FT BOARD DIRECTOR

CHURN, CHURN, LEARN, LEARN

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The world is in a state of flux – as are many organisations over their staff turnover. Rates of 25 per cent or more are commonplace.

Such high levels can stimulate further churn as people's workloads rise to cover gaps and staff hear from happy former colleagues still in a honeymoon period in a new post.

The costs of churn go far beyond that of finding immediate replacements. It can affect productivity, customer satisfaction, momentum and ultimately a business's performance. Learning from churning can be a catalyst for change.

On March 23 the Financial Times brought together leaders from a range of sectors to share their experiences as part of the FT Board Director Forum.

The churn rates for this group's companies ranged from 6 per cent to 15 per cent and their staffing was from 20 to 46,000.

The directors appeared to share a definition of what is meant by churn – the rate of staff turnover calculated as the number of people who leave divided by the average number of employees.

The impression in the group was that the surge in churn had levelled out, especially in technology, a sector that has experienced a high number of redundancies.

It was agreed that churn is a strategic issue, not simply operational. Directors will expect the leadership team to manage this. High churn can indicate a problem with a company's culture. Low churn and innovation may suffer.

Both the board and executives should always be aware of the rate of staff turnover and what is driving it. The consequences of churn should be considered in every decision they take.

The leaders at the Board Director workshop said their incentives to remain vigilant included their company's values, its culture and its opportunities to develop.

The drivers of churn are varied and can be specific to an organisation or sector. It was felt important not to fall into "average thinking". Turnover may be at an acceptable level but we need to know the variability, trends and where any hotspots are, as well as what is happening in specific areas and in rival businesses.

These statements convey a sense of some of the current drivers:

"The only way to get on here is to get out"
"I didn't want to leave the company but I was desperate to leave my boss"
"Both the job and the prospects to develop were massively oversold"
"It was far too transactional for me. They weren't one bit interested in my potential"
"I loved the job but hated the culture"
"Their processes made it impossible for me to meet my objectives"
"The pandemic made me think a lot about work-life balance and how crazy my life was before"
"I really liked it but just couldn't afford to work there anymore"
"There was a loyalty discount rather than premium"
"There are loads of better jobs out there. I kick myself for not looking before"
"They keep banging on about how lucky we are to have a job with purpose but the most important purpose for me is to be able to pay my bills"

Scant or misguided leadership, toxic cultures, low pay, poor conditions and a lack of development are perennial drivers.

The leaders present also thought that an emerging driver was "flexibility", especially in relation to hybrid working. The group believed that, where possible, two to three days in the office is the new norm.

The Chartered Management Institute says there are still too many "accidental managers", those who have not benefited from high-quality development. On top of this, too many organisations have a "budget" rather than a "return on investment" view of their staff. They miss the value created and costs saved by investing in the best people.

The leaders present felt the gap between the rhetoric and the reality of investment in learning and development showed the challenges faced by businesses in the range of countries represented.

Ironically high churn can deter investment even when that investment is likely to reduce turnover. Additionally types of learning and development vary widely between standard and bespoke offerings, and unit or company-wide approaches.

The mood was that a mixture of these works best.

With pay and conditions, it is important to remember that these apply across an organisation. Those on lower pay face the largest falls in income because of cost escalation but overcompensate for this and differentials are destroyed. This can lead to churn higher up – as some professional services firms have learnt to their cost.

A European Employee Experience Research report, which has canvassed 1,500 HR and finance decision-makers and 2,500 other workers, was published by SAP Concur in October. The study provided some fascinating insights.

As might be expected, 70 per cent of respondents were concerned about the cost of living. Many people expected that proportion to be higher. Aren't the other 30 per cent listening to the news?

Some 65 per cent said a pay rise was the most popular way to boost job satisfaction. Again, nothing new … although this also indicates that it is not solely about salary.

Many in the sample, 45 per cent, were concerned about another trend – employers wanting them to work from home to keep office utility bills low. At the same time, 47 per cent of employees said they would spend more time in the office if their employer did not do more to meet rising costs at home. Some nudging may be going on to encourage staff to go back to the office.

The research also highlighted another issue – late reimbursements for expenses. Some 58 per cent of employees worried about delayed payments. Many (46 per cent) said the process of claiming was so difficult that they did not bother to claw back small amounts, while 49 per cent feared that a company would think badly of them if their claims were too high.

What can we learn from what is happening? How can we adapt to healthier levels of talent refreshment and how can we avoid the downsides of churn?

The starting point is to recognise the importance of knowing what is happening within your organisation and in the markets for the talent that your company needs. Your "churn antennae" should be tuned to know where the risks lie. You should also have a robust "flight risk" analysis to be able to find the real reasons why people leave.

Engagement and pay surveys, Glassdoor and other analytics can give clues but effective leaders who know their staff are best placed to interpret signals and understand workers' motivation.

Exit interviews can vary in accuracy but if done well they provide a good source of intelligence. The leaders at the FT Board Director workshop liked the idea of exit interviews being conducted independently, with artificial intelligence tools being used to highlight themes and hotspots.

Today's office or factory can include up to five generations of workers, defined by behaviour and outlook as much as by age. Retention strategies should be sufficiently flexible to be effective for each of these groups.

Some organisations have connected age groups by creating "horizon" or "nextgen" boards. These can convince younger people that they have influence over a company's culture.

An element of “grow your own” in the people strategy, recruiting as much for potential as to fill a current need, will also help. This should be combined with progressive induction and development processes.

It would seem that some organisations are confused over where they are on the “transactional to familial spectrum”. Some companies transmit a warm, familial pitch at the recruitment stage only to operate in a jarring and transactional way once people are on board.

The same businesses may also be disappointed to find that staff lack loyalty. What underlies this is often an overt transactional culture that makes an employee feel insecure.

Such issues need to be cleared up. This should be directed by the board, which should work with executives to orchestrate a change in culture. Leaders have to be clear about the type of organisation they want to be and they must ensure that this is what they are in practice.

Snatching at people is as risky for employers as snatching at jobs is for employees. If bosses neglect their recruitment processes, these can seem soulless. A candidate may sense that a company is looking to recruit for the least cost rather than aiming to hire the best people.

A recent analysis by ESSA-Education Sub Saharan Africa is illuminating. It has worked with Quilt.ai, an artificial intelligence business, to understand how African students view the move from study to work. Some employers have been shocked how well-intentioned signals have been received.

Conclusion

The directors present agreed that a degree of churn is inevitable and healthy, but when this is combined with other volatility it can create tipping points. It is, however, a variable we can influence.
We must choose to learn from churn rather than just churn and churn.

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