REDUCING TURNOVER

The cost of replacing a non-management employee has been estimated to be approximately 30 percent of that employee’s annual salary. Replacement costs for managers can approach 50 percent of salary. For an organization with 10,000 employees and managers, this replacement cost can total $12.6 million per year\(^2\). Employees leave an organization for many reasons, but two common causes are the quality of the selection system and the quality of leadership.

**SELECTION SYSTEM QUALITY**

No single selection solution is right for all organizations. Before making changes, organizations must determine their current levels of sophistication and use of best practices. Past studies\(^3\) indicate that there are five practices associated with the most effective selection systems:

1. **Behavior-Based Interviews**
   Asking candidates to provide specific examples of past behaviors that illustrate their ability to demonstrate required job knowledge, skills, and abilities.

2. **Training and Experience Evaluations**
   Providing a checklist or other tool that measures candidates’ experience in specific skills or situations.

3. **Ability Tests**
   Testing candidates’ mental, clerical, mechanical, physical, or technical capabilities.

4. **Biographical Data**
   Requesting information about candidates’ life experiences (e.g., family, hobbies, attitudes) that correlate with job performance.

5. **Motivational Fit Inventories**
   Measuring candidates’ preferences for the job, the organization, and location qualities.

**LEADERSHIP QUALITY**

A recent DDI study revealed that two of the top factors driving retention are the quality of the relationship a person has with his or her supervisor or manager and the amount of meaningful work\(^4\). There are many things that an organization can do to improve these factors. Some solutions directly improve leaders’ skills, while others improve systems and the work environment. DDI offers a full range of solutions, including:

- **Individual Assessments**—Using objective measures, such as assessment centers and multirater feedback, to diagnose leaders’ individual needs for development.

- **Performance Management**—Providing a system for setting goals, providing feedback and coaching, reviewing progress, and creating development plans.

- **Leader Skill Building**—Giving leaders the opportunity to develop specific skill areas that have an impact on employee retention (e.g., feedback, coaching, teamwork, building positive working relationships).

- **Employee Skill Building**—Giving employees opportunities to develop their skills, facilitate their work, and advance their careers.

**REALIZATION RESULTS:**

**ACROSS A SAMPLE OF 35 CLIENTS, DDI SOLUTIONS REDUCED TURNOVER BY AN AVERAGE OF 48 PERCENT. FOR MOST CLIENTS, DDI CAN OFFER REDUCTIONS IN TURNOVER RANGING FROM 22 TO 74 PERCENT. IN AN ORGANIZATION OF 10,000 PEOPLE WITH 10 PERCENT TURNOVER, DDI’S SYSTEMS CAN SAVE ABOUT $4.3 MILLION\(^1\).**
• **Special Retention Programs**—Interventions specifically targeted toward leveraging or improving the factors that promote employee retention.

For years DDI has studied the impact of its solutions on organizational turnover. Across 35 client organizations, the average percentage reduction in turnover was 48 percent (standard deviation of 26 percent). Most organizations that work with DDI can reduce turnover rates between 22 and 74 percent. Actual improvement depends on the particular organization’s current use of best practices and the quality of the implementation.

The following outlines selected research showing the ability of DDI solutions to reduce turnover.

**REALIZATION RESULTS: REDUCED TURNOVER**

**Budget Insurance**

**Intervention:** Selection/Assessment Technologies  
**Result:** 15 percent reduction in turnover  
Budget was experiencing a high level of turnover in its customer call centers. By introducing Targeted Selection® (TS), it reduced turnover to 30 percent—a 15 percent reduction in a 12-month period.  
*Source: DDI client application*

**Computer Manufacturer**

**Intervention:** Selection/Assessment Technologies  
**Result:** 50 percent reduction in turnover  
A computer manufacturing company successfully reduced turnover among its nonexempt employees by implementing Targeted Selection®. Turnover among personnel in all departments was reduced by 50 percent.  
*Source: TS evaluation summary*

