



## People Leave Managers, Not Companies

By Mark Ernsberger

**Even in a tight economy, the costs of replacing a good employee remain the same.**

You may be familiar with the following statistic: The cost of replacing one employee equals one to three times the annual salary and benefits total plus the additional cost of lost revenue that the seasoned employee would likely have generated. Tougher to measure are losses such as pre-turnover costs (lowered productivity, absenteeism), vacancy costs (overtime/overtaxing existing satisfied employees), or recruiting and new hire training.

**But did you know this?** The number one reason employees voluntarily leave their jobs is not the company, not the work, but The Boss.

An obvious solution is to keep valuable employees satisfied and productive, correcting issues *before* they leave. And the cost of reducing turnover across your organization might be less than the cost of replacing just one employee. It all centers on making managers more aware of and more accountable for employee retention. If you're not yet convinced that this is an issue in your organization, here's a crash course on the issues from the employee perspective, and what your managers should be doing to address them.

### Managers and retention

Most people agree that salary, career growth, benefits and job fit are leading factors for why employees stay or leave an organization. But if you ask employees, as we have, what it would take to improve employee retention, they cite manager related behaviors: they want more

involvement in decision making, more appreciation, better communication, more team-building, flexible work conditions, more autonomy and better coaching. Nevertheless, very few companies list leadership or organizational development as a top priority in their retention programs. Most of the dollars are devoted to better compensation, bonuses, stock options, and work/life initiatives.

While these are obviously important, why do most organizations ignore the fact that improving manager leadership can measurably increase employee performance and retention? The answer: good leadership is much more difficult to quantify, and even more difficult to address. It's much easier to throw together a better compensation plan than it is to improve leadership development. And while most companies recognize, and may even measure, the high costs of turnover, they don't necessarily believe that top leadership or managers make a difference. Therefore, they very rarely make managers responsible for retention. Emphasis is instead on productivity, revenues, market share—product instead of process.

Our experience at Farr— working with organizations of all sizes across industries, from Fortune 100 companies to nonprofits over the past 47 years— is that while top leadership may set the norm for what the manager rewards and punishes and how employees are rewarded and punished, the manager's leadership style is the most important influence on employee retention.

### Manager challenges

The following are challenges facing managers in regard to employee retention. We can then address what managers should be doing.

Along with assisting in skill development, the manager's number one job as a leader is to stimulate employees to do their best work. This, as any manager knows, isn't easy.

Managers must honor the goals of the business and be likeable at the same time. They have to reconcile the needs of top management and the needs of the employees, or the followers. Sometimes they're caught in the middle.

Managers are typically top performers who get promoted into managerial /leadership jobs because they have the same cultural mindset as the top leadership.

Top performers are usually the most highly driven, but the people they manage do not have the same ambition that they have (or a very small percentage do – around 10%).

Therefore, the follower's highest possible level may not be as high as the leader (and the leader does not understand this, or appreciate this). As a result, they are continually on the hunt for the top 10%, which means they may be spending more time on recruiting talent from the outside than developing it from within. In addition, the leader's skill sets may not be the same as the followers, so the leader has a hard time appreciating the contribution of the follower if it's not the same as his/hers. So getting them to perform at their max won't mean much to the boss unless they can see how the unique skills of the follower can be meshed with the needs of the job/organization.

Personality differences and appreciation and awareness of those differences also have a major impact. Even if a follower is a top 10% performer, his or her personality may not mesh with the leader's. And top performers are not as willing to change behaviors—they've found a method that works and they don't believe there's another way.

Of course, some followers add to the problem. They may see the boss' contribution to a bad working relationship, but not their own. Many followers are caught in a victim mentality or are themselves so critical and uncooperative with the boss that they set themselves up for failure. As in most relationships, it is really 50/50, but since we assume the boss is getting paid more, we place most of the responsibility on the boss for motivation. Plus, the employee bears more risk if a relationship isn't working out, because he or she is more likely to get fired.

Finally, motivating top performers is not always the most important challenge a manager faces. It's easy to motivate the top and the bottom 25 per cent. The middle could go either way. If the leader stinks, their contribution goes lower. With a great manager/leader, they could make the move into a top performer. How a leader deals with that middle 50 per cent makes a significant difference in productivity, output and customer retention—since many of these people are the ones who interact day-to-day with the customer.

### **Recommendations**

Top management must make employee development and retention part of the culture. But how to do it? Companies should support managers—and hold them responsible—when it comes to retention in the following ways:

1. Take advantage of proven methods, such as exit interviews conducted with voluntarily terminated employees, and climate studies (a combination of interviews and surveys involving a representative cross section of the organization, or, if possible, the entire organization) to get a "right now" picture of why employees may be dissatisfied. If certain departments surface as "problem areas," use 360 feedback with managers in those areas to get further details as to what role they may be playing in employee satisfaction.
2. Use this information to establish, with the manager's close input, a process of measurable improvement. For example, if the manager gives unclear instruction and then browbeats direct reports for making mistakes, he or she would have to

demonstrate observable improvement in communicating what he or she wants. Improvement would be measured by direct reports.

3. Provide ongoing development to help managers become coaches, so they can be a better motivator of those who work for them, more adept at managing different personality and work styles, and more effective at balancing the needs of the organization with the needs of its employees.