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The Business Case for Manager – Employee Meetings

"Determining
ROI
when managers
help their employees
sets goals,
monitor their performance,
and meet regularly with them
throughout the year"

Presented by

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Introduction

Research and studies look at the big picture.

From one perspective there is *employee satisfaction* and *employee engagement* and its correlation with *productivity*, a company's *financial performance*, and *employee retention*.

Running almost in parallel to this perspective is *employee performance management* and *manager-employee relationships*.

Regular one-on-one meetings with managers, and individualized goal setting are inextricably woven through all of these.

Everyone seems to agree that everybody *wins* if the employees know what the company expects of them, are clear on how their own efforts fit into the company's big picture, are supported in aligning their own goals and career development with the goals of the company, and are kept apprised of how well they are performing and meeting expectations.

There is no controversy about it being the manager who is instrumental in ensuring the above.

The biggest challenge seems to be providing sufficient support for the manager.

Resources, appropriate training, time availability, and corporate culture are all areas where the managers' efforts appear to be hindered.

Since all training and coaching decisions are driven by numbers, this paper will give facts and statistics which support the connection between managerial effectiveness and the success of a company.

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Terminology

🕮 One-on-One Meetings

In the world of research and studies, ROI is calculated for initiatives that actually cost money. Since one-on-one meetings do not require specific expenditures that might have to be justified, ROI studies are not performed. There are surveys that point to the benefits of regular one-on-one meetings, but they are subjective and anecdotal rather than quantitative. However, these surveys provide trends, powerful quotes and case studies.

There is a lot more data available on the benefits of *coaching*. The widely accepted definitions of coaching include, implicitly if not explicitly includes, *regular meetings between managers and employees, assisting employees with goal setting, and monitoring their progress on a regular basis*.

🕮 Employee Retention ROI

There are calculations of the price companies pay to replace employees.
While we can connect the dots between one-on-one meetings and employee retention, we cannot compare the cost of the meetings (investment) to the savings (returns).

What we can do is to provide numbers on how much companies save for each employee they manage to retain. These numbers are usually calculated as a percentage of the employee's salary. Kaiser Permanente, for example, quotes $60,000 as the cost of turnover for one mid-level manager job.

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🕮 Employee Satisfaction vs. Employee Engagement

Studies measuring satisfaction proved controversial and it turns out that more meaningful measurements are obtained when measuring ***employee engagement***.

An Aberdeen study of the relationship between employee engagement and performance management states:

> "Employee engagement and employee performance management truly go hand in hand. The goal for both is to create alignment between the needs, desires, skills and activities of individuals and what the business requires to achieve results. [...] Engagement is *not* to be confused with employee satisfaction, which is all about the needs of the individual being met through their affiliation with the organization."[1]

While employee engagement might appear to be something of a fad these days, it is telling that the thread of employee satisfaction runs through all of these studies – it seems intuitive that dissatisfied employees will not engage with or commit their energies to the organization's culture or goals, are less productive and tend to look for work elsewhere.

Although it is implied rather than measured, ***employee satisfaction*** seems to be both a step toward and a result of being engaged. However, it does not bring in the payoff for a company if the employee isn't engaged.

Though there are many definitions of employee engagement, most agree that an engaged employee provides added value to an organization through *discretionary effort*. Going the extra mile and taking the initiative to align their actions with the needs of the company and, more importantly, the company's customers.

[11] *"The Engagement/Performance Equation,"* by Molly Lombardi, Aberdeen Group, June 30, 2011 http://www.aberdeen.com/Aberdeen-Library/7016/RA-employee-engagement-performance.aspx [Note: free access to the report is no longer available online, but I am including a downloaded copy on the Supporting Documentation webpage.]