**Continental Grain Company**

**Intervention:** Selection/Assessment Technologies  
**Result:** 15 percent reduction in turnover  
Turnover was reduced by 15 percent. The organization was much less likely to experience turnover from Targeted Selection® hires compared to non-TS hires.  
*Source: Client communication*

**Culligan**

**Intervention:** Selection/Assessment Technologies  
**Result:** 13 percent reduction in turnover  
Turnover was reduced 13 percent for several of the driver positions.  
*Source: Client communication*

**Fast-Food Chain**

**Intervention:** Selection/Assessment Technologies  
**Result:** 31 percent reduction in turnover  
One of the nation’s largest fast-food chains realized a significant reduction in management trainee turnover after implementing Targeted Selection®. Turnover rates dropped from 52 percent to 36 percent.  
*Source: DDI TS evaluation summary*

**Financial Services Company**

**Intervention:** Selection/Assessment Technologies  
**Result:** No turnover in new hires after three months on the job  
After three months using a DDI-designed selection system, the company hired 250 service representatives. Since then, it has experienced no turnover.  
*Source: DDI client application*
Flow Control Products Manufacturer

**Intervention:** Integrated DDI solutions

**Result:** 93 percent reduction in new-hire turnover

The turnover rate for new hires was reduced from 90 percent (1993—1996) to only 6 percent (1999). The company also credits workforce flexibility for an increased availability of products, which has gone from 80 to almost 98 percent.

*Source: DDI client application*

Grain Exporter

**Intervention:** Selection/Assessment Technologies

**Result:** 63 percent reduction in turnover

This grain exporter was able to reduce turnover from 80 percent to 30 percent by using Targeted Selection®.

*Source: DDI TS evaluation summary*

HCA

**Intervention:** Integrated DDI Solutions

**Result:** 42 percent reduction in turnover

HCA, owner of more than 180 acute care, general, and psychiatric hospitals, introduced leader training and multiple selection system enhancements. It experienced a significant reduction in turnover.

*Source: DDI client application*

High-Tech Communications/Electronics Manufacturing

**Intervention:** Selection/Assessment Technologies

**Result:** 20 percent reduction in turnover

A high-tech manufacturer relied on DDI to develop job competencies and introduce Targeted Selection®. Among its many positive results, the organization experienced a 20 percent reduction in turnover.

*Source: DDI TS evaluation summary*

Hyatt Hotels

**Intervention:** Multi-program improvements that included Workforce Development: Service Plus®

**Result:** 56 percent reduction in turnover

In 1997 turnover was 55 percent; in 1998 it was 45 percent; and in 1999 it will close out at 24 percent. In 1998 the change in the hotel's turnover rate moved its internal ranking from 91st to 29th in the company—the single largest positive jump in the company’s history. The hotel is also experiencing the highest guest service scores in its nine-year history.

*Source: Employment Management Association, Nov./Dec. 1999*

Insurance Company

**Intervention:** Selection/Assessment Technologies

**Result:** 25 percent reduction in turnover

A major insurance company used Targeted Selection® to select clerical personnel. Within a year turnover was reduced from 69 percent to 52 percent.

*Source: DDI TS evaluation summary*

Konica Corporation

**Intervention:** Selection/Assessment Technologies

**Result:** Below-average turnover

Since implementing a DDI-designed selection process to hire 250 employees, Konica has experienced below-average turnover.

*Source: DDI client application*
Kraft Foods North America

**Intervention:** Selection/Assessment Technologies

**Result:** 76 percent reduction in turnover

The Southeast Distribution Center’s turnover rate significantly declined from 1994 through 1998 (i.e., 24.7 percent, 23.8 percent, 21 percent, 11.8 percent, 5.9 percent). Since the beginning of the Targeted Selection® implementation, the savings on turnover costs reached $400,000.

*Source: DDI client application*

Major Hotel Chain

**Intervention:** Selection/Assessment Technologies

**Result:** 26 percent reduction in turnover

A study involving a large U.S. hotel chain found that during a six-month period, its hotels using Targeted Selection® experienced a 26 percent reduction in turnover. A comparable group of hotels found no change in turnover during the same period.

