Dear John:

A NEW LOOK AT WHY EMPLOYEES LEAVE

24% of employees in the United States would fire their boss if given the chance[1].

As talent management professionals strive to balance the changing needs of baby boom employees with evolving expectations of younger employees, talent retention has become more complicated than ever. To retain top talent, competitive companies need to understand what drives an employee's decision to leave or stay with an organization.

Conventional wisdom has always been that employees leave supervisors, not companies. However, newer studies are finding that conventional wisdom may be wrong. It's NOT just the boss anymore.

The Issue

24% of employees in the United States would fire their boss if given the chance, according to a survey of employed adults throughout the United States. Workplace stability, employee loyalty and expectations for retention have shifted dramatically over the past decade. No wonder there are myriad articles in business magazines about employee engagement and talent retention. Meeting the changing and divergent expectations of employees across generations has become a growing concern for many employers today. Employers fear the imminent "brain drain" that may occur as their most seasoned employees prepare for retirement.

Meanwhile, loyalty among younger workers seems especially hard to capture. In a longitudinal study of younger baby boomers, the Bureau of Labor statistics found that employees hold an average of 10.2 jobs between the ages of 18 and 24. Across the board, average employee tenure is decreasing. Employees today stay only about four years, on average, before leaving their job for another company. As one executive from a Fortune 100 Company put it, "We've worked so hard at breaking the psychological contract with employees. Now we wish we had it back."

"The manta that "people don't leave companies, they leave managers" has been repeated so often that many believe it to be true. And in part, it is."

The issue of employee retention and turnover has been studied extensively. There are several factors that are thought to influence turnover in organizations, and much disagreement over just how much each of them contribute to it. However, it is generally agreed that the immediate precursors of turnover are known as "withdrawal cognitions." These include having thoughts of quitting, talking with friends or coworkers about your intention to search for a new job or your intention to quit. Research has shown that turnover is more highly related to intention to stay or leave a job than it is to job satisfaction or organizational commitment. In other words, by the time an employee starts to talk about leaving, it may be too late - they are already halfway out the door.

All of this means that it is important for companies to identify exactly what drives that intent to leave.

The Research

There is no doubt that the first-line supervisor is central to employee engagement, commitment and loyalty.

Research has clearly demonstrated the importance of the supervisor in mitigating the relationship between workplace stress and withdrawal behaviors (Brotheridge & Lee, 2005; Ladebo, 2005; Harter, Schmidt, & Hayes, 2002; Lee & Ashford, 1996). Based on this research, we understand the influence of the manager on the employee's ability to deal with workplace pressures and unfavorable work environment factors.

While acknowledging the importance of the manager, we should not lose sight of other key factors that impact an employee's attitudes and loyalty toward an employer. Many companies have placed so much faith in the supervisor's impact that they neglect other organizational factors that might impact performance, engagement, and retention. By blaming the manager for lost talent, they miss opportunities to make an impact at the enterprise level.

The relationship between job satisfaction and employee retention has been investigated for decades. Research evidence supports the link between job satisfaction and turnover, although this relationship may be impacted by factors such as rates of unemployment (Carsten & Spector 1987, Tett & Meyer, 1993).

Employee engagement is more targeted than employee satisfaction. It refers to the individual's involvement and satisfaction with, as well as enthusiasm for, work (Harter, Schmidt, & Hayes, 2002). Engagement typically includes such factors as people doing what they do best, with people they like, and with a strong sense of psychological ownership for the outcomes of their work (Luthans & Peterson, 2002). The construct of engagement is practical in nature. The very foundation of employee engagement is based on the concept of predicting and improving employee performance (Harter, Schmidt, & Hayes, 2002).

In a recent study based on client employee opinion survey data, Data Solutions examined how well both employee satisfaction and employee engagement predicted turnover. Although job satisfaction and employee engagement were correlated, it appeared that employee engagement was a better predictor of intent to leave. Results of a regression analysis indicated that engagement was roughly twice as predictive of intent to leave as job satisfaction alone. In essence, engagement is a much better measure of employee commitment than more general measures of satisfaction.

When identifying the key drivers of employee turnover, intention to leave, and other employee withdrawal behaviors (e.g., absence, tardiness, loafing) within a single organization, the influence of the direct supervisor often emerges because organizational variables such as company image and senior leadership are held constant. However, looking at the relationship across organizations highlights the importance of company-wide characteristics on employee attitudes. For example, Schneider et al. (2003) demonstrated the impact of organizational success on employee attitudes and the reciprocal nature of this relationship. In a study of employee attitudes with 35 companies over eight years, Schneider demonstrated that organizational success (as measured by Return on Assets and Earnings per Share) was a key driver of overall job satisfaction and employee engagement.

