



## *HCMI's "How To" Webinar Series*

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### "How to Predict and Improve Turnover and Retention"

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# Introduction



**Steven Maxwell**

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**Steven Maxwell**

*President - HCMI*

Steve helps organizations around the globe grow faster and perform better by changing the way they build, deploy, value and manage their workforce. His background includes Founder, CEO and Partner roles in Human Capital Technology and Management Consulting firms ranging from start-ups to global businesses with over 2,000 employees. A frequent speaker and business adviser on workforce strategy, Steve also serves as a Coach and Mentor to early-stage entrepreneurs through MassChallenge, a global non-profit startup accelerator and competition.



- ✓ Workforce analytics software (SOLVE™) and services firm
- ✓ Thought leader in linking human capital to financial results
- ✓ Cost and value driver insights to optimize workforce spend

- ✓ Integrates HR, finance and operations data
- ✓ Applies AI with 1,000s of predictive machine learning algorithms
- ✓ Links workforce analytics to financial and business outcomes



# Today's Objectives and Agenda

## Objective

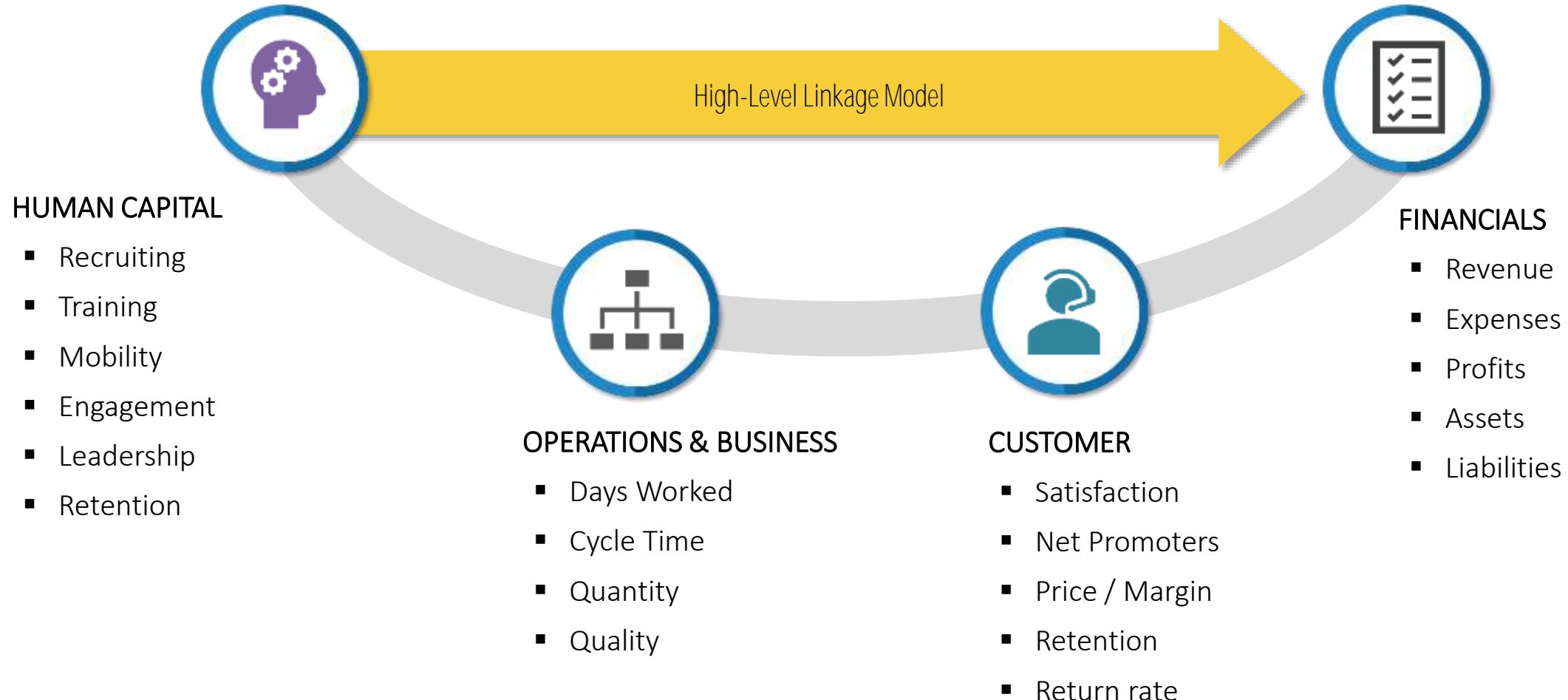
- ✓ Provide some take-away value that you can apply near term

## Agenda

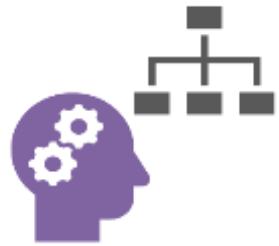
- Touch on HCMI thinking on using analytics to improve turnover and retention
- Review key metrics and ROI opportunities
- Cover some case studies
- Answer your questions

# The Linkage Model

Roadmap for creating a linkage between human capital and financial performance



# Why use analytics to improve turnover and retention?



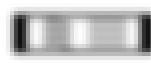
Combat biases in business  
decision-making



Leverage the power of  
multiple data sources



Recognize each organization's  
unique moving parts



# Analytics can combat common biases in business decision-making

- ✓ No supporting analytics...going with your “gut”



# Analytics can combat common biases in business decision-making

- ✓ Using the wrong data in the analytics process



# Analytics can combat common biases in business decision-making

- ✓ Ignoring evidence in favor of intuition



# Analytics can combat common biases in business decision-making

- ✓ Evidence overruled by company politics / culture



*Poll Question: What type of business decision-making bias is most prevalent in your organization?*

- A. No supporting analytics...going with your “gut”
- B. Using the wrong data in the analytics process
- C. Ignoring evidence in favor of intuition
- D. Evidence overruled by company politics / culture
- E. All of the above

# Example: The Power of Combining Data Sources

Case study: The case for combining data sources for better insights

Who do you think is right?



TEAM 1

- Examined Recruiting and Performance data
- Built their own little database to combine all the data
- Use statistical testing and modeling

Conclusion:

Employee Referral provides twice the likelihood that a new employee is going to be a high performer and high potential than other recruiting sources



TEAM 2

- Examined Recruiting and Turnover data
- Built their own little database to combine all the data
- Use statistical testing and modeling

Conclusion:

Employee Referral is the worst recruiting source where the most employee left in terms of their percentage of turnover rate.

# Example: The Power of Combining Data Sources

Case study: The case for combining data sources for better insights

Both of them were right!

