are inclined to save, or "savers", and that savers are generally better employees than non-savers. Because it is in the best interest of the organization to retain good employees, savers are induced to stay with the organization. This proposed process creates organizational situations whereby deferred wages and high levels of compensation are coupled with low quit rates. Therefore, low turnover rates are a function of good selection techniques. Simply by attracting "savers", firms can produce low rates of organizational turnover.

Jackofsky, E.F. 1984. Turnover and job performance: An integrated process model. *Academy of Management Review, 9,* **74-83.**

The key contribution of this article is the integration of job performance into predominant process models of turnover. Numerous process models (e.g. March and Simon, 1958; Mobley, 1977) have been applied in an attempt to explain the decision to leave an organization, but this is the first to look at the role of job performance in the process. Job performance is conceptualized as both a direct influence on turnover

as a precursor to various antecedents of turnover. This theoretical advance has implications for both turnover researchers and HR managers in understanding how to keep valued employees.

Kammeyer-Mueller, J.D., Wanberg, C.R., & Ahlburg, D. 2005. Turnover processes in a temporal context: It's about time. *Journal of Applied Psychology.*

This article puts forth a turnover model incorporating dynamic predictors measured at 5 distinct points in time. To better understand the process of organizational withdrawal, turnover was examined by following a large occupationally and organizationally diverse sample over a 2-year period. Results show that turnover can be predicted by critical events if they are measured soon after organizational entry. Other factors such as alternative opportunities also became significant predictors when measured over time. In line with Lee and Mitchell's unfolding model, critical events such as shocks predicted turnover separately from attitudinal factors.

Lee, T.W. & Mitchell, T.R. 1994. An alternative approach: The unfolding model of voluntary employee turnover. *Academy of Management Review, 19,* **51-89.**

This article advances an "unfolding model" of employee turnover by drawing on concepts and constructs from both market-pull and psychological-push approaches.

These factors are proposed to contribute to the decisions and behavior of people who voluntarily leave an organization. The unfolding model utilizes constructs from Beach's (1990) generic decision-making model, image theory, to understand the specific issues of employees' decisions to quit. In the unfolding model, screening rather than choosing among options is the most important mechanism for understanding decisions. Screening is a process that ascertains whether new information can be integrated easily into a set of three domain-specific images: value, trajectory, and strategic.

The unfolding model has four decision paths. Two key concepts to the four paths are shock to the system and decision frames. A shock to the system is a very distinguishable event that jars employees toward deliberate judgments about their jobs and, possibly, to voluntarily quit their jobs. A decision frame is simply an individual frame of reference. Also proposed is a path of quitting abruptly with no plan in place, known as impulsive quitting.

Maertz, C.P. & Campion, M.A. 2004. Profiles in quitting: Integrating process and content turnover theory. *Academy of Management Journal, 47,* 566-582.

In this review and integration of process models (how people quit) and content models (why people quit) of turnover, the authors studied 159 quitters to cull four generic turnover decision types that they believe each quitter uses in his or her decision to leave a job. The first of these decision types is *impulsive quitting*, which is characterized by quitting without an alternate plan of action and a short, precipitous decision process. The second decision type identified is *comparison quitting*, which is simply the act of leaving a job for another job one deems more desirable. The third decision type is termed *preplanned quitting*, and is distinguished by an advanced plan to quit, after a specific event occurs or a specific time period has passed. The final decision type identified is *conditional quitting*, a plan to quit only if a specific event occurs.

March, J.G. & Simon, H.A. 1958. Organizations. John Wiley.

This piece puts forth the notion that the decision to participate lies at the core of organizational equilibrium, a condition of survival of an organization. Equilibrium reflects the organization's success in arranging payments to its participants adequate to motivate their continued participation. This concept, known as equilibrium theory, holds that inducements are payments made by (or through) the organization to its participants (e.g., wages to a worker, service to a client). Contributions are payments made by a participant in an organization to the organization (e.g., work from the worker, fee from the client).

The inducements-contribution balance is a function of two major components: the perceived desirability of leaving the organization and the perceived ease of movement from the organization. The perceived desirability of movement is a function of both the individual's satisfaction with his/her present job and his/her perception of alternatives that do not involve leaving the organization. The perceived ease of movement is a function of the number of extra-organizational alternatives perceived.

McElroy, J., Morrow, P., & Rude, S. 2001. Turnover and organizational performance: A comparative analysis of voluntary, involuntary, and reduction-in-force turnover. *Journal of Applied Psychology, 86,* 1294-1299.