*Source: DDI TS evaluation summary*

McKesson Information Solutions

**Intervention:** Leadership Development

**Result:** 42 percent reduction in turnover

McKesson developed a competency model and a multiple-component leadership development system. Turnover has declined steadily over 23 months, and overall turnover declined from 20.4 percent to 4.8 percent.

*Source: DDI client application*

Pharmaceutical Company

**Intervention:** Selection/Assessment Technologies

**Result:** 44 percent reduction in turnover

A large pharmaceutical company experienced 44 percent less turnover among sales representatives hired with Targeted Selection® (TS) compared to those hired without TS.

*Source: DDI TS evaluation summary*

Retailer

**Intervention:** Selection/Assessment Technologies

**Result:** 45 percent reduction in turnover

At a large retailer the turnover rate for management hired with Targeted Selection® (TS) was 45 percent less than the rate seen for non-TS hires during the same period.

*Source: DDI TS evaluation summary*

Scioto-Paint Valley Mental Health Center

**Intervention:** Leadership Development

**Result:** 5 percent turnover vs. 25 percent industry average

Turnover rate since the training has fallen dramatically to a mere 5 percent versus the industry average of nearly 25 percent.

*Source: DDI client application*

Soft Drink Bottler

**Intervention:** Selection/Assessment Technologies

**Result:** 120 percent reduction in turnover

Turnover was reduced by 120 percent in three key positions: sales manager, account manager, and driver merchandiser.

*Source: DDI client application*

Southwest Airlines

**Intervention:** Selection/Assessment Technologies

**Result:** 7 percent annual turnover

After introducing Targeted Selection®, the airline is benefiting from annual employee turnover at less than 7 percent, is experiencing rapid growth, and is ranked #1 on *Fortune*’s “100 Best Companies to Work For” list.

*Source: Business and Legal Reports, April 1998*
Steelcase Canada

**Intervention:** Integrated DDI Solutions  
**Result:** 45 percent reduction in turnover  
Before implementing its new selection system, Steelcase averaged attrition rates of 8 percent. Since the implementation of Targeted Selection® practices and revised hiring processes, the organization has averaged attrition rates of 4.4 percent. The results are extraordinary, especially within the industry average of 9.5 percent.  
*Source: DDI Research Results*

**Study of 14 Organizations**

**Intervention:** Selection/Assessment Technologies  
**Result:** 44 percent reduction in turnover  
Using TS cut turnover rates in the participating organizations almost in half. The largest percentage point drop in turnover rates after introducing TS was 26 percent. Positive financial outcomes associated with using TS ranged from $1,000 to more than $2 million.  
*Source: Selection and Staffing ROI study*

SYSCO

**Intervention:** Selection/Assessment Technologies  
**Result:** 30 percent reduction in turnover  
An improvement in quality of new hires and a 30 percent reduction in new-hire turnover among marketing associates (zero to one year’s tenure) resulted in significant savings.  
*Source: @Issue, 1998*

Tenet HealthSystem

**Intervention:** Leader Development  
**Result:** 4 percent point reduction in turnover  
For the period when Tenet’s managers were participating in the training program, a 4.21 percent reduction in manager turnover resulted at the test sites, while in the non-test sites it rose by .27 percent. Fourth-quarter turnover at one of the hospital test sites, where all managers were trained, was zero. Over the next four years, benefits are expected to be worth approximately $400,610 (when subtracting costs of training). This is a return on investment of approximately 334 percent—a return of $3.34 for every dollar spent on training.  
*Source: DDI Research Results*

Van Kampen Investor Services Inc.

**Intervention:** Integrated DDI Solutions  
**Result:** 81 percent reduction in turnover  
Van Kampen has won numerous quality awards, achieved cost savings in excess of $4 million, and reduced turnover from 70 percent to 13 percent. Dissatisfaction with management—the most cited reason for turnover—has been reduced to only 1 percent.  
*Source: DDI client application*

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1This calculation is a hypothetical example using the following estimates: 10,000 employees, $30,000 average salary, 10 percent turnover, replacement cost of 30 percent of employee salary, and a 48 percent reduction in turnover.