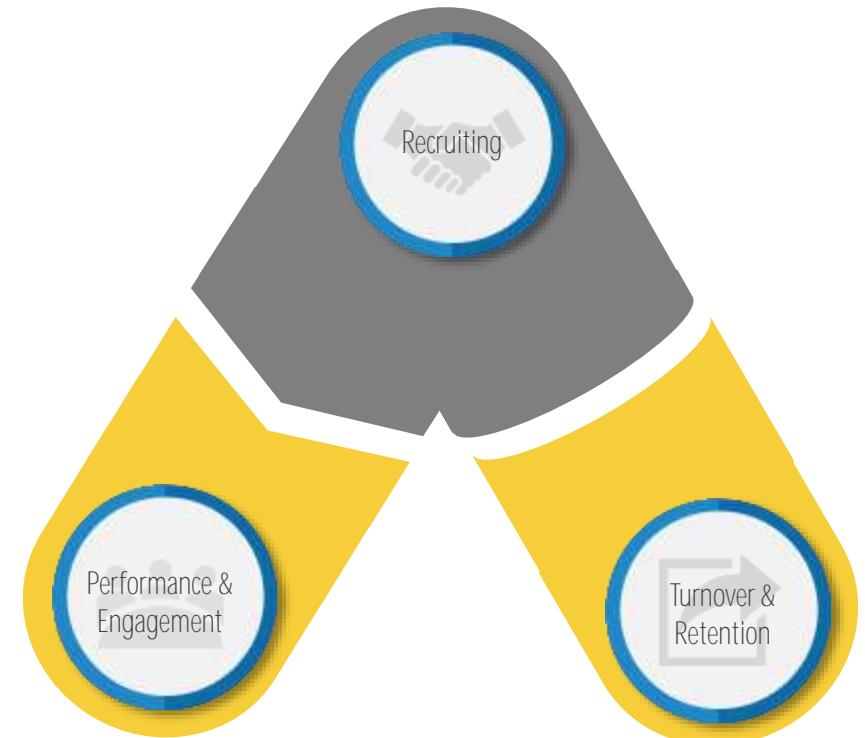
## RESULTS:

- The quality of employee referral depends on who was doing the referring.
- When a high-performing employee gave a referral, it was 3 times as likely that the new recruits would turn out to be high performers.
- Average and low performing employees often gave referrals for the bonus.

>> Either action would technically be correct but without intervention would not be good for the business!

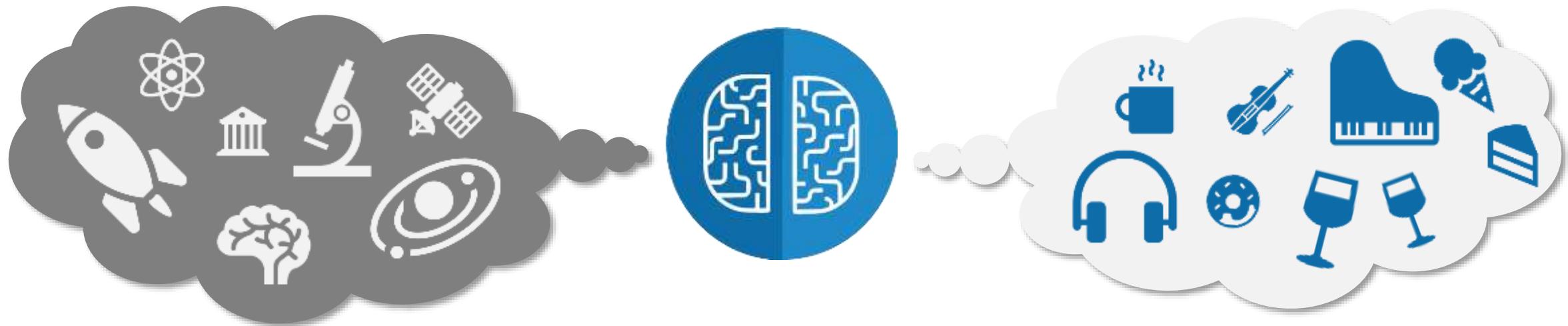
## INTERVENTIONS:

- Actively target high performers and ask them to refer more.
- Instead of giving the reward right away, they'd add some key milestones.



# The Science & Art of Workforce Analytics

Two opposite sides of Workforce Analytics



# Science: The Power of Combining Data Sources

The technical requirements

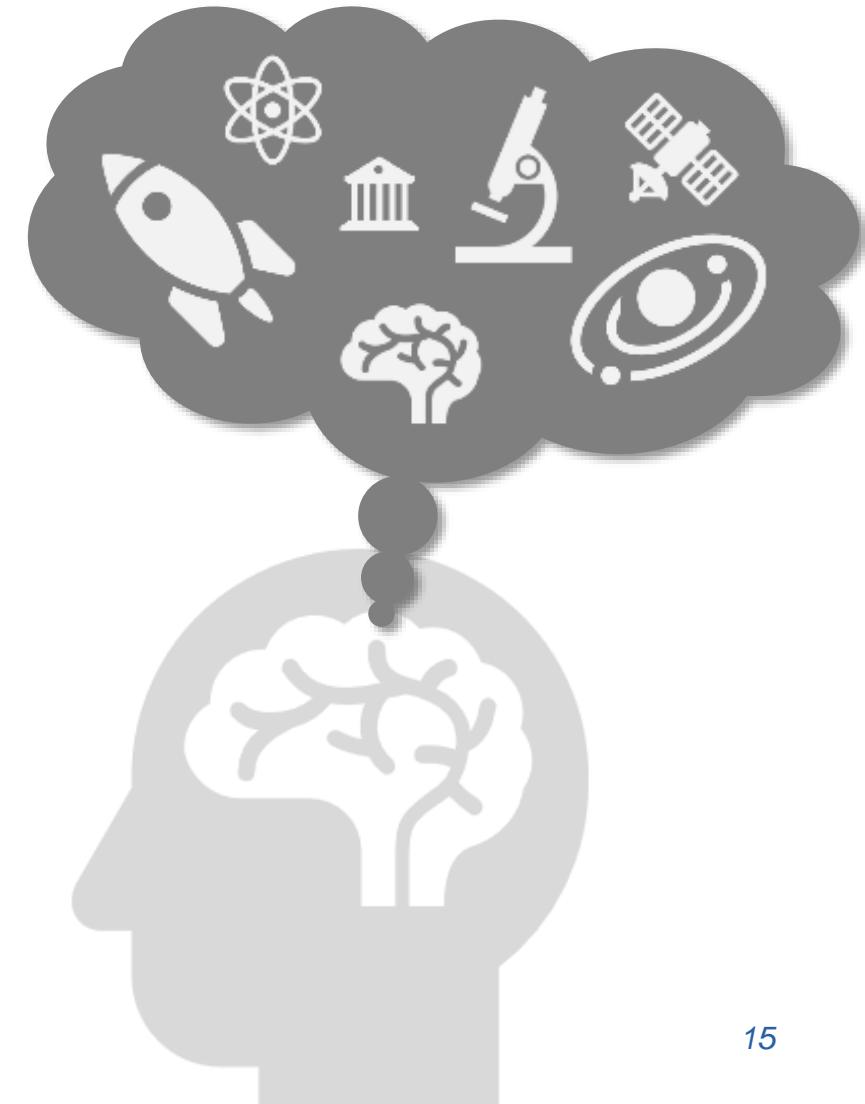
## SCIENCE

### *Data Scientist & Analyst*

Deep technical expertise of HR database, data mining, data science, programming, statistics and modeling.