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Ken Scarlett, CEO of Scarlett Surveys describes the dual objectives of employee engagement:

> "From a management perspective, engagement is the process of leading people by **enabling them to want to** do whatever is necessary to ensure the continuous high performance and success of the business. From the employees' perspective, engagement is their attitudinal and emotional state **developed from experiences perceived to be controlled by management**."[2]

He offers the following definition of employee engagement:

> [Employee Engagement is] … *a positive attitude held by the employee towards the organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement,* ***which requires a two-way relationship between employer and employee.***[3]

Benefits of Employee Engagement

> "We found that, over a period of 36 months, companies with a highly engaged employee population turned in significantly better financial performance (a 5.75 percent difference in operating margins and a 3.44 percent difference in net profit margins) than did low-engagement workplaces. Those are the kinds of returns that accrue for organizations that have a competitive advantage."[4]

A 2007 Gallup poll brought in the following numbers:

> When compared with industry competitors at the company level, organizations with more than four engaged employees for every one actively disengaged employee saw 2.6 times more growth in earnings per share than

[2] "What is Employee Engagement?" Whitepaper by Ken Scarlett, President and CEO of Scarlett Surveys http://www.scarlettsurveys.com/papers-and-studies/white-papers/what-is-employee-engagement
[3] Ibid.
[4] *"Manager Redefined: The Competitive Advantage in the Middle of Your Organization,"* by Thomas Davenport and Stephen Harding, Towers Watson, November 2, 2010, http://www.towerswatson.com/microsites/manager-redefined/assets/Manager-Redefined.pdf [Ed. Note: this is the first chapter of a book that is available for purchase at Amazon.com.]

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> did organizations with a ratio of slightly less than one engaged worker for every one actively disengaged employee…
>
> The results show that in addition to growing faster than below-average-engagement organizations, earnings per share for top-quartile organizations outpaced earnings per share for their competitors by 18% during the study period…
>
> The meta-analysis study shows that top-quartile business units have 12% higher customer advocacy, 18% higher productivity, and 12% higher profitability than bottom-quartile business units. Conversely, bottom-quartile business units experience 31% to 51% more employee turnover, 51% more inventory shrinkage, and 62% more accidents than those in the top quartile of workplace engagement.[5]

Another study shows that loyal employees have a positive impact on customer loyalty and retention[6]:

> "…92% of loyal employees do tasks for customers "above and beyond the call of duty"; only 54% of trapped and high risk employees do so, according to Walker. Where 89% of loyal employees help coworkers who have heavy workloads, only 60% of trapped or high-risk employees do."

[5] *"Investors, Take Note: Engagement Boosts Earnings,"* by Bryant Ott, Gallup Management Journal, June 14, 2007, http://gmj.gallup.com/content/27799/Investors-Take-Note-Engagement-Boosts-Earnings.aspx
[6] *"Correlation between Employee Loyalty & Customer Loyalty,"* Walker Information, December 26, 2008, http://blog.vovici.com/blog/bid/18074/Correlation-between-Employee-Loyalty-Customer-Loyalty

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🕮 Importance of Manager

This is what Towers Watson found when they looked deeper into the results of their study:

> "Using the worldwide respondent base from our 2010 global workforce study, we examined the drivers of employee engagement and employees' intent to stay with their current organizations. We found that the number one engagement driver is the perceived strength and performance of senior leaders. The behavior and effectiveness of direct supervisors falls well down the engagement driver list, at number 21. But a closer look shows that the direct manager's influence is woven throughout the list of employee engagement factors. For example, the number 3 engagement driver is career development opportunity. The fourth most important engagement driver is empowerment. Establishing clear and energizing goals, an activity that clearly requires manager involvement, came in at number 5 on the engagement list.

And according to Development Dimensions International, heading the top five reasons why employees stay or leave an organization is *"quality of relationship with supervisor."*[7]

In the summary of a study published by the Institute for Employment Studies we find:

> "The line manager clearly has a very important role in fostering employees' sense of involvement and value – an observation that is completely consistent with IES' research in many different areas of HR practice and employment, all of which point to the critical importance of the employee-manager relationship."[8]

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[7] "*Retaining Talent: A Benchmarking Study,*" By Paul R. Bernthal, Ph.D., and Richard S. Wellins, Ph.D, Development Dimensions International, http://www.ddiworld.com/DDIWorld/media/client-results/retainingtalentabenchmarkingstudy_es_ddi.pdf?ext=.pdf

[8] *"The Drivers of Employee Engagement,"* by D. Robinson, S. Perryman and S. Hayday, Report 408. Institute for Employment Studies, April 2004, http://www.employment-studies.co.uk/summary/summary.php?id=408
Purchase full report at http://www.employment-studies.co.uk/summary/report.php?id=408

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What drives employee engagement?

A useful perspective is offered by the Institute for Employment Studies (IES):

- Involvement in decision making
- The extent to which employees feel able to voice their ideas, and managers listen to these views, and value employees' contributions
- Opportunities employees have to develop their jobs
- Extent to which the organization is concerned for employees' health and well being.

