The High Cost of Employee Turnover Among Project Managers

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Imagine for a moment this scenario from a frustrated senior manager at a large pharmaceutical organization: "Our organization has experienced a large turnover among project managers in the past year. This creates problems providing ongoing quality and service to our stakeholders. We just don't know what is causing the problem." Sound familiar? Well you're not alone. I remember filmmaker Woody Allen once said that "80% of success is showing up." However, the greater challenge is finding ways to keep people around.

Employee turnover is simply a fact of life in the business world. The days when employees would stay and grow with a company for the duration of their working life are gone. Studies today reveal that individuals stay with their current employer a maximum of five years before moving on. While 0% turnover is simply unrealistic, increased turnover in your organization could indicate a serious problem in your working environment.

In a random SSI poll of project managers conducted for this article, the following reasons were given for high turnover among project managers at organizations today:

- Internal communication problems
- Poor time management
- Trouble scheduling and controlling staff
- Lack of project manager authority and experience
- Poor staff training
- No project management tools/systems
- Monetary compensation

Organizations are in a constant state of restructuring. The demand for experienced and dedicated project managers is on the rise. However, it seems that less experienced personnel are attracted to the profession. So then why do some organizations experience increased turnover?

Generally speaking, the US Bureau of Labor Statistics recently found that 40% of those that quit their jobs were doing so because they simply felt a lack of appreciation, of teamwork, that the organization was perceived to not care about employees. Serious charges from 40% of the people.

As of February 2005, the average turnover rate in the United States was 3.1%. And while that number seems low, when you think about how many employed individuals there are in the United States alone that number can be staggering. Yet many organizations let turnover go undetected.

CEO's just accept it as part of doing business in today's competitive marketplace. But more cost conscious and successful organizations will see the negative cost factors that turnover inevitably will have on productivity, quality and service.

F. Leigh Branham believes there are six truths about employee turnover. They are as follows:

1. Turnover Happens

2. Some Turnover Can be Desirable

3. Turnover is Costly

4. More Money is NOT Always the Answer

5. Management Holds the Key to Keeping Talent

6. Reducing Turnover Starts with Commitment

All of the above information, while general, can also be applied to the profession of the project manager.

The Domino Effect

The loss of a project manager during any phase of the project can signal disaster. Many times while the methodologies for managing projects are set forth by the PMO (Project Management Office), individuals have their own unique system for completing tasks and organizing workloads. Therefore, the ramp up time associated with trying to decipher how an individual works can bring the project to a screeching halt. Project staff members find themselves asking the following questions after a project manager departs:

- Where did they leave off?
- Who were their contacts?
- Were they organized?

- Will there be ramp up time associated with understanding their job?
- Were they on schedule or will you need to bring the project up to speed?
- Is it more cost effective to divide the work or train someone new?
- Have stakeholders been notified of any new developments?
- Has the budget been adhered to?

In fact the departure of a project manager influences all of the following:

Scope – What needs to get done
Time – Ramp up increases
Cost – Overtime and training
Quality – Deadlines affect final outcome
Communication – Promises made cannot always be kept
Procurement – Poor choice of outside vendors

So how then can turnover be prevented among project managers? As we discussed in the beginning, 0% turnover is improbable. Limited turnover however can be viewed as desirable for organizations. For instance new employees are bound to bring new ideas and methods with them, thus revitalizing what might have been a stale environment to work in.

But turnover in and of itself is not fully understood. Many organizations fail to realize the high costs associated with turnover at many levels. Turnover can become a financial burden to your organization with recruitment and selection costs, training for new employees, ramp-up time, increased workloads for existing employees, overtime, reduced productivity and that's just naming a few. In fact it costs a company approximately 1/3 of a new hire's salary to replace an employee. If more organizations took the time to view turnover as a financial hit rather than passing it off as part of day to day business they might save their organizations thousands of dollars.