An effective HR data analyst will need the following skills and knowledge:

- HRIS system such as Workday, Oracle, SAP.
- Programming and statistical languages such as R, Python.
- Relational database such as SQL, TM1.
- Structure and standards of HR metrics.



# The New Demand for Analytics Translators

Have you heard of analytics translators?

## ART

### *“Analytics Translator”*

Translate technical analyses and predictive models into business cases and executable strategies.

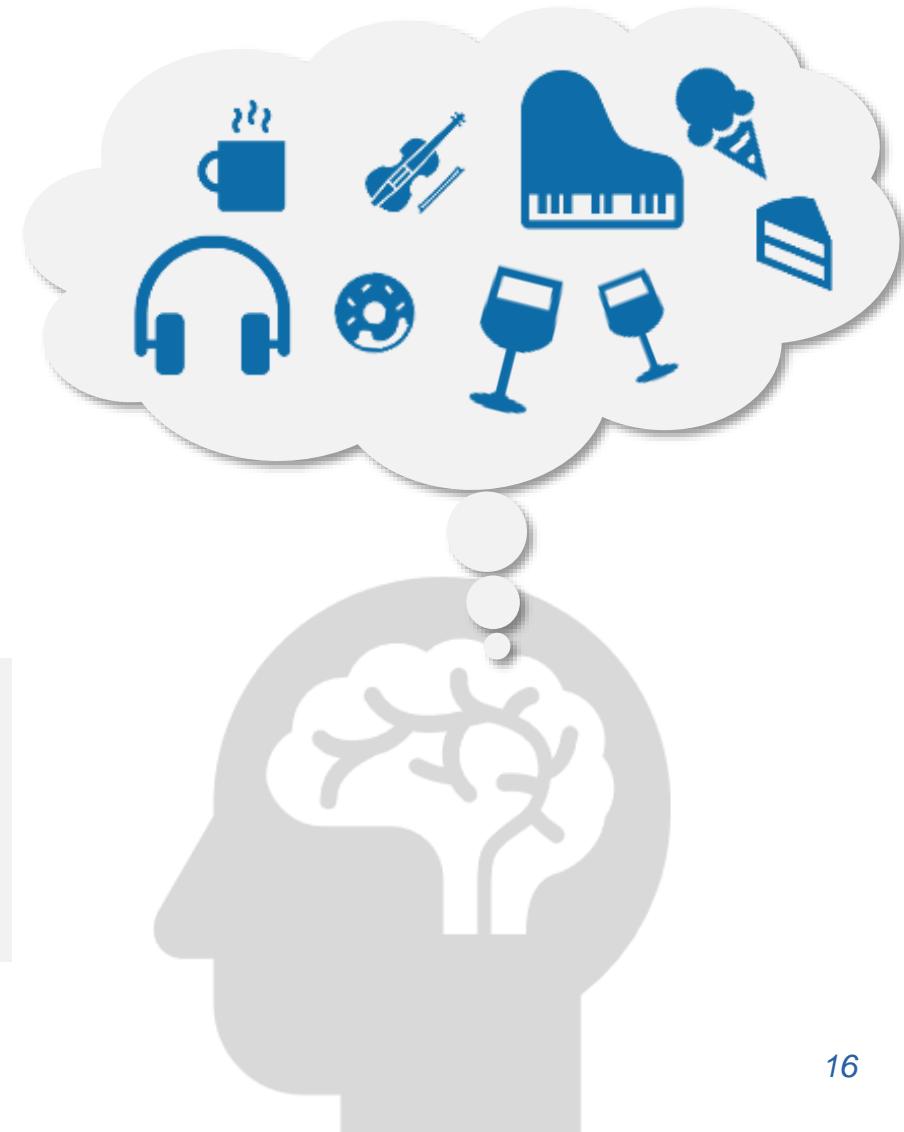
An effective analytics translator will need the following skills & knowledge:

- Proficient in analytics visualization tools such as Power BI, Qlik, Tableau.
- Effective visualization and chart design skill.
- Ability to position and formulate effective case studies.
- A detailed and thoroughly executed plan.



“Companies have widened their aperture, recognizing that success with AI and analytics requires not just data scientists but entire cross-functional, agile teams that include data engineers, data architects, data-visualization experts, and—perhaps most important—translators”

[HBR Article](#)



# Turnover and Retention

Metrics and ROI opportunities for turnover and retention

## KEY METRICS TO CONSIDER

- Overall Retention
- High Performer Turnover Rate
- New Hire Turnover Rate – First Year
- Average Cost of Turnover
- Percent of Employees approaching retirement (Aging Workforce)



## TURNOVER & RETENTION

- 1. Retention Lowers Cost and Turnover Increases Cost**
  - The fewer employees that leave, the fewer employees that need to be hired
- 2. Turnover of High Performers Decreases Competitive Advantage**
  - The loss of high performers will decrease innovation and creativity, which competitors in turn will gain
- 3. Turnover Loss Exceeds Direct Monetary Costs**
  - Loss includes intangible costs such as product knowledge, productivity, and project continuity

# Example Potential Turnover Drivers

## Recruitment

- Recruiting source
- Number of jobs in previous 3 and 8 years

## Work Conditions + Direct Manager

- Transfer and promotional opportunities
- Re-organization
- Managerial effectiveness
- Job type
- Work location
- Business unit

