

# Employer's *Advantage*

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Excellence

**Tim Brennan of the Brennan Group provides assessments and services from his base in Halifax, Nova Scotia, Canada. His opinion piece on page two offers a different perspective on some business challenges, regardless of where we choose to do business — and how many challenges in common we have throughout North American businesses. - Editor**

## NON-RANDOM STATISTICS

Nine percent of job applicants falsify degrees

Average award in workplace lawsuit exceeds \$1 million

Turnover in long-haul trucking: 116 percent  
50 percent of employee satisfaction depends on manager quality

At Taco Bell, stores in the top 20 percent for retention made 55 percent more profit than the bottom 20 percent.

## TURNOVER COSTS ELDERCARE PROVIDERS OVER \$4 BILLION PER YEAR

A recent press release from the *Institute for the Future of Aging Services (IFAS)* points out the impact of turnover on long-term care providers in the U.S. Based on conservative estimates of 45 percent turnover and \$3,500 per hire, the annual nationwide cost of high staff turnover in this industry is nearly \$4.1 billion!

The price tag of high staff turnover among nursing and home health aides is starkly presented in a new *Better Jobs Better Care* practice and policy report, "The Cost of Frontline Turnover in Long-Term Care." The report, authored by labor economist Dorie Seavey, highlights how increased retention in long-term care can reduce costs and improve quality.

"In addition to facilities paying a high price, turnover costs are also borne by workers, payers and especially the consumers or residents themselves. Workers pay a price through greater stress and risk of injury when turnover results in short staffing. Public payers — Medicare and Medicaid — could get more for their money if they didn't have to implicitly pay for high turnover rates and costs. Elders pay the heaviest cost of all, in quality of care they receive from

too few, too new or temporary staff."

Using data from numerous studies in long-term care facilities, the report combines direct and indirect costs of replacing direct care employees, who provide the majority of hands-on personal care to older disabled adults. Direct costs, which can total about \$2,500 per loss for each worker, include hiring temporary

### The high costs of turnover...

\$3,500 per hire

45 percent turnover

\$4.1 billion!

Short staffing

Low morale

Reduced care

Increased rates

staff or paying overtime wages to current staff until replacements come on board; advertising, interviewing and background checks; and orientation and training of new employees. Indirect costs, which can add another additional \$1,000 to the cost of replacing an employee, include lower productivity of temporary and new staff, reduced service due to staff shortages, and low morale owing to high turnover.

Some studies reviewed in the report found direct costs can run as high as \$5,200 when human resource staff time is taken into account.

The report recommends long-term care providers calculate the cost of turnover in their own organizations to understand how investments in retaining employees are helping or hurting their financial situation. It also urges policymakers to make turnover costs more visible to all groups with a stake in improving the quality of long-term care.

While this report did not offer solutions to the turnover challenge, it seems likely that systematic use of honesty-integrity assessments and job fit assessments could provide substantial and cost-effective reductions in the long-term care sector, as it has in other health care settings. Using the Step One Survey II™, Warm Hearth Village, a Blacksburg, Virginia based continuing care facility combining independent and assisted living units with a 60-bed nursing home, accomplished a 10 percent decrease in their annual turnover in the first year of use. Combining assessments with other initiatives, the facility expects further improvements in 2005.

## THE SPORT OF BUSINESS—OPINION BY TIM BRENNAN

*Top performers in sports earn four-to-five times more than average performers. Is it like that at your company?*

Recently, I noticed that every sports channel on cable TV has a program called "The Business of Sports", or something similar. In the program, they uncover stories behind the scores and statistics. I like to look at it the other way: let's call it "The Sport of Business".

Sports teams have people who spend every day evaluating talent. Scouts look for talent in the minor leagues; coaches and analysts track every statistic possible. A team of people tapes every practice and game for the sole purpose of understanding talent and potential talent!

Sports teams know where the gaps are and have a General Manager who is responsible for finding talent and integrating it into the team. They don't limit themselves to what they have. They don't wait till the end of the season.

They certainly don't wait for the player to retire. They look over the field and go after the ones they want! Do you evaluate your talent like a sports team? How does your performance appraisal system work? Does it work to improve the team, or is it just something endured to get an annual raise?

Imagine this: My daughter plays on a hockey team. Their rink does not have a scoreboard, just a clock. When the buzzer sounds, you know the game is over. The players return to the dressing room, and about twenty minutes later the referee comes in and tells them who won and who lost. Doesn't this sound silly? How is this different than your appraisal system?

When you think talent in sports, do you think Tiger Woods? How many "Tiger Woods" do you have on your team? Do you pay them like Tiger Woods? Top performers in sports earn four-to-five times more than average performers. Is it like that at your company? Is there motivation to be a top performer or do you have a team members who are happy to make what they made last year? Are top performers compensated like the superstars they are?

Are you having problems attracting talent? In baseball, the top performers want to play with the best. Consider the New York Yankees: who would not want to play for the Yankees, a team that is competitive every year and has won more championships than any sports team in any sport? Top performers enjoy playing with other top performers! What is your team's goal? Win a championship, or finish and go home?

