OVERTURN THE HIGH COST OF EMPLOYEE TURNOVER

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ResponseDesignCorporation

CREATING THE UNCOMMON CALL CENTER

Overturn the High Cost of Employee Turnover

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To hire and retain the optimal workforce, some companies invest strategically in becoming an "Employer of Choice." Is their money well spent? Based on our analysis of the true cost of employee turnover, our answer is a resounding "yes." In this age of increasing demands on productivity, employees leaving the company and taking their know-how with them is a price that no company can afford.

In this article, we'll discuss the true cost of turnover—you'll need to know it to make your case for investing in the optimal workforce. In addition, we'll describe what you need to consider as you fill those call center seats and your chances of finding the right people for the job. Finally, we'll outline the attributes of an organization with loyal and long-tenured employees; you will see that your company, too, could be an Employer of Choice.

The cost of turnover

Does your organization understand the true cost of turnover? Turnover hits the call center hard—harder than you might think. LeapFrog!™, Response Design's metric database, reports that the average annual negative turnover for front-line agents is 26 percent. (Negative turnover is defined to occur when agents leave the company for good, whether through voluntary or involuntary termination. Its counterpart is positive turnover, which is defined as agents moving laterally or through promotion into other areas of the company.)

LeapFrog! reports the most obvious costs of turnover:

- $4,000 per agent is the average cost to hire, and
- $4,800 per agent is the average cost to train—for a total of $8,800.

Using these numbers, we expect that a typical call center with 100 front-line employees incurs at least $228,800 (26 x $8,800) annually to replace 26 front-line employees—and that is just the beginning. A few other considerations that may fall beneath the radar but cost the company money are:

- the cost of meetings and conferences in which supervisors and managers juggle the workload among the remaining employees.
- overtime compensation necessary to fill the shortfalls.
- Human Resource's cost of "separating" employees who are leaving. Tasks include halting payroll, conducting exit interviews, and educating employees about COBRA.
- The cost of Information Technology repeatedly setting up personalized desktops and passwords.
- Lost productivity incurred when new employees take over the work of seasoned ones.

No matter how detailed your list of the costs of turnover, remember that turnover is like an iceberg floating in the water. So much of its deadly presence is submerged, hidden from sight. We believe that as the turnover rate goes up, employee morale goes down—the employees who are left feel pressure to carry the load. As the turnover rate goes up, customer service suffers—agents who are still learning the ropes handle a larger percentage of the customers. And unless you have a robust knowledge management system, the employee has taken another intangible: his knowledge.

If employees leave frequently, can you afford to spend more than $8,800 every time? Concentrate on making this expenditure rare. To transform the turnover challenge into opportunity, raise awareness that **people** constitute the biggest asset and biggest expense; and make no excuses for burnout and turnover.

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The optimal workforce

After you have made your case to management that turnover is costing too much, concentrate on hiring the right individuals. Some people are made for your job. They have the right temperament, interest and skill. Learn to know them when you see them.

If you are to have the optimal workforce, it should be uniquely tailored to the role your company expects the call center to play. The optimal workforce for consultative sales looks different from the one for taking orders. The optimal workforce for responding to only telephone calls looks different from that charged with responding to calls, e-mail and chat. And those who manage a help desk cannot look to others to define their uniquely ideal workforce.

Determining the composition of the optimal workforce is more difficult because your company's expectations of the call center are probably changing. In most cases, this function has been seen as a necessary cost. Companies defined a standard product and service portfolio, and organized customer support around repetitive, predictable tasks. Agents (both full- and part-time) were hired to work for low wages with minimal training. Now, your company's survival may depend on how well the call center adds value to each customer interaction, increases customer loyalty, and becomes a font of customer knowledge for the rest of the organization. LeapFrog! tells us that 96 percent of call centers have taken on more responsibility within the last 10 years—responsibility that is surely centered on adding value.