## Personal

- Work-life balance
- Vacation time taken
- Sick time taken
- Relocation

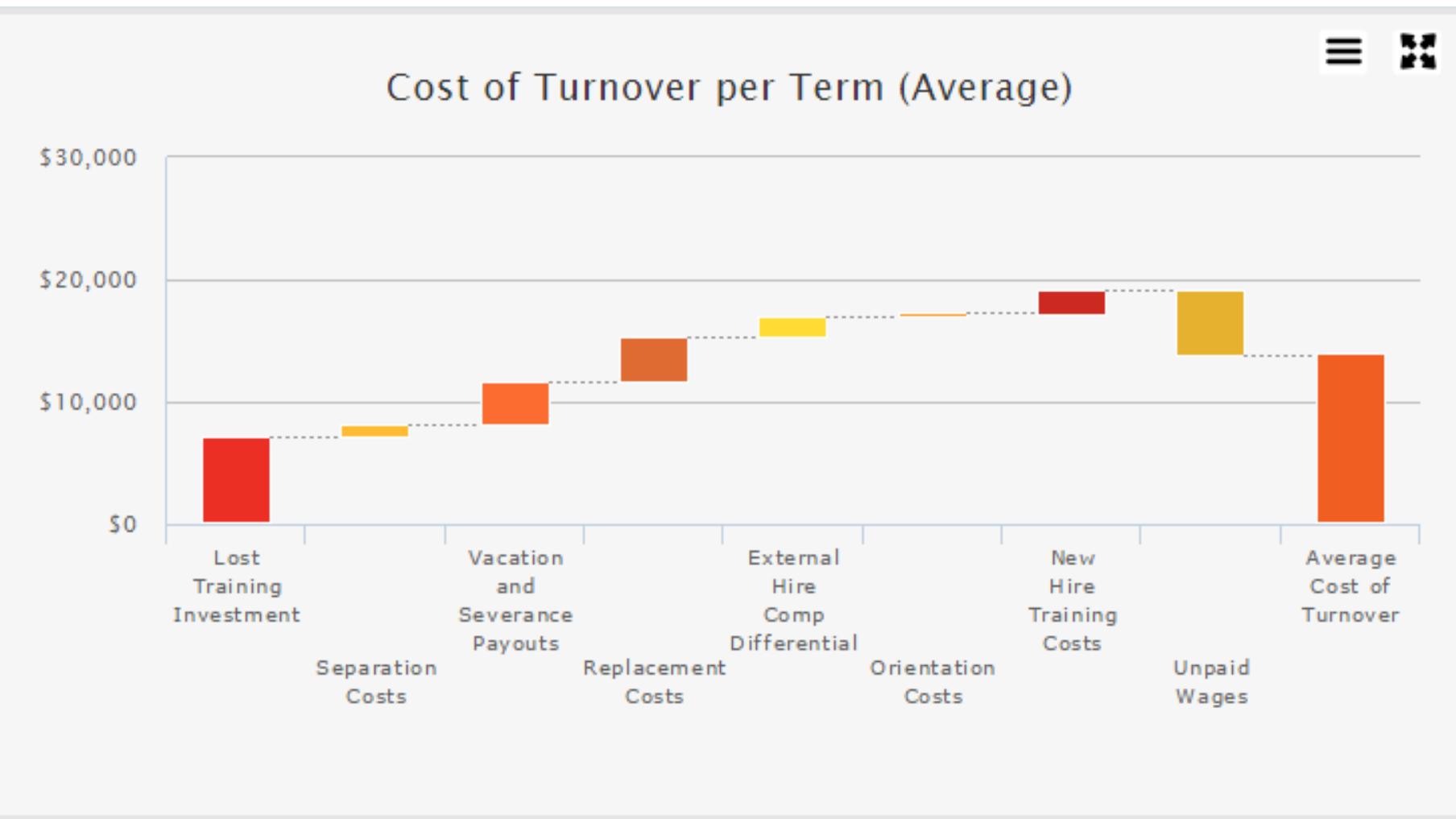
## Compensation and Performance Management

- Performance review rating
- Satisfaction with compensation
- Compensation vs. market
- Stock awards
- Tenure