There are ways to not only reduce the amount of turnover at your organization but also to be prepared for it. In the random SSI poll of project managers conducted for this article, the following suggestions were given as ways to reduce the amount of turnover among project managers:

- Offer training opportunities to increase knowledge areas
- Assess the changing workforce culture
- Measure the company's turnover rate
- Become more employee oriented
- Hire the right people
- Set up effective Change Management

While change in inevitable in an organization, you can be prepared. Issues arise in the normal course of project activities and timely resolutions are essential to maintaining project timelines and team momentum, as well as keeping stakeholders happy. Change management practices can help. A change management plan can be implemented quickly and allow for a greater chance that the project will succeed. Change management can help:

- Reduce productivity loss
- Encourage employees who might be resistant to change
- Minimize impact on productivity and quality
- Reduce the effect on stakeholders

Left unmanaged, issues can derail or even cause an entire project to fail. Some questions to ask when developing a change management plan are:

- Responsibility breakdown
- Additional training required
- How much ramp up time will there be?
- Replacement of personnel – internal?
- Overtime required - Who can make a lateral move?

A change management plan for employee turnover translates into a rapid, cost effective solution so projects can be delivered on time, on budget and on scope without effecting stakeholders.

Measuring Turnover at Your Organization
Many organizations have little knowledge of the turnover rate at their organization. Moreover, they are unaware of the hidden costs that turnover can place on an organization once an employee leaves. Measuring turnover is done simply and should be done yearly with the following formula:

$$\text{Total \# of employees leaving in the past 12 months} \div \text{Average \# of employees} = \textbf{Turnover Rate} \ \textit{(must convert to \%)}$$

Example:

25 turnovers ÷ **250 employees** = **10% Turnover**

Turnover cost can also be measured and should be reviewed on a bi-yearly basis. The formula below will help you to calculate turnover cost:

$$TC = \frac{DHC + IHC}{T}$$

TC = Turnover Cost

DHC = Direct Hiring Costs (ads, agencies, relocation, referral bonuses, recruiters, etc.)

IHC = Indirect Hiring Costs (Management time, Supervisory time, Orientation, Learning Curve)

T = Total number of positions turned over

Even with all of this new found data, the answer to why employee turnover is a problem at your organization may still be unclear. Moreover, exit interviews will not give you the feedback you are looking for since the most common reason given for leaving an organization is always more money and a better job.

It is up to management to take the time to be critical and look inward. Understand that a problem exists. High turnover is a warning sign, a red flag that there are internal problems within your organization - some of which might be caused by senior management. While the turnover of a few employees can hardly be considered reason to be concerned, high turnover rates should make you question the working environment that your organization provides both emotionally, physically and financially. Ask yourself these questions:

- Are employees managed the way I would want to be managed?
- Are employees monetarily and emotionally compensated?
- Is the organization viewed as employee oriented?

It used to be that an employee was devoted and loyal to one company during the duration of their employment. Today however employees are looking out for themselves - more focused on their quality of life and the needs of their family. That means that organizations today must motivate and inspire individuals to want to stay. Engaging and empowering employees is one of the great assets you have in the fight to reduce employee turnover. Data gathered by Development Dimensions International (DDI) shows that companies or businesses with highly engaged employees experience a lower turnover rate. How does your organization stack up?

- Listen to employees
- Treat employees with respect
- Praise a job well done
- Ask employees for their input
- Show trust with more responsibility
- Be fair and impartial
- Be firm but not tyrannical
- Apologize or admit when wrong
- Pleasant working condition
- Room for advancement

While there is no one answer to the issue of employee turnover, there are many proven suggestions on how to limit the chances of it happening at your organization. We tend to forget that the people working for us are typically the ones getting the job done from start to finish. We rely on their knowledge, their skills and most of all their commitment to perform top quality work in a timely fashion. As an employer, take the time to show your appreciation to those that work so hard to make your business a success. Most importantly listen to their needs and find ways to show that you're committed to them. 80% of success is showing up; make the other 20% increasing the ways you make them stay.

Resources:

U.S. Bureau of Labor Statistics, Washington, DC 20212-0001, © 2004 US Department of Labor

Adapted from "Keeping the People Who Keep You in Business" by F. Leigh Branham © 2000

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