Based on client data, Data Solutions has found that the impact of senior leadership has started to outweigh the impact of the immediate supervisor on both employees' feelings of engagement and their intentions to remain with their companies. In fact, during the course of collecting and analyzing employee survey data for over 20 years, a visible shift in employees' perceptions of leadership at various levels has been observed.

Twenty years ago, the supervisor was clearly in the driver's seat. S/he had the most influence on employees' job satisfaction and their intentions to remain with the company. In surveys, employees often sided with their supervisors, and laid the blame for problems squarely on the shoulders of mid-level managers like plant or department heads. Senior leaders (directors, VPs, and C-level officers) were often a "non-issue"; items dealing with perceptions of top management frequently reported high percentages of scores in the middle, implying an "average" or "so-so" connotation. Senior leadership was disconnected; employees rarely saw them and in some cases weren't even sure who they were.

They perceived minimal relationship between this group and their daily work lives.

Gradually, however, findings began to change. On every key driver analysis we conducted for clients to determine what factors on the survey were most important to employees, senior leadership began outranking supervision as a driver of intention to stay with - or leave - a company.

Initially, we thought the results were an anomaly - one or two clients who were experiencing something outside the norm. However, it soon became apparent that their results had become the norm. While the employee-supervisor relationship cannot be ignored, it's NOT just the boss anymore!

The Study

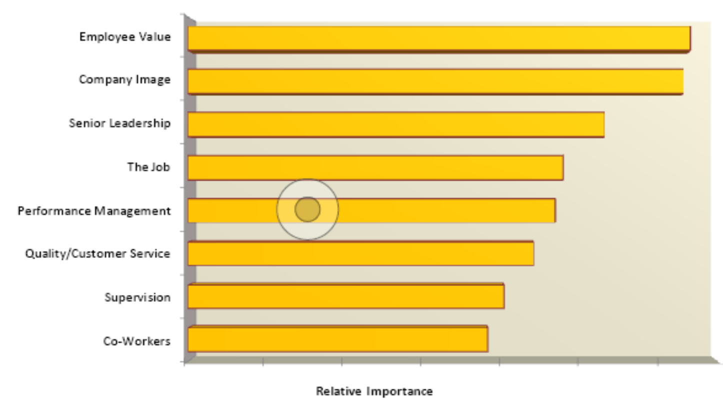
To test this theory, we conducted a study utilizing a cross-section of employed adults in the United States, across industries and companies. First we asked them to complete a 44-item engagement survey that included the item, "I would remain with this company even if offered a comparable job in another company." We then ran a regression-based key driver analysis using that item as our dependent variable. Our goal was to identify which dimensions of engagement were most important to employees' decision to remain with their company.

Our findings confirmed our theory. Senior Leadership had a much greater effect on employees' decisions to remain than did supervision. And Company Image (i.e., belief in what the company does, pride in working for the company) had an even greater impact, almost equaling the effect of Employee Value (i.e., the company showing via its policies, recognition, and support that employees are important to its success).

While the trend held for all groups, it was most noticeable among younger workers - those under the age of 35. For this group, supervision was the least important reason influencing their decision to leave a company, while the company's image was the most important consideration. The gap between those two reasons was larger for this age group than for the rest of the population. And this is the age group that will need to fill the shoes of those departing boomers.

Further analysis showed the influence of specific items on intent to leave. Employees who were highly likely to leave were most likely to also respond negatively to items that dealt with the company's image and their perceived "fit" in the organization:

- 85% had no pride in working for the company
- 79% didn't see how their job related to company goals
- 70% felt their personal values were not aligned with company values
- They were much less likely to be unhappy with their supervisors:
- Only 55% felt unrecognized for good work
- Half said their supervisor didn't understand the work they did
- Fewer than half (45%) felt their supervisor couldn't manage people