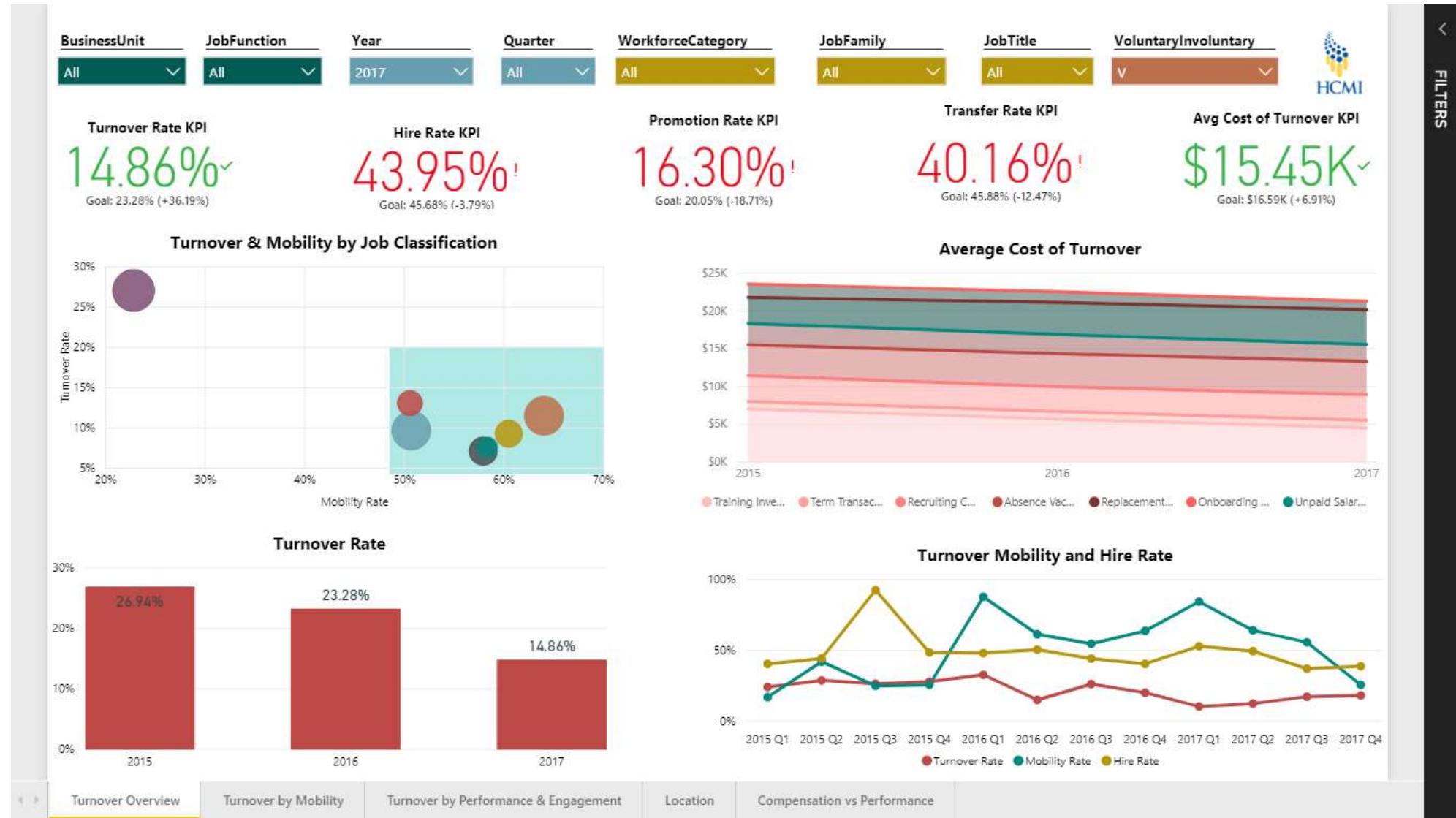


# Example: Cost of Turnover

Measuring the financial impact of turnover



# Identifying Drivers of Turnover



# Turnover – Performance & Engagement



*Poll Question: Does your organization calculate, benchmark to a KPI, and publish a cost of turnover metric?*

- A. Calculate only
- B. Calculate and benchmark only
- C. Calculate and publish only
- D. Calculate, benchmark and publish
- E. What's cost of turnover?



## Leadership and Management

Case Study: Quantifying Manager Effectiveness

### FinTech Corp.

#### Goals

- A repeatable framework to quantify manager effectiveness and their impact to productivity, turnover, engagement and performance.

#### Potential Areas for Analysis

- Turnover and retention
- Performance and engagement

#### Key Questions

- Can we create a scoring system for manager's performance?
- How can we correlate the results to employee engagement, retention and performance?
- Where does our best talent come from? Which managers are the best talent scouts and coaches?

# Case Study: Quantifying Manager Effectiveness

Can you identify which managers are generating more long-term impact for the organization?

Manager A



- Exceeds business goals
- No Training
- Hires experienced employees
- Low mobility
- Low engagement
- Mixed performance
- High turnover

Manager B



- Exceeds business goals
- Trains team personally
- Hires junior employees
- More transfers / promotions
- High engagement
- High employee performance
- Low turnover

# Case Study: Quantifying Manager Effectiveness

Can you identify which managers are generating more long-term impact for the organization?

Manager A



Manager B



## KEY FINDING

- ✓ Manager Quality is a key driver of employee turnover
- ✓ Cohort analysis segments by high vs low turnover manager
- ✓ **RESULT:** Spotting managers with high turnover rate disproportionate to workforce size

| Manager by Cohort     | % of Manager Population | % of Employee Turnover |
|-----------------------|-------------------------|------------------------|
| Low Turnover Manager  | 30%                     | 10%                    |
| High Turnover Manager | 34%                     | 81%                    |
| New Manager*          | 22%                     | 7%                     |
| 1 Employee Manager**  | 14%                     | 2%                     |

A photograph showing a person from the side, wearing a dark jacket over a light-colored shirt. They are seated at a wooden desk, looking down at a white document. A black coffee cup with a white lid sits on the desk to their left. The background is blurred, suggesting an office environment.

## Leadership and Management

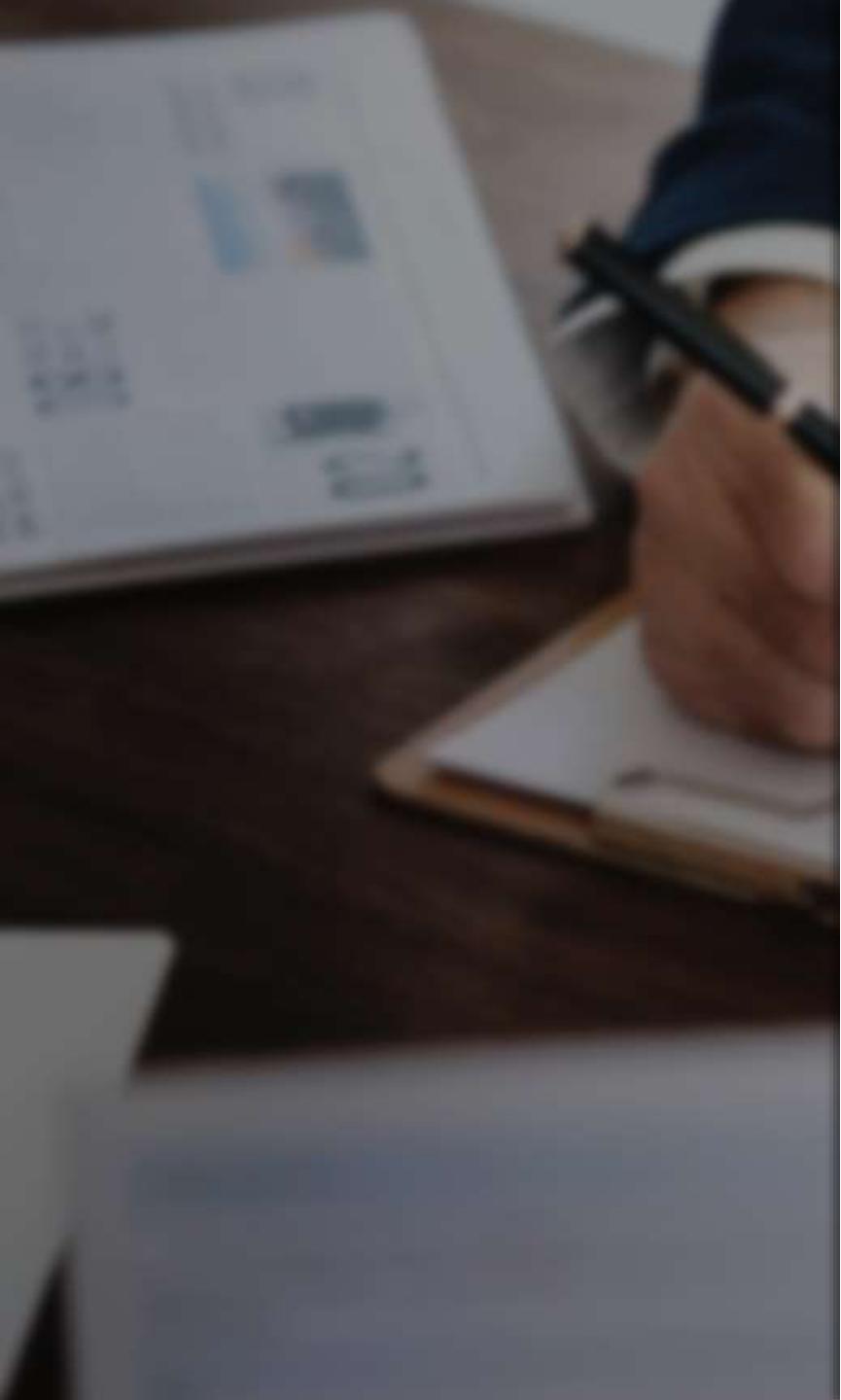
### Case Study: Quantifying Manager Effectiveness

#### FinTech Corp.

##### Finding

Both managers got the job done, but:

- 34% of the manager population (manager A) accounted for 81% of all the company's turnover.
  - Manager B also gets the job done but it costs a lot less and they are only responsible for 10% of the turnovers.
  - Many managers in these two groups were doing the exact same tasks in different job roles and functions. There are sales managers and marketing managers in both groups.
- What they need to do is look at what the B managers were doing to only get 10% turnover rate. Somehow, they were doing an exceptional job at retaining people.