The line manager clearly has a very important role in fostering employees' sense of involvement and value – an observation that is completely consistent with IES' research in many different areas of HR practice and employment, all of which point to the critical importance of the employee-manager relationship."[9]

Coaching & the Coaching Challenge

There is a widely cited study from Blessing White showing that 75% of responding employees trust their manager more than they trust the senior leaders of their company.[10]

Google's extensive research of its own managers' strengths and weaknesses resulted in a report that placed coaching and regular one-on-one meetings at the top of its 8-point list of best practices.[11]

Mark Horstman and Mike Auzenne, co-founders of Manager Tools LLC, name one-on-one meetings between managers and employees *the single most effective management tool*.[12]

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[9] *"The Drivers of Employee Engagement,"* by D. Robinson, S. Perryman and S. Hayday, Report 408. Institute for Employment Studies, April 2004, http://www.employment-studies.co.uk/summary/summary.php?id=408
Purchase full report at http://www.employment-studies.co.uk/summary/report.php?id=408

[10] *"Employees Trust Own Manager More Than C-Suite,"* Blessing White Press Release, June 4, 2008, http://www.blessingwhite.com/docDescription.asp?id=238&pid=6&sid=1

[11] *Google's Quest to Build a Better Boss*, by Adam Bryant, New York Times, March 12, 2011, http://www.nytimes.com/2011/03/13/business/13hire.html?pagewanted=all

[12] *One-on-Ones: The Single Most Effective Management Tool, Part 1*, first of a two-part podcast, July 3, 2005, http://www.manager-tools.com/2005/07/the-single-most-effective-management-tool-part-1

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The most interesting report to examine manager-employee coaching comes from Blessing White and is aptly titled “The Coaching Conundrum.” The gist of the report is that while everyone agrees that managers ought to coach employees, and that great benefits can be realized from such activities, very little effective coaching actually takes place.

> “Of all of the options to build a stronger organization, the one bond that remains reliable, in our experience, is the manager-employee relationship. To achieve results in the business and to keep employees engaged, coaching is a practice that requires relatively little investment, is infinitely adaptable, and is inherently personalized.” [13]

For the purposes of this survey, the following statement was used to define Coaching:

> **“Coaching is helping another person figure out the best way to achieve his or her goals, build skill sets or expertise, and produce the results the organization needs.”**[14]

Coaching can also be described as emphasizing

- Asking vs. Telling
- Listening vs. Talking
- Questioning for Opportunities/Solutions vs. Blame

The degree to which organizations mandate coaching spans the spectrum from actively mandating, supporting and building a coaching culture to merely paying lip service while withholding the necessary resources.[15]

> "Our research indicates that the majority of managers (73%) have taken a coaching skills course in the last five years, but their organizations, their teams, and they themselves admit that coaching doesn't happen as often *or as successfully as it should.*"

[13] “The Coaching Conundrum 2009,” Global Executive Summary, Blessing White, http://www.blessingwhite.com/%5Ccontent%5Creports%5Ccc_exec_2009.pdf
[14] Ibid.
[15] See pp.6 of the Executive Summary for a table of Requirements for a Successful Coaching Culture

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The study found that some managers think coaching their direct reports is an additional task, and these mostly don't, or merely go through the motions, citing lack of time, lack of relevance, and distaste for the activity. The majority of leaders appear to be caught up in a tug of war of competing priorities, well-meaning goals around coaching, and an ambivalent organizational culture. They like to coach, know they should, but don't get around to doing it with any regularity."[16]

Organizations don't always walk their talk.

- 84% of respondents in North America agree or strongly agree with the statement *I am expected to coach and develop my team*.

- 65% of respondents agree or strongly agree that *there is an established belief in this organization that coaching by managers leads to greater business results*.

- But only 26% agree or strongly agree that *a portion of my compensation is tied to my coaching activities*.

Aside from the organizational discrepancy, the other side of the challenge is this: people love to coach and be coached.

> 87% agreed or strongly agreed that, in general, they like to be coached. Likewise, most managers surveyed (84%) indicated that they *love* to coach others. But only 54% of North American respondents receive coaching from their current manager.

