



## DEPARTMENTAL IMPACT OF TURNOVER STUDY

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## EXECUTIVE SUMMARY

Employee attrition is a costly problem for American businesses. Organizations have reported that turnover of a single employee costs anywhere between 1 and 4.5 times the employee's annual salary. (IDC, BNA, Saratoga Institute)

However, little has been said about how turnover impacts departments and the business as a whole. Execuserve recently surveyed department and hiring managers to uncover turnover's impact on various corporate departments and the measures businesses have taken to address the problem.

The results yielded some surprises:

- Sales was selected overwhelmingly as the top department for turnover, chosen by close to 1/3 of the recipients as their number one choice.
- Revenue generation (27.7%) and company growth (26.5%) are at the forefront of respondents' minds.
- According to respondents, the economy, attrition and revenue are closely tied together. Over 60% indicated that the improved economy will increase turnover and over 80% of respondents feel that turnover will have a direct impact on revenue.
- In spite of this predicted rise in attrition, almost one quarter of respondents (20.9%) have taken no steps to reduce attrition. However, others surveyed have pointed to various benefits, bonuses and training programs as a way of keeping staff members on board. The majority (69%) also see behavioral assessments as a helpful hiring tool.

A complete list of results may be found below.

## IMPACT & ANALYSIS

History has shown that improvement in the economy attributes to a rise in attrition. Workers, feeling confident, leave to seek other opportunities. The high cost of turnover combined with an ever-shrinking talent pool of qualified employees can be devastating to organizations not prepared to deal with this challenge – especially in the areas of sales and customer service.

Of the organizations surveyed, approximately 80% have some program in place to combat attrition. However, will it be enough? According to a 2004 US Job Recovery and Retention survey "75% of all employees are looking for a new job."

The results of this report should encourage companies to begin to evaluate attrition from three perspectives:

**#1 – Use fit to find and hire the right talent.** To withstand changes, companies require loyal, successful team members who work well in the existing company environment. Personality and behavior are strong factors. Behavioral assessments are a highly recommended way to help weed through the talent pool to find the best fit.

**#2 – Keep ongoing communication with employees to see who is at risk of leaving.** Get to the heart of why employees are thinking about leaving before they give notice. In most cases, it has little to do with a search for better pay or benefits. Rather, 75% of employees leave because they don't get along with their manager. (Gallup, 2002). By conducting surveys/assessments and keeping an open line of communication between all levels of management and employees, company leaders are made aware of conflicts.

**#3 – Establish clear lines of succession.** An employee's departure can leave you blindsided. By establishing lines of succession and offering appropriate training and compensation, you build loyalty and a sense of continuity.

## **ABOUT THE SURVEY**

The "Departmental Impact of Turnover" survey was conducted by Execuserve Corp. in the Spring of 2005. Links to the survey were distributed via e-mail March-April. The survey closed on May 2, 2005. Full-time, US employees responsible for the management, hiring and firing of employees were invited to participate. 89 qualified participants answered the survey questions.

## **ABOUT EXECUSERVE, CREATORS OF THE SURVEY**

Execuserve is the maker of Hire-Intelligence™, an online behavioral assessment tool that helps companies select, retain and develop key employees. The product of over 15 years research, use and development, Hire-Intelligence uses artificial intelligence to analyze for 36 dimensions of business behavior and produces a detailed profile and interview guide – unique to each candidate. Clients who have used Hire-Intelligence has have experienced up to a 50% decrease in employee attrition and a two-fold increase in tenure. For more information, visit [www.execuservecorp.com](http://www.execuservecorp.com) or call (800) 385-1993.

# SURVEY RESULTS

Below please find the complete list of questions survey results.

## 1.) In what department do you typically experience the most turnover?

Sales	30.9%
Other	28.5%
Customer Service	19.0%
Office Administration	8.5%
Information Technology	8.3%
Finance	3.6%
Logistics	1.2%

## 2.) In what department do you feel turnover has the most negative impact?

Customer Service	23.5%
Sales	19.7%
Information Technology	12.3%
Finance	10.1%
Other	8.6%
Office Administration	7.4%
Manufacturing	6.1%
Executive Management	3.7%
Operations	3.7%
R&D/Product Development	3.7%
Logistics	1.2%

## 3.) What would you estimate is your overall corporate attrition rate?

5-10%	24.5%
Under 5%	22.1%
11-15%	20.9%
16-25%	20.9%
26-35%	5.8%
Over 35%	5.8%

## 4.) What is the biggest challenge your company is facing right now?

Generating Revenue	27.7%
Rapid Growth	26.5%
Attrition / Recruitment	16.9%
Remaining Competitive	14.5%
Cutting Costs	6.0%
Other	4.8%

Merger / Acquisition 3.6%

**5.) What company-wide steps have you taken to reduce attrition?**

Employee Training Programs 45.3%  
Employee Bonuses 44.2%  
Mentoring / Coaching 40.7%  
Better Benefits 36.0%  
No Steps Taken Yet 20.9%  
Other 17.4%  
More Vacation Time 15.1%  
Unsure 2.3%

**6.) Which of the following do you use during the recruitment process?**

Job Posting / Search Sites 71.8%  
Interviewing Tools 57.6%  
Newspaper Advertising 57.6%  
In-house Recruiters 56.5%  
Outsourced Recruiters 56.5%  
Skills Testing 34.1%  
Behavioral Profiling Tools 23.5%  
Other 7.1%

**7.) Do you feel the improvement of the US economy will increase turnover?**

Yes 60.8%  
No 20.2%  
Unsure 19.0%

**8.) Do you feel turnover has a direct impact on your company's revenue?**

Yes 81.0%  
Unsure 11.9%  
No 7.1%

**9.) Do you feel behavioral knowledge of a job seeker would help you make a better hire?**

Yes 69.0%  
Unsure 16.7%  
No 14.3%