## Case Study: Turnover and Retention Drivers

### ScoField Financial

#### Background

ScoField Financial is a 20-year-old, mid-sized, full-service bank with 400 branches on the west coast of the U.S that employs approximately 8,500 U.S. based workers at 110 locations. ScoField was going through a period of growth and expansion, but it was unclear how they could recruit and retain the best talent.

#### Goals

- A statistical analysis of Scofield's employee data to determine the major drivers of turnover and retention.
- Break down effects by workforce category to exam where each factors had the largest impact.
- Quantify the cost of turnover and the ROI of interventions.

#### Key Questions

- What are the main drivers of employee turnover?
- How can we improve employee retention?

# Example: Challenging Conventional Wisdom

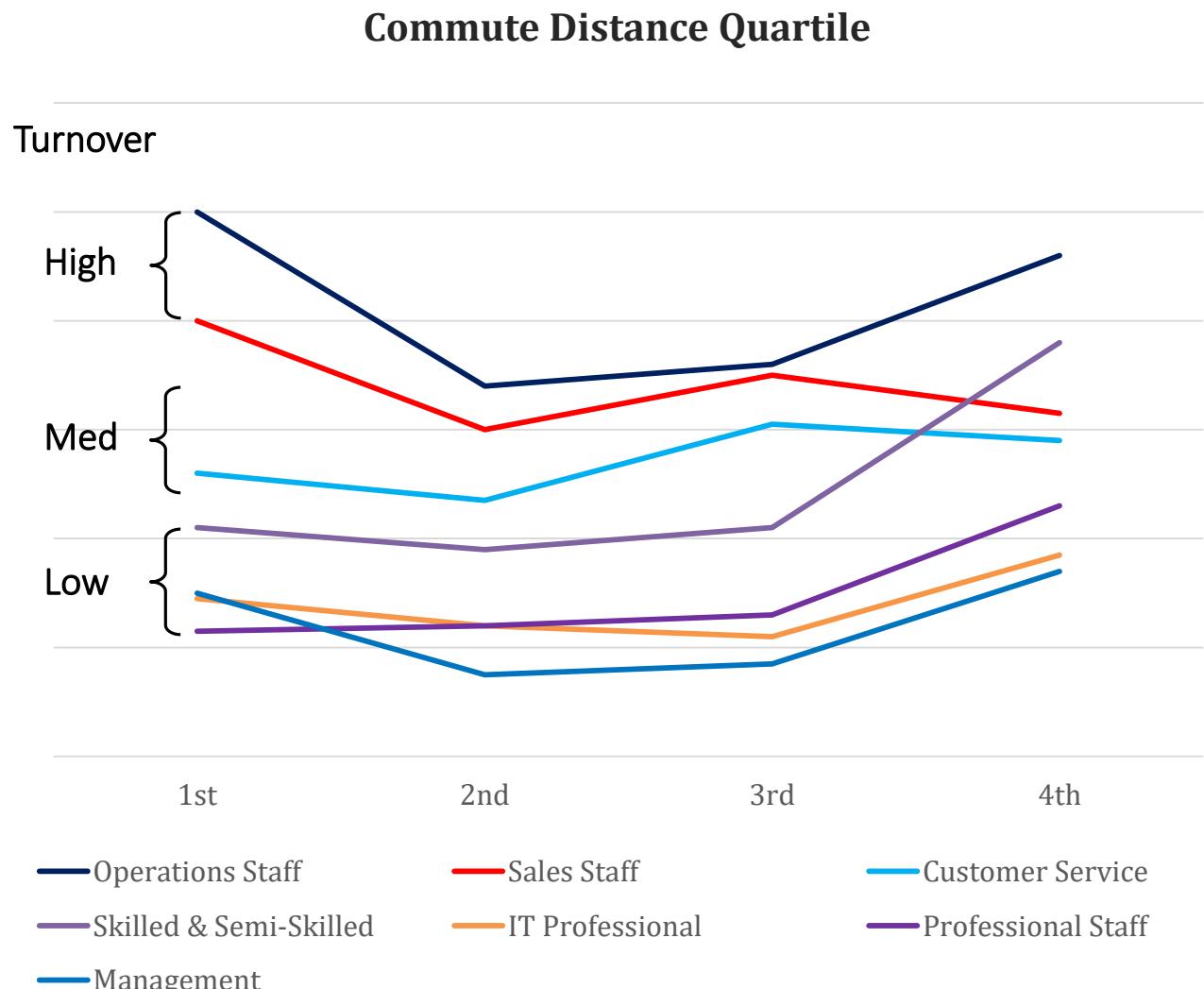
Identifying turnover drivers

Hypothesis: People turnover/stay because of commute distance

- ✓ Issue: In exit interviews, commute distance is cited as the reason for leaving.
- ✓ Action: Statistical analysis, segmenting workforce by category, job family & job title etc.
- ✓ Outcome: No correlation, however distinct patterns by location & job category.
  - Senior management is the group with the longest commute and lowest turnover
- ✓ Golden Nugget: Relationship between commute & total compensation