The benefits are indeed there:

> 60% of respondents from North America (contrast this with 73% from Australia/New Zealand and UK/Ireland, 67% in Continental Europe and 69% in Asia) believe that the coaching they receive from their manager has significantly improved their job performance, and 64% feel it has had a significant impact on their job satisfaction (vs. 74%, 70%, 71% and 68% respectively).[17]

[16] Ibid.
[17] Ibid.

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Another study shows similar discrepancies:

> 70 percent of the organizations claim they coach their employees, but many lack proper strategies for performance management and coaching. Only 11 percent of senior leaders actively coach regularly and only 15 percent of leaders describe coaching and managing employees as taking place "very frequently."[18]

In their Recommendations section the authors of the Blessing White report cite the following as compelling reasons for managers to coach:

- Retention
- Poor employee engagement
- Central to career planning initiatives[19]

Coaching ROI

An ROI study by MetrixGLobal LLC relates to executive coaching (and by external coaching companies at that), but the ROI boost attributable to improved employee retention is significant no matter the context:[20]

> "Coaching produced a **529%** return on investment and significant intangible benefits to the business. Including the financial benefits from employee retention boosted the overall ROI to **788%**."

Even if you cut these numbers for non-executive coaching by **90%**, the ROI results still show how coaching significantly contributes to the bottom line.

[18] *"High-Impact Performance Management: Part 1 – Designing a Strategy for Effectiveness,"* by Stacia Garr, Bersin & Associates, August 8, 2011, http://www.bersin.com/Practice/Detail.aspx?id=14459&s=Performance-Management
[19] *"The Coaching Conundrum 2009,"* Global Executive Summary, Blessing White, http://www.blessingwhite.com/%5Ccontent%5Creports%5Ccc_exec_2009.pdf
[20] *"Executive Briefing: Case Study on the Return on Investment of Executive Coaching,"* by Merrill C. Anderson, Ph.D., MetrixGlobal, LLC, November 2, 2001, http://www.synergism-coaching.com/MetrixGlobal.pdf

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Communication

"Effective employee communication is a leading indicator of financial performance and a driver of employee engagement. Companies that are highly effective communicators had 47 percent higher total returns to shareholders over the last five years compared with firms that are the least effective communicators…"

"The best invest in helping leaders and managers communicate with employees. While only three out of 10 organizations are training managers to deal openly with resistance to change, highly effective communicators are more than three times as likely to do this as the least effective communicators..."

"Companies that are highly effective communicators have the courage to talk about what employees want to hear, and they redefine the employment deal in light of significant take-aways. Our study found that highly effective communicators explain the rationale behind difficult business decisions, provide leadership training and actively address the impact on employees. All of these actions can help keep employees engaged."[21]

Manager-employee meetings affect company performance

A 2010 survey from management training firm Rainmaker Thinking, Inc. concluded that increased supervision and management ("More one-on-one training, direction, and feedback from managers; and/or more written tracking of individual Performance") was the #1 most effective business strategy.[22] In expanding their definition of the basics of management, they list:

(1) Regular clear statements of performance requirements and standard operating procedures related to recurring tasks and responsibilities. Regular clear statements of defined parameters, measurable goals, and

[21] "*Capitalizing on Effective Communication: 2009/2010 Communication ROI Study Report*," Watson Wyatt, December 2009, http://www.towerswatson.com/research/670 [Ed. Note: There are more statistics in this report that you will be able to use.]
[22] *"The Under-Management Epidemic Revisited 2010,"* by Bruce Tulgan, Rainmaker Thinking Inc., March 3, 2010, http://www.rainmakerthinking.com/wp-content/uploads/2011/10/workplace-study-march2010.pdf

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concrete deadlines for all work assignments for which the direct report will be held accountable.

(2) Regular and accurate monitoring, evaluation, and documentation of work performance.

(3) Regular clear statements of specific feedback on work performance with guidance for improvement.

(4) Rewards and detriments distributed fairly in the quid pro quo, transactional, terms of the employment relationship.

The study focused on the respective results of three strategies for surviving the economic crisis of 2009. The managers who **did not** pursue the increased supervision and management strategy, were the most likely to report that their bottom line financial results (at the level closest to the manager's control) in 2009 were "bad," "very bad," "worse than expected," or "much worse than expected."