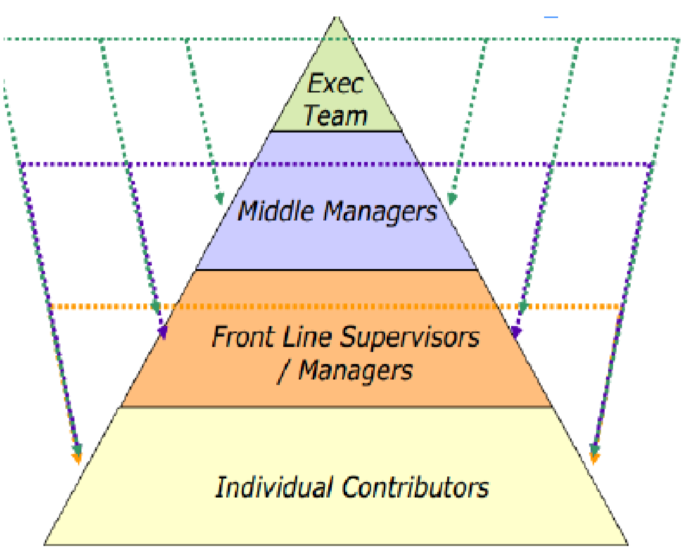
Other studies have reported similar findings. For example, one research organization, in looking at cross-cultural variations in employee attitudes across four large multi-national companies, found that "top management is a more important determinant of job satisfaction than immediate supervision." Similarly, supervision did not make the top five drivers of intent to remain in a widely-cited survey of employed adults.

So while "conventional wisdom" may state that issues closer to the employee - supervision, working conditions, pay and benefits - have the greatest impact on whether someone stayed or left an organization, it appears that today the decision hinges on broader issues: Do I believe in this company? It is a good fit for me, value-wise and job-wise? Can I make a difference in its success?

So What's Going On Here?

Perhaps the fallout from the Enron scandal et al awakened employees to the fact that the actions of senior management do affect them - more directly than they originally thought. The rise in importance of senior leadership may also reflect the emphasis business has been placing in recent years on making sure employees see and understand the "big picture" and their role in the company's success. Employees' work world has broadened. They now take a more serious, analytical view of senior leadership.

Just as the immediate supervisor needs to care about employees, respect them, listen to them, nurture them, and develop them - so must mid and senior level management. The way senior managers treat their people sets the tone for a management style/culture that trickles downward. And the sphere of influence goes wider as the level of management goes higher.



A front-line supervisor has a direct impact primarily on his/her direct reports and manager. There may be some influence on peers, but it is generally limited in scope. On the other hand, senior leadership's influence can be felt up, down and across - on the Board, on their direct reports (who tend to be other high-level managers), and on their partners. They have a broad, indirect impact on people they've never even met, from entry-level workers to stockholders to analysts and even leaders of other companies. Impressions of senior leadership are inextricably linked to impressions of the company. This is the group that "runs" things - that makes the decisions and is quoted in the news. And those decisions influence stock prices, company culture, policies - everything comprising what the company IS to employees.

What does this mean to companies that hope to retain employees during a labor shortage?

Perhaps there needs to be more focus on what drives confidence in senior leaders. When we examined this issue in more depth, we learned that competence in managing the company was indeed important, e.g., setting the right direction, and keeping the enterprise financially sound and competitive. However, more important were employees' perceptions of the "human" factor: Did senior leadership value employees? Did they treat people with respect, support work-life balance, and ask for employees' opinions? Not surprisingly, ethics and integrity were also critical.

The increasing importance of company image and a highly visible senior leadership coincides with recent social psychologists' predictions. One theory says that people today identify more strongly with their jobs than ever before. This may be due to the increasing number of hours worked, or the decreasing number of hours spent in family or social settings. Some psychologists predict that people will increasingly be defined by "what they do" (at work).

People want to be proud of the company they work for - to be associated with a company that makes others say "Wow, you work there?" Senior leadership is intrinsically tied to that image. When the "wow" factor begins to fade, even a great relationship with his or her supervisor may not be enough to overturn an employee's intent to leave.

Organizations are constantly changing; an individual supervisor is not a constant. In some companies, supervisors come and go frequently. They may be transferred or promoted into other jobs in other areas. Some enterprises deliberately cycle supervisors every year or two, to enhance their familiarity with all aspects of a company as part of their being groomed for higher positions. On the other side, there are many employees who look upon the idea of changing jobs within an organization as a solid career move, enabling them to acquire new skills and experiences that will benefit them in the future.

These common situations, then, raise the questions: In a company with frequent management turnover, is it logical to assume that someone will leave solely because of a "possibly temporary" bad supervisor? If an employee truly likes the company but doesn't like the supervisor, isn't it more likely that he or she will look to transfer within the company (assuming that is an option) rather than leave?