Yet, in spite of these new challenges, hiring profiles and turnover models have stayed the same. Companies continue to expect staff dissatisfaction and high burnout rates. Each agent hired under this old model contributes to self-perpetuating failure cycles, with further declines in service quality and customer satisfaction. The inadequacy of new hires to perform, along with the scarcity of means to restore their confidence, leads to indifferent agent attitudes and mediocre service quality. Customer dissatisfaction bolsters agent discomfort, inciting further burnout and turnover, which in turn deteriorates service quality and so on.

Based on our assessment of the jobs call centers will do in the future, we have developed a profile of an agent bound for success in the new call center environment. We believe he or she will be energetic, tech-savvy, people-oriented, organized, and upwardly mobile. He or she has "some college" (if not a degree) and enjoys the challenges of technology.

Will our prospective employee pool be filled with these types of individuals? How many people in the general population will we have to choose from? Accounts vary. Some say things look bleak—the educational system has not met the challenge of preparing folks to fill our jobs. The federal government's National Assessment of Educational Progress administered in schools across the U.S. shows that, after a decade of school reform, students are reading no better than their predecessors a generation ago. More than 120 million adults today read at or below a fifth-grade level. Daimler-Chrysler says that only one out of four applicants can pass tests requiring 10th grade skills.

Some analysts have a brighter outlook—they believe that the generation currently graduating will include candidates to fill our positions. However, whichever of the analysts' predictions are right, we face tough competition in the labor market. The employment rate is decreasing and expected to remain low. We must come to grips with the understanding that skilled staffing shortages will exist for the foreseeable future and must incorporate this fact into our strategic and tactical planning processes.

Organizations must put more effort into recruiting, both from the perspective of **where** to look as well as what skills to look for in a candidate, defining the knowledge worker skills needed to meet current and future business challenges.

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Becoming an Employer of Choice

In the past, call center employees may have been satisfied to work for their daily wages. And if they were not, the company was prepared to replace them. As skill sets increase, factors that make employees loyal change. Offering more money will not buy loyalty.

There must be a radical re-thinking of what it is that makes the agent loyal to the company—and our focus is on becoming an Employer of Choice, a strategy that will hold you in good stead in any environment. Employers of Choice have the following characteristics:

- They compensate competitively. Compensation comes in many forms—not just base pay. When people were asked by USA Today if a good benefits plan encouraged them to work harder and perform better, 66 percent said "yes." According to a recent CallCenterCareer.com survey, some 29 percent of call center job seekers feel that recognition for hard work is nearly as important to them as receiving better pay (a response made by 32 percent of job seekers). We expect significant growth in performance and competency-based incentives, with some organizations also pursuing value-based compensation schemes.
- They provide a comfortable working environment. The concept of providing employees a comfortable environment covers much more than the fit of the chair, the height of the screen, what is available to eat, and where agents can park. It refers to the entire employee experience. Do agents believe they are treated fairly? Do they trust the management? Do they believe they can make a difference? Do they know what is going on around them? Employers of Choice provide frequent communication and satisfactory answers at every turn.
- They provide opportunities to learn and grow. Employers of Choice facilitate career planning and work with each employee to create a customized plan. (They do not engage in career pathing, which forces employees down a road they might not want to go.) Career planning is initiated and controlled by the employees. Individuals should be able to design plans around what "jazzes" them—whether the career moves be upward or lateral.

When you understand your cost of turnover, you can invest in selecting the right person to do the job—no matter what your optimal workforce looks like in the future. And with your status as an Employer of Choice, the right people will be at your door, ready to come in and stay.

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Kathryn Jackson, co-founder of Response Design Corporation (RDC) and call center expert helps professionals get more from their call center. Response Design is the how-to source for integrating the call center into the customer relationship. Its independent consultants use call center web seminars, contact center consulting, call center tutorials, call center benchmarking, world class customer service articles, and best-in-class customer service practices to ensure you get the most from your call center investment.

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