- most reported spending "too much time" solving "preventable problems"
- most reported spending "too much time" solving "small problems that got out of control"
- most reported spending "too much time" on "salvaging wasted resources"
- almost half reported concern about employees seeming "demoralized and worried"
- a substantial number reported concern about increased turnover among high performers.

And the managers who **did** pursue the increased supervision and management strategy reported that their bottom line financial results were "good," "very good," "better than expected," or "much better than expected."

- the vast majority reported a "substantial decrease" in "preventable problems";
- most reported that solving problems "while they are small, before they turn into big problems" had become "much easier"
- most reported a "substantial decrease" in "wasted resources";
- most reported a "substantial increase" in "employee morale and commitment
- almost half reported an increased ability to "fire or push out" more "low performers"[23]

[23] Ibid.

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Goal Setting

Ensuring that managers involve employees in the goal definition process and that employees understand how their individual performance affects organizational goals, has a significant effect on an organization's ability to show year-over-year improvements in three key areas:

- Employee satisfaction / morale
- Employee performance
- Employee retention

A frequently cited reason for an employee leaving a company is lack of clarity about the organization's goals and how to align one's own goals with that of the employer.

> "A mere 7% of employees today fully understand their company's business strategies and what's expected of them in order to help achieve company goals."[24]

The Aberdeen study *"Engagement/Performance Equation"* found that among Best-in Class organizations, the Capabilities section of the PACE Framework (Pressures, Actions, Capabilities, Enablers), four of the five key capabilities were:

- Performance goals are agreed to by managers and employees
- Managers hold regular, informal feedback sessions with employees on progress toward goals
- Development plans are agreed to by managers and employees
- Employees are held accountable for their own goal attainment progress[25]

And among the top three activities identified to improve engagement throughout the lifecycle by Best-in-Class organizations Aberdeen found that

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[24] *"The Strategy-Focused Organization,"* Robert S. Kaplan and David P. Norton, Harvard Business School Press, 2001, http://www.amazon.com/Strategy-Focused-Organization-Scorecard-Companies-Environment/dp/1578512506

[25] *"The Engagement/Performance Equation,"* by Molly Lombardi, Aberdeen Group, June 30, 2011 http://www.aberdeen.com/Aberdeen-Library/7016/RA-employee-engagement-performance.aspx [See the Supporting Documentation webpage for a copy of this report.]

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> "Frequent, informal feedback meetings with direct manager were one of two activities most critical for retaining employees (this score was in a tie with updates from senior leadership on the organizational vision and performance)."[26]

A study from Bersin & Associates addresses the issue of Goal Setting within an organization.[27]

> "According to "High-Impact Performance Management Practices," a report from Bersin & Associates, 54 percent of organizations revise their goals once per year -- or not at all. Further, most goal revisions take place at the top of the organization: 56 percent of senior leaders revise their goals, yet that number drops to 36 percent and 18 percent for middle managers and employees, respectively. As a result, most organizations' leaders head in one direction while the rest of the organization moves in another.
>
> In organizations where middle managers and employees revise their goals, the organization is 23 percent and 11 percent more likely, respectively, to have strong customer satisfaction.
>
> Because ongoing goal alignment is so critical, organizations can proceed with the following three components. First, organizations need to help managers and employees understand how to set goals so they can continue to do so effectively. Second, managers must develop the skills to have ongoing conversations with employees about their performance. Third, the organization needs a mechanism to encourage continuous discussions about goals." [28]

[26] Ibid.
[27] http://www.bersin.com/Practice/Detail.aspx?id=14467&s=Performance-Management
[28] *"Why Frequent Goal Setting Pays,"* article by Stacia Sherman Garr, senior analyst for Bersin & Associates, in the May, 2011 issue of Chief Learning Officer (CLO), http://www.nxtbook.com/nxtbooks/mediatec/clo0511/index.php?url=digital-edition%2F#/46