I grew up in Brantford, Ontario - the same community as Wayne Gretzky. I learned something at a young age: some people have more talent than others and some people have a lot more talent than others. Why are top performers top performers? There are many theories...but I am not a big fan of theories. I like action! Here is my action plan: profile top performers in your organization, profile your middle group and finally examine some of your poor performers. What characteristics are different between these three groups? In each business where we

use this process, we find different combinations of important characteristics. This explains why someone can be a marginal player on one team, then move to another team, fit in better, and have a career season!

What about training in your organization? Sports teams spend more time training than they do playing the game. Sometimes a player is sent to a farm team in the system for future coaching and development. Sports teams recognize that it is a good investment to spend dollars on training raw talent, if he or she has the right attitudes and characteristics to fit in with the future team.

Have you ever noticed that the top players are not the coaches? Phil Jackson, coach of the Chicago Bulls (eight championships in 12 years), had it figured out. Phil understood his players better than they knew themselves. He knew the "whole person," and he knew each player needed to be coached on individual terms. After the championship season of 2001, Jackson was quoted as having said, "Coaching is winning people over." He understood winning them over, one player at a time. What is each player's role on your team? Coach? Star forward? Fourth-line grinder trying to hold on to the last spot on the roster, hoping someone with more talent is not just around the corner to take their job? If you are not sure, maybe now is the time to find out.

Assess your talent—win in the sport of business!

# BANK HIKES EMPLOYEE RETENTION AND CUSTOMER SATISFACTION IN TOUGH MARKET

DATA CONTRIBUTED BY  
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The subject of this case study was a credit union for first 17 years of its existence. It became a federally chartered bank about five years ago. The bank operates in one of the nation's most competitive banking markets and has been recognized as being well-managed with a strong asset base. In the early years of the new century, the bank's success led it to open new branches. By the end of 2002, it had doubled its employee count. In this process, the bank hired at virtually every level, from vice president to teller. To compete as a bank, management endeavored to hire in a different model from what was described as a "credit union mentality", looking for new hires who were more driven by sales success and profit than by the warmer and less competitive values of their old organization. Near the end of 2003, the bank reviewed its successes and failures in making these changes. The review revealed a rash of job failures toward the end of 2003, concentrated in the employees who had been new hires during their expansion. Examining the failures, the bank identified three major contributing causes, in order of declining frequency:

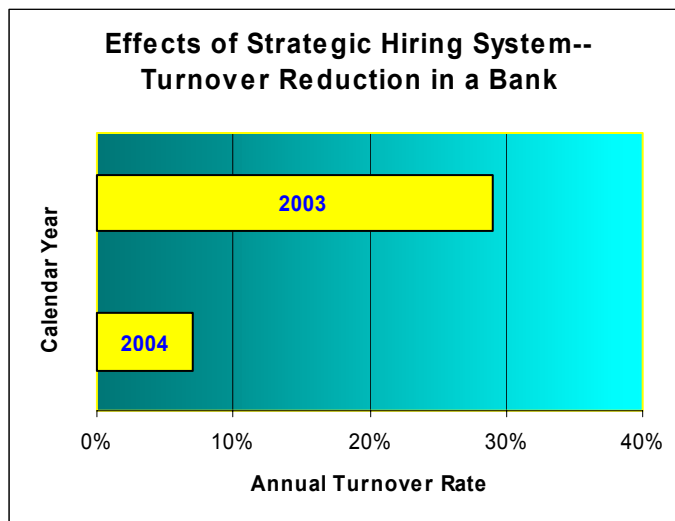
- Absenteeism
- Procedure violations
- Error rates

Overall turnover rate in 2003 was 29 percent, unacceptably high for a business which spends a great deal of money and effort on intensive training of every employee. (The bank's internal estimate of their cost

of hiring and training approaches five figures per employee.) Working with their Profiles representative, the bank developed a Strategic Hiring System, based on data collected from employees who had succeeded in their positions in 2003. Launched in January 2004, this system is a "hiring funnel" in which every applicant considered for interview completes the Step One Survey II™ (SOSII). They are then interviewed, using the SOSII as a guide. If selected for continuation in the process, based on the assessment, the interview, and their application information, candidates complete either the Profiles Customer Service Perspective™ (CSP) or the Profiles Sales Indicator™ (PSI). If they score above a criterion match to the success pattern for their prospective job, they complete the Profile XT™ assessment (PXT). Finalists are selected and interviewed based on the information from all of these inputs and an offer is

made to those selected. Average elapsed time from receipt of application to hire is 27 days, which usually includes two weeks notice to the previous employer. Assessment sequence cost per hire is \$280. Results of the initiative for 2004 are in. The employment market generally saw more job opportunities and higher turnover over the year, but this bank's turnover rate dropped from 29 percent to seven percent year-to-year! In addition to the obvious reduction in costs of failure, the bank has experienced increased customer satisfaction, reduced absenteeism, better adherence to required banking procedures and reduced personnel actions. With one challenge under control, the bank has now turned to the next step, insuring their managers are up to the task of getting the best from their job-matched employees. The CEO and his management team have all enrolled in the Checkpoint 360™ /Skill-builder™ management development program!

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**"Excellence is  
the gradual result  
of always striving  
to do better."**

***-- Coach Pat Riley***