And what if the supervisor really is the problem? According to the "people leave managers" theory, his or her area should be experiencing a high level of turnover. And if people keep leaving a "bad" supervisor by leaving the company, and the company (as represented by upper management) does nothing to intervene with that supervisor, isn't that an indictment of the company's decisions? So aren't employees really leaving because of poor company management?

It may be true that people don't leave companies, they leave managers - but we can't assume that the manager they leave is always the immediate supervisor. It may be managers at other levels who have instilled a culture that the employee can't live with.

The term "manager" extends beyond the immediate supervisor. Organizations that place too much emphasis on the immediate supervisory relationship while ignoring other critical organizational factors may find themselves at a disadvantage when competing for employees in the years ahead.

6. Making A Difference

So where do we go from here? What can organizations and leadership teams do to improve their ability to retain key talent? Here are our suggestions based on more than 20 years' experience with best in class employers. Although many of these are commonly known, too often they fall short in practice.

Know where you stand. It's important to conduct a thorough analysis of your organization's climate to understand the motivators and frustrations of your employee base. If you currently conduct an employee opinion survey, make sure you're tapping into key elements of employee engagement, including company image, impressions of senior leadership, and alignment with organizational values. To truly leverage an employee survey, your analysis of survey results should include identification of key drivers of retention unique to your organization's culture and challenges.

Let employees know they're heard. We have seen far too many leadership teams spend considerable time and effort understanding and acting on employee input only to have employees complain, "Why do you keep asking our opinion when you don't care what we think?" Clearly, communication is the key. Make sure you're telling employees what you've heard and what action you'll be taking as a result of their input.

Leverage your strengths. Once they complete an analysis of employee survey data or other assessment of organizational climate, companies inevitably want to fix what's wrong - and do so by focusing solely on their weaknesses. Take time to understand where you're strong, what drives your employees to perform, and what factors make your most loyal employees loyal. Then dig in to understand how these strengths can improve your current processes, including selection, training and retention programs.

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Increase leadership presence. Employees consistently trust what they know best. Leaders who are physically present, available and open to employees are more trusted than those who are distant. Look for ways to increase leader visibility, decision transparency, and communication throughout the organization.

Examine your talent management processes. Most organizations understand that employees who feel valued are more likely to stay. Make sure that your talent management processes, including career development and identification of high potentials, is working well for employees at every stage in the employee lifecycle. What do you have in place for your newest employees? How about your seasoned professionals? Keep employees challenged and growing is imperative to retaining talent.

Live what you profess. Yeah, yeah, yeah - you know - walk the talk and all that stuff. Unfortunately we frequently see far too many disconnects between company mission, vision and values and leadership day-to-day behavior. No wonder so many employees are cynical. One highly successful company professes the following values on its web-site: Respect, Integrity, Communication, and Excellence. Sound familiar? How close are these to your own organization's stated values? Would you be surprised to learn that these are the stated values of a company currently under investigation for fraud? You've heard it over and over again, but it bears repeating: Are you truly living your company's values?

Manage your employment brand. How much does your company spend on advertising? And how much on internal corporate communications? While it may be easier to quantify advertising effectiveness in terms of sales, don't underestimate the impact of your company's image within the employee base. Resources spent on internal communications are never wasted.

Measure for continuous progress. One thing we know about change - it's most likely to be sustained if we gauge our progress, celebrate successes, and build in adjustments to our plotted course. In addition to your employee opinion survey (which should happen once per year), pulse surveys can help you understand where you're making progress, where you're losing ground, and where you need to adjust your strategy.

Conclusion

In today's competitive, knowledge-based economy, a strong talent base is often the single most important factor shaping organizational success or failure. And that talent is more at risk today than at virtually any other time in history. Your best employees have more employment choices and are more willing to change employers than were their predecessors. It's time to look beyond the boss to a more comprehensive model for employee retention. If you don't inspire your employees, somebody else will.

About Data Solutions International:

For over 17 years we have helped our clients make better decisions faster with the use of our sophisticated HR measurement and analytics technology. Data Solutions International, Inc. (DSI) is a full-service information management and employee survey software company helping organizations, consulting firms, and corporations enhance organizational performance through quality solutions that align with their business.

From 360-feedback and employee engagement to global research and talent management, DSI supplies easy-to-use solutions tailored directly to each company's culture, workflow, and vision. Our configurable technology features responsive designs and interactive analytic dashboards. Our tools help our clients distribute survey content and process the results at individual and organizational levels.

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