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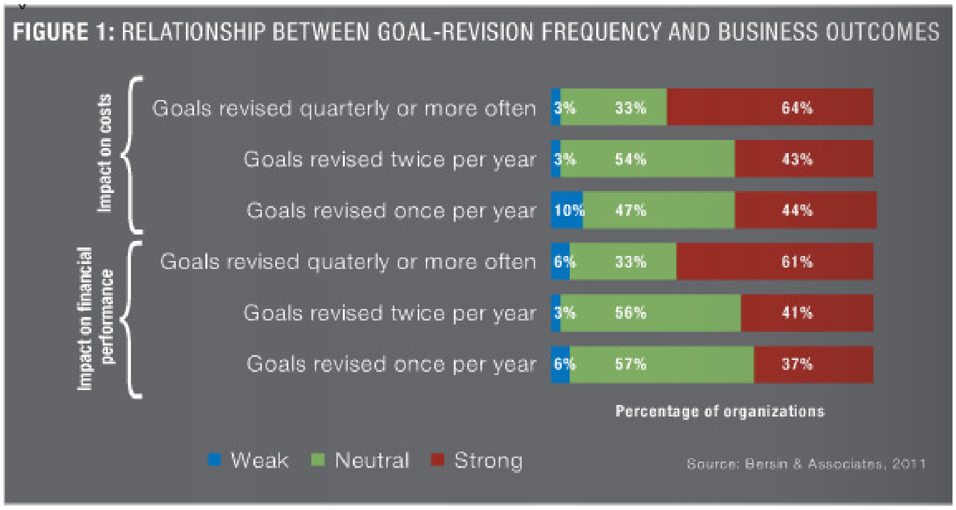

FIGURE 1: RELATIONSHIP BETWEEN GOAL-REVISION FREQUENCY AND BUSINESS OUTCOMES

Employee Engagement and Retention

In a benchmarking study by Development Dimensions International (DDI), fully 98% of HR professionals felt that their efforts in the area of retention needed improvement![29]

> "There is a straightforward relationship between leaving/staying intentions and engagement, with those planning to stay for the foreseeable future scoring 3.71 [higher engagement], compared to 3.29 [lower engagement] for those planning to leave as soon as possible."[30]

And from a Towers Watson study titled "Professional Service Firms – re-engaging and retaining employees" we have the following:

[29] *"Retaining Talent – a Benchmarking Study"* Executive Summary, by Development Dimensions International, 2001, http://www.ddiworld.com/DDIWorld/media/client-results/retainingtalentabenchmarkingstudy_es_ddi.pdf?ext=.pdf

[30] *"Engagement: The Continuing Story,"* by D. Robinson, S. Perryman and S. Hayday, Report 447, Institute for Employment Studies, October 2007, http://www.employment-studies.co.uk/pubs/summary.php?id=447 Purchase full report at http://www.employment-studies.co.uk/pubs/report.php?id=447

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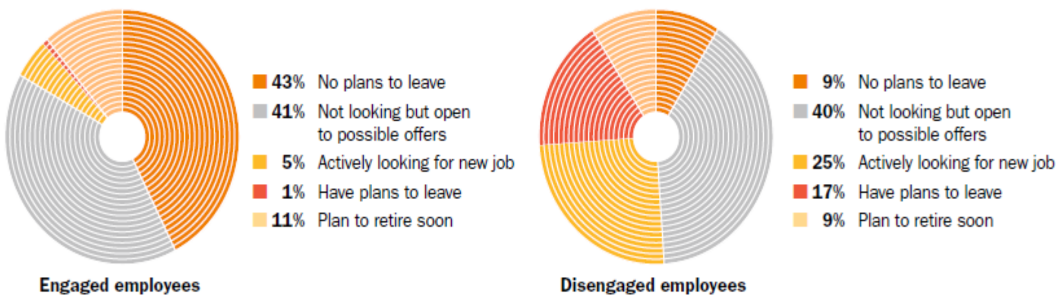
Figure 04. Engaging employees significantly increases retention



> "Employees require an explicit understanding of where they are headed next in their career. At the same time, managers need to have career discussions with their employees, and to recognize employees who put in a great performance. Strong performance management and goal-setting are key to keeping employees fulfilled over the long-term."[31]

The DDI benchmarking study about employee retention found:

> "Employees who feel neutral about or dissatisfied with their jobs are approximately two to three times as likely to leave the organization."[32]

The same study concluded that of the 745 employees responding to a retention survey submitted to 118 members of the DDI benchmarking group, 12 percent were "as good as gone:"

> "Employees who estimate their chance of leaving [within the next year] to be 75 percent or greater (12%) are probably 'as good as gone.' "[33]

And, according to this study, voluntary turnover rates are almost twice as high for non-management positions (19.3%) as for management positions (10.3%)!