In this study, data were collected from 31 regional sub-units of a national financial services company. Differential aspects of 3 types of turnover (voluntary, involuntary, reduction-in-force) on measures of organizational subunit performance were examined. Each type of turnover showed adverse effects on sub-unit performance when examined individually, and partial correlation results revealed greater and more pervasive adverse effects for downsizing (reduction in force) in comparison with the effects of voluntary and involuntary turnover. The results reaffirm the differential effects of downsizing, placing an emphasis on the need to move beyond the traditional voluntary-involuntary classification system that is prevalent in existing turnover theory.

McKay, P.F., Avery, D.R., Tonidandel, S., Morriss, M.A., Hernandez, M., & Hebl, M.R. 2007. Racial differences in employee retention: Are diversity climate perceptions the key? *Personnel Psychology, 60,* 35-62.

This study examined the role of diversity climate perceptions on turnover rates among Whites, African-Americans, and Hispanics. The authors hypothesized that perceptions of a climate of diversity would be most negatively correlated with turnover intentions among African-Americans, followed by Hispanics and then Whites. The findings were indeed strongest among Blacks, but contrary to the hypothesized effects, both White men and women showed stronger effects than Hispanics.

Mitchell, T.R., Holtom, B.C., & Lee, T.W. 2001. How to keep your best employees: Developing an effective retention policy. *Academy of Management Executive, 15, 96-108.*

This article examines turnover from a practitioner perspective. Drawing on the idea that competition to retain key employees can be intense, the authors hold that top-level executives and HR departments spend large amounts of time, effort, and money trying to figure out how to keep their people from leaving. This article describes new research and its implications for managing turnover and retention. In doing so, the conventional wisdom that dissatisfied people leave and money makes them stay is challenged. The notion that people often leave for reasons unrelated to their jobs is explored. Multiple other causes are put forth. In many situations, unexpected events or shocks are the cause. Conversely, employees often stay because of personal attachments and fit, both on the job and in their community. Recommendations for integrating research into practice are offered.

Mitchell, T.R., Holtom, B.C., Lee, T.W., Sablynski, C.J., & Erez, M. 2001. Why people stay: Using job embeddedness to predict voluntary turnover. *Academy of Management Journal, 44, 1102-1121.*

This paper introduces the construct job embeddedness to the turnover domain. Embeddedness represents a broad constellation of influences on employee retention. Two related research frameworks that help explain the core of this construct are embedded figures and Kurt Lewin's field theory. The critical aspects of job embeddedness are 1) links—the extent to which people have links to other people /activities, 2) fit,—the extent to which their jobs and communities are similar to or fit with the other aspects of their life, and 3) sacrifice—the ease with which these links can be broken. Sacrifice encompasses the perceived cost of material or psychological benefits that may be forfeited by leaving a job.

The major contribution of the study is that it develops and tests the aforementioned new organizational attachment construct: job embeddedness. Embeddedness is a new way of looking at turnover because it reflects the totality of forces that constrain people from leaving their current employment. Results provided support for the argument that people who are embedded in their jobs have less intent to leave and do not leave as readily as those who are not embedded. Thus, off-the-job and non-affective causes have utility for predicting turnover.

Mobley, W.H. 1977. Intermediate linkages in the relationship between job satisfaction and employee turnover. *Journal of Applied Psychology, 62, 237-240.*

Although it is clear that the relationship between job satisfaction and turnover is significant and consistent, it is not very strong. The author suggests that it is probable that other variables mediate the relationship between job satisfaction and the act of quitting. Key among these variables is the concept of behavioral intentions. The model presented is one of the first to propose the role of intentions to quit in the turnover process.

Mobley, W.H., Griffeth, R.W., Hand, H.H., and Meglino, B.M. 1979. Review and conceptual analysis of the employee turnover process. *Psychological Bulletin, 86, 493-522.*

The authors define turnover as a form of employee withdrawal where the employee voluntarily leaves the organization. The belief is that turnover is an individual choice behavior; therefore, individual is the primary unit of analysis. Specifically, the authors do not address turnover that comes involuntarily, such as dismissal.

Besides putting forth an expanded model of turnover, the article offers a comprehensive review that illustrates key themes in the turnover literature. Central among them are that satisfaction does not seem to be an adequate composite of other precursors and correlates of turnover. Also, behavioral intentions—directly or as part of commitment—enhance prediction of turnover. Age, tenure, overall job satisfaction and reactions to job content consistently and negatively are associated with turnover.

Greater variance in turnover can be explained using multiple variables, and a great deal of variance is still unexplained. Based upon these findings, the authors put forth a model of turnover. One of the major additions to the model is the role of time. The authors posit that the temporal dimension may be relevant to the extent that organizational socialization processes are important in turnover.