Annual turnover cost = \$50M

Savings from a 10% reduction \$5.0M



# Example: Dispel Myths with Facts and Data

Identifying retention drivers

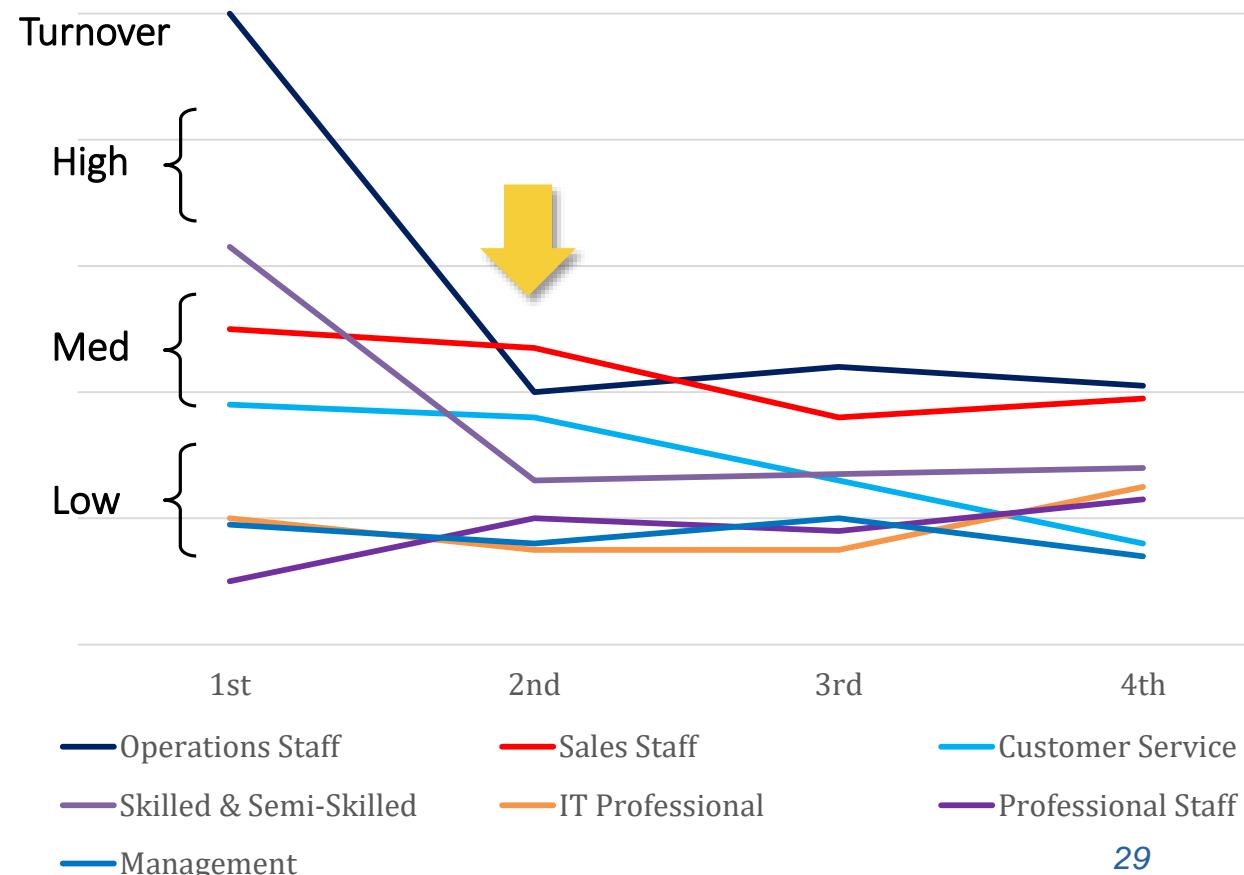
Hypothesis: People turnover/stay because of compensation

- ✓ Issue: In exit interviews, departing employees cite compensation as the reason for leaving.
- ✓ Action: Statistical analysis shows that turnover becomes stable starting at 80% of salary range midpoint.
  - Majority of employees report being satisfied with compensation over last 4 years.
- ✓ Outcome: No correlation, applies companywide, but low pay jobs do correlate to turnover.