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[31] *"Perspectives: Professional Service Firms – re-engaging and retaining employees"*, Towers Watson, December 2010 http://www.towerswatson.com/assets/pdf/3552/EU-2010-18934-Professional-Service-firms.pdf

[32] *"Retaining Talent – a Benchmarking Study"* Executive Summary, by Development Dimensions International, 2001, http://www.ddiworld.com/DDIWorld/media/client-results/retainingtalentabenchmarkingstudy_es_ddi.pdf?ext=.pdf

[33] Ibid.

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Employee Development and Retention

In an article for the International Mentoring Association, Barry Sweeny writes:

> "Many studies in every kind of demographic and geographic setting have shown the ability of effective development and mentoring programs to increase retention. Some examples of the impact of development on employee retention in just one field (education) include:
>
> - Texas A & M University, Corpus Christi, whose program has delivered a 96% retention rate, even after five years.
> - The New Teacher Center at the University of California, Santa Clara, which is directed by Ellen Moire, has reported about 95% retention after 3 years.
> - Others include the La Fource, La. School District's Beginning Teacher Program, the Beginning Teacher Support program at Governors State University in Illinois, and the Washoe County School District Induction Program at Reno Nevada, all of which routinely have retention in the high 90% range."[34]

Sweeny offers the following numbers [citations are Sweeny's]:

- Deloitte & Touche deployed a large scale career management program for its 30,000 partners and employees in the USA and a coaching program for 1,000 employees and avoided an estimated $11 million USD in turnover-related costs[35]
- One school board went from 25% loss of 1st year teachers to 90% retention after mentoring was introduced
- A pharmaceutical company indicates a 1% + change in EE satisfaction = 3% + movement on net income
- Several law firms report it costs $315,000. to lose a 2nd year associate[36]
- Companies with highest % women on senior management teams have 35% higher return on equity ROI on a mentoring program for high-potential employees in a manufacturing company after 12 mo. = 1,200%. In other words, the mentoring program cost the company 1/12th of what they saved from reduced attrition!!

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[34] *"Increasing Employee Retention or Reducing Attrition? Which is the Best Focus?"* by Barry Sweeny, International Mentoring Association, 2008, http://www.businessmentorcenter.com/RetOrAttrit.php

[35] W. Stanton Smith, National Director Employer of Choice-Next Generation Initiatives, Assoc. of Career Professionals International, Venice 2004

[36] Toronto Star, Aug.16, 2007

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Manager Relationship and Retention

In *Retaining Talent*, the previously cited employee retention benchmarking study, DDI looked into major causes why employees leave a company. Here is what tops the list:

> **"Motivational Fit:** *challenge, meaning, autonomy, organizational fit, manager relationship, job clarity*"
>
> By far, factors associated with motivational fit were the driving force behind employees wanting to stay at their job. Motivational fit exists when employees feel there is a good match between their needs and what the organization and job requires them to do. Research has demonstrated the importance of matching employees' motivational needs with job requirements.[37] Managers play a critical role in determining employee responsibilities and span of control; thus, employees' working relationships with their managers also can affect motivational fit."

In this study, *quality of relationship with supervisor or manager* was rated as "very important for retention" by 78% of employees (ranked #1 by employees), while only 39% of HR professional rated it as "one of the top five reasons why employees leave" (ranked #4).

[37] "Research sources include the following:

Adigun, I.O., and Stephenson, G.M. (1992). Sources of job motivation and satisfaction among British and Nigerian employees. Journal of Social Psychology, 132(3), 369–376.
Ilardi, B.C., Leone, D., Kasser, T., and Ryan, R.M. (1993). Employee and supervisor ratings of motivation: Main effects and discrepancies associated with job satisfaction and adjustment in a factory setting. Journal of Applied Social Psychology, 23(21), 1789–1805.
Keaveney, S.M., and Nelson, J.E. (1993). Coping with organizational role stress: Intrinsic motivational orientation, perceived role benefits, and psychological withdrawal. Journal of the Academy of Marketing Science, 21(2), 113–124.
Krausz, M., and Reshef, M. (1992). Managerial job change: Reasons for leaving, choice determination, and search processes. Journal of Business and Psychology, 6(3), 349–359.
Miner, J.B., Crane, D.P., and Vandenberg, R.J. (1994). Congruence fit in professional role motivation theory. Organization Science, 5(1), 86–97.
Mishra, P.C., and Gupta, J. (1994). Performance as a function of employees' motivation and job involvement. Psychological Studies, 39(1), 18–30.
Orpen, C. (1994). Interactive effects of work motivation and personal control on employee job performance and satisfaction. Journal of Social Psychology, 134(6), 855–856."