Shaw, J.D., Duffy, M.K., Johnson, J.J., & Lockhart, D. 2005. Turnover, social capital losses, and performance. *Academy of Management Journal, 48, 594-606.*

This article tests the theory that turnover among those who possess social capital leads to greater losses in firm performance than those who do not possess such capital. This study of 38 upscale restaurants supported the idea that turnover is negatively correlated to firm performance when the turnover occurs among high-social capital individuals. Alternatively, turnover among low-social capital employees has a relatively small impact on firm performance. The authors also hypothesize that network density moderates the relationship between social capital losses and performance. That hypothesis was not supported, and the findings suggest instead that social capital losses are most damaging when overall turnover was low.

Shaw, J.D., Gupta, N., & Delery, J.E. 2005. Alternative conceptualizations of the relationship between voluntary turnover and organizational performance. *Academy of Management Journal, 48, 50-68.*

Four alternative predictions regarding voluntary turnover and workforce performance are offered. Primarily, the authors suggest a curvilinear relationship between turnover and workforce performance. Voluntary turnover is proposed to have a negative relationship with workforce performance that attenuates as turnover increases. Hence the inverted U-shaped relationship between turnover and performance found by Gleebek and Bax (2004) is supported. The authors draw on 2 studies to support their contentions.

Shaw, J., Delery, J., Jenkins, G., & Gupta, N. 1998. An organization-level analysis of voluntary and involuntary turnover. *Academy of Management Journal, 41, 511-525.*

This research examines the effects of human resource management practices on quit rates at the organizational level. This study used organizational-level data from 227 organizations in the trucking industry to explore this issue. Results show that human resource management practices predict performance through quit rates.

High-involvement HR practices (those that involve investment in human capital) were shown to

reduce quit rates. Quit rates were negatively linked to performance measures. Hence, high-involvement HR practices are tied to increased performance through the mediating effect of reduced quitting.

Steel, R.P. 2002. Turnover theory at the empirical interface: Problems of fit and function. *Academy of Management Review, 27: 346-360.*

The author argues that turnover theory has relied too heavily on rational analytic decision models, and suggested alternative decision theory frameworks as good jumping-off points for advancing turnover theory. The theoretical model presented in this article suggests that search is a dynamic process that involves a confluence of traditional affective models of withdrawal. This model proposes that as search processes evolve over time, individuals receive greater feedback and gain more knowledge about their potential alternate employment opportunities, which in turn influences their turnover responses.

Steel, R.P., Griffeth, R.W., & Hom, P.W. 2002. Practical retention policy for the practical manager. *Academy of Management Executive, 16, 149-161.*

This paper suggests that organizations must employ a comprehensive retention policy in order to deal with the consequences of spiraling replacement costs for employees. The suggestion is to

integrate research on retention in order to create a comprehensive policy. The synthesis of research presented attests that average performers are less likely to quit than high or low performers.

The authors suggest a process for the formulation of a retention policy. This process begins with the comparison of organizational quit rate with the quit rate of the industry and an assessment of the organization's retention goals and projected workforce needs. This leads to an assessment of the organization's focused and blanket strategies and ultimately the formulation of an organizational retention policy.

Sturman, M.C., Trevor, C.O., Boudreau, J.W., & Gerhart, B. 2003. Is it worth it to win the talent war? Evaluating the utility of performance-based pay. *Personnel Psychology, 56,* **997-1035.**

This article offers a framework for winning the "talent war". The importance of talented employees is trumpeted in the popular business press, suggesting that firm success often hinges on acquiring and retaining the most creative employees with top-notch ability. This paper offers a process for examining the impact of compensation and turnover at various levels of firm performance. The authors use the staffing utility framework of Boudreau and Berger (1985) to examine the outcomes of incentive compensation as a

retention tool. The findings of the study suggest that using utility analysis can assist firms in evaluating the usefulness of incentive-laden compensation.

Trevor, C.O. 2001. Interactions among actual ease of movement determinants and job satisfaction in the prediction of voluntary turnover. *Academy of Management Journal, 44,* **621-638.**

In this article, interactions between determinants of ease of movement and job satisfaction are hypothesized to predict voluntary turnover. The study features a longitudinal design and a sample of 5,506 individuals who participated in the National Longitudinal Survey for Youth (NLSY). Using survival analysis, the authors found the impact of job satisfaction and unemployment rate on employee turnover was moderated by education level, general mental ability, and job training.

Trevor, C.O., Gerhart, B., & Boudreau, J.W. 1997. Voluntary turnover and job performance: Curvilinearity and the moderating influences of salary growth and promotions. *Journal of Applied Psychology, 82,* **44-61.**

This study utilized a vast sample of 5,143 employees in a single firm to examine the impact of employee turnover on job performance. As proposed by Jackofsky (1984), turnover was higher among low and high performers, and lower for

average performers. Moderating the curvilinear relationship were salary growth and promotion. Salary growth in particular moderated the relationship for high performers. Those with high salary growth were less likely to turn over whereas those with low salary growth were more likely to leave the organization.

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