Annual turnover cost = \$50M

Savings from a 10% reduction \$5.0M

## Compensation Quartile

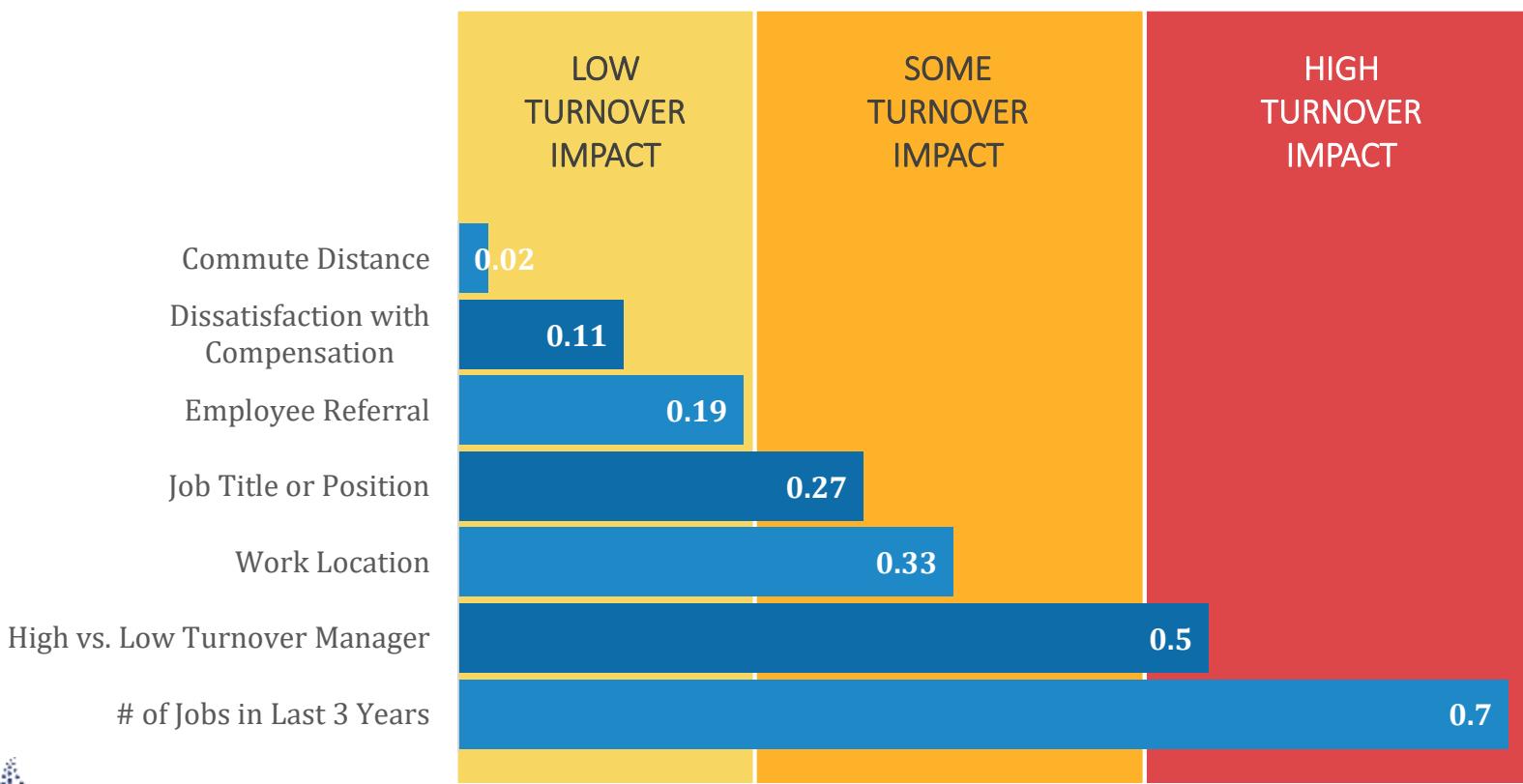


# Case Study: Drivers of Turnover

Use workforce analytics to identify the drivers of turnover

Hypothesis: People turnover/stay because of commute distance

Scofield Factors Associated with Turnover



## RESULTS

- **1/3 of managers were responsible for 80% of company turnover**
- Commute distance and compensation were not major factors related to turnover
- Employees with frequent job changes had the highest risk of turnover
- Compensation was only a major factor if employees were seriously underpaid

# Case Study: Drivers of Retention

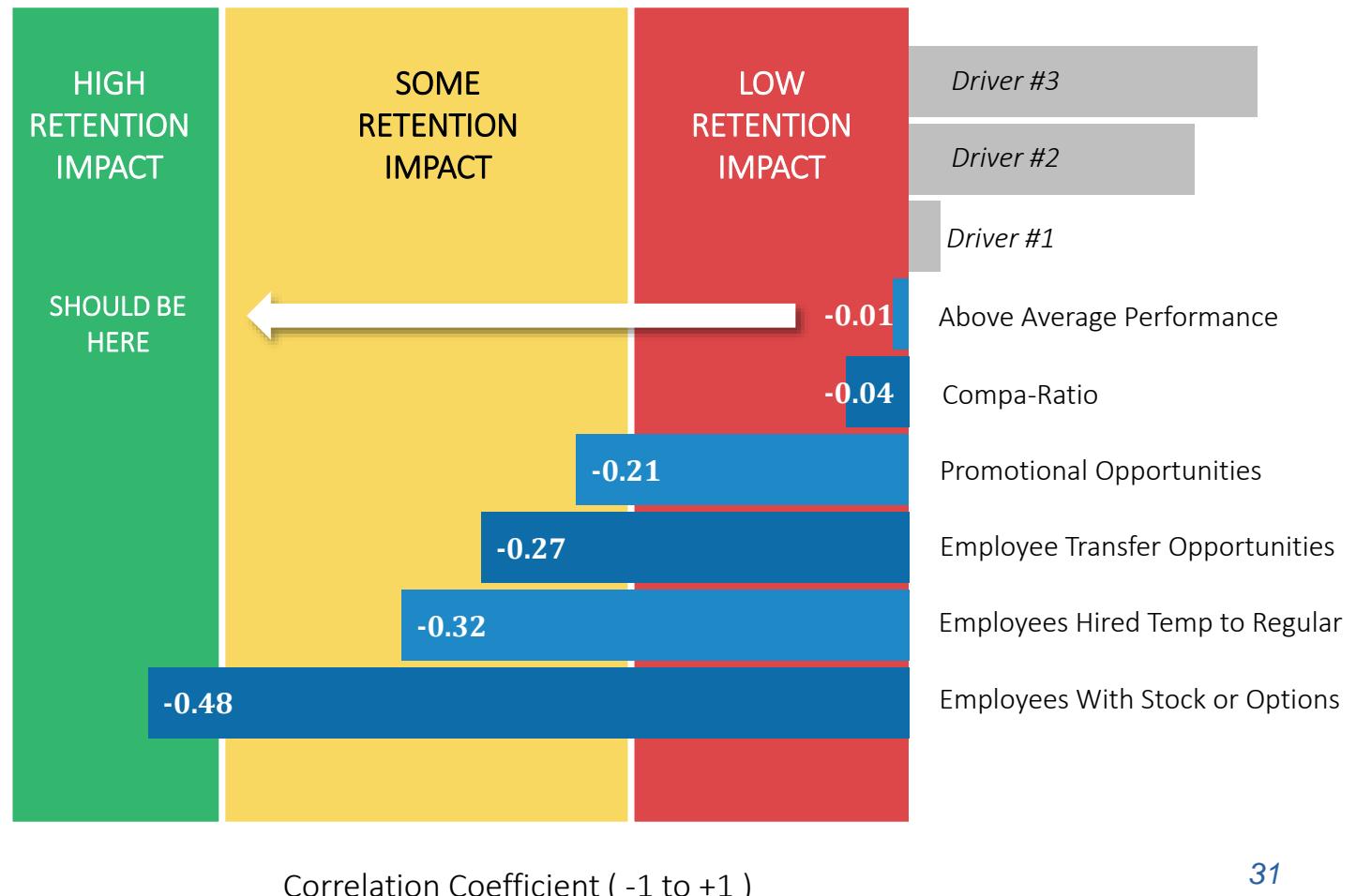
Use workforce analytics to identify the drivers of retention

## ScoField factors associated with retention

### RESULTS

- Across all workforce categories, restricted stock grants and stock options were significant drivers of retention.
- Filing open positions with existing temporary staff.
- Opportunities for promotions and transfers.

These factors had a negative relationship with turnover, indicating that the presence of these factors was associated with lower turnover (or higher retention.)





## Case Study: Turnover and Retention Drivers

### ScoField Financial

#### Key Finding

ScoField discovered key drivers for turnover and retention of their workforce:

- ✓ Employees with frequent job changes had the highest risk of turnover
- ✓ Commute distance and compensation were not major factors related to turnover
- ✓ Restricted stock grants and stock options were significant drivers of retention

#### Strategy

- To hold managers accountable, a manager turnover scorecard was implemented
- Provided incentive to help reduce and penalize the worst offenders
- Changes were also made around stock award programs and hiring practices

#### ROI

40% reduction in voluntary turnover and increased performance to an annual savings of approximately \$12 million.

*Poll Question: How important are exit interviews as a data source when trying to determine the causes of turnover at your organization?*

- A. It is the only source
- B. It is the primary source
- C. It is a major contributing source
- D. It is a minor contributing source
- E. It doesn't really come into play

Example: Every great organization has its own unique and moving parts...  
New England Patriots typically spend at or below the NFL salary cap average



Win championships with “value” players who get released after asking for a raise.

# *Upcoming Events*

## August Webinars

"How to Measure the Impact of Compensation on Retention"

*HCMI's "How To" Webinar Series*

Wednesday, August 15 @ 11am PDT

*Thank You!*

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