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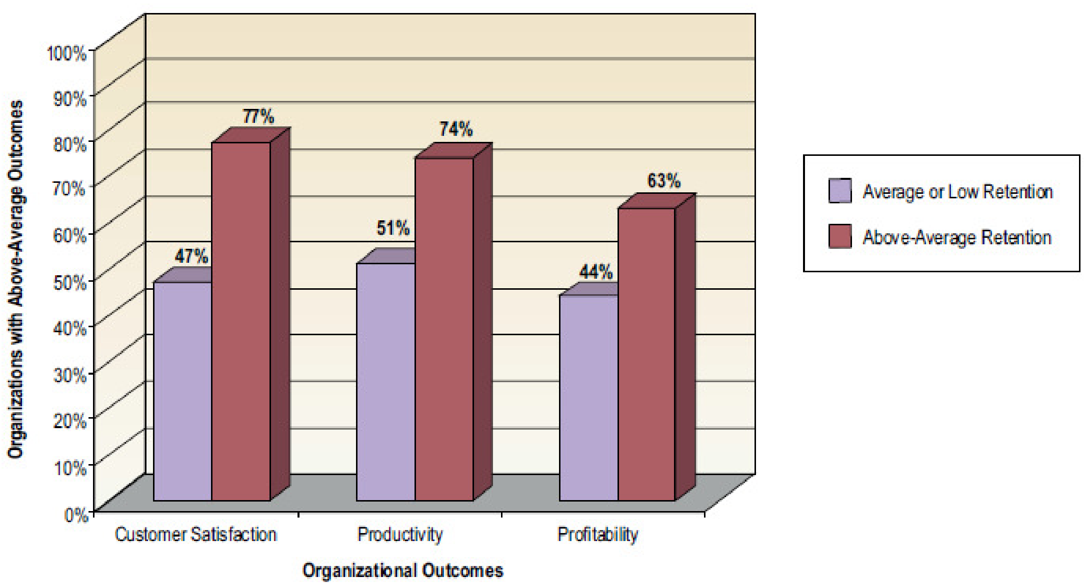
It should also be noted that clear understanding of work objectives was ranked #8 by employees but #15 by HR professionals. These are pretty significant discrepancies.

Cost of turnover

In their retention benchmarking study, DDI shows the following correlation between retention rates and organizational performance:

Figure 8: Correlation between retention rate and organizational performance in customer satisfaction, productivity, and profitability.



Looking into actual costs of employee turnover, DDI used the following formula to determine the total revenue per employee for 75 of the publicly held organizations in their sample:

$$\text{Revenue per employee} = \frac{\text{Total Revenue}}{\text{Total Number of Employees}}$$

Using this formula, the study found the average revenue per employee to be $239,888 per year, concluding:

> "… losing employees to turnover and having open positions can affect total company revenue. Every time a position becomes vacant, the organization becomes somewhat less capable of meeting its goals."

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According to DDI, the cost of replacing an employee ranges from 29 to 46 percent of the person's annual salary. Turnover costs the average organization more than $27 million per year (In 2001).

Estimates by The Bureau of Labor Statistics place the base cost of replacing a worker at 30 percent of that person's annual earnings (In 2001).

However, according to a compilation of 15 turnover cost studies from Sasha Corporation,

> "Turnover costs are misleading. The value of keeping one front line employee is many times greater than the cost of losing one, because turning someone into a 20-year employee can save 10, 20 or more 'turns' on a front line job: $100,000 or more."[38]

Conclusion

- Managers are truly pivotal when it comes to employee satisfaction, employee engagement, career development, retention, productivity and goals alignment.
- Engagement, retention, productivity and goals alignment affect a company's bottom line.
- Without regular and frequent in-person meetings with direct hires, the managers are not able to adequately support the employees' performance needs.

All of these points are borne out by numerous studies, even if corporate actions do not reflect this at the executive level. Good managers make it a normal part of their job; less effective managers avoid this aspect of managing direct reports.

[38] *"Compilation of Turnover Cost Studies,"* Sasha Corporation, January 2007, http://www.sashacorp.com/turnframe.html