

Voluntary Turnover Impact and Solutions

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Among the most labor-intensive and multi-faceted responsibilities perpetually facing compensation and benefits professionals is the ever-increasing avalanche of work catalyzed by voluntary turnover. Research reveals that voluntary turnover is most often due to poor relationships with supervisors. This article discusses the causes and solutions to address the compensation issues that stem from these relationship problems.

Among the most labor-intensive and multi-faceted responsibilities perpetually facing compensation and benefits professionals is the ever-increasing avalanche of work catalyzed by voluntary turnover. While some of the related tasks can be done sequentially, others must be done simultaneously, expanding the scope and complexity of expected deliverables. Consider the following initiatives, each of which is made more difficult by voluntary turnover:

- Endlessly iterative budget revisions.
- Predicting costs related to recruiting, hiring, and training new staff.
- Persuading decision-makers about the need to align salary and benefits with an increasingly competitive job market.
- Recognizing the point at which retention bonuses are appropriate and guiding decision-makers regarding implementation.
- Benchmarking to an ever-changing market.
- Consistent vigilance regarding equal pay for equal work among existing employees. This could potentially require an overhaul of salary bands.
- Developing criteria that trigger the need for incorporating enhanced benefits packages.
- Identifying themes within employee surveys and

exit interviews that reveal causal factors for voluntary turnover.

- Incorporating contingency planning in case decision-makers are incapacitated.
- Ensuring all compensation and benefits documents are perpetually current.
- Ongoing compliance with legislative/regulatory requirements, despite frequent changes in content and impact.
- Choreographing clear communications to employees about any changes in compensation and benefits.

Research reveals that voluntary turnover is most often due to poor relationships with supervisors. Refreshed in 2024, Gallup's publication *State of the American Manager* reported that 50% to 60% of voluntary turnover occurs not due to compensation or ben-

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efits, but due to poor relationships with supervisors.

The *2024 Retention Study, State of the Workforce* by the Work Institute found that 50% of voluntarily departing employees who identified management as the cause of their choice to leave cited unprofessional behavior by their managers. Other reasons cited included communications, knowledge and skills, support, and “other,” none of which reached 20th percentile. Only 10% cited pay as the reason for leaving.

Gallup’s study of over 7,000 employed adults in the U.S. revealed that one of every two exiting employees quit because of a poor relationship with their supervisor.

In their *Leadership Development Factbook 2019: Benchmarks and Best Practices*, Training Industry, Inc. reports that U.S. businesses as a whole spend \$14 billion annually on leadership development programs. In contrast, Josh Bersin’s 2024 article reveals several surprising findings from his two-year study of 1,000 leading U.S. companies; primary among these was the average annual investment of only \$500 on leadership development per leader. Again, in contrast, SHRM puts the national average annual investment in training per supervisor

between \$2,000 and \$4,000. Despite these investments, poor relationships with supervisors remain the primary reason for voluntary turnover.

Gallup reports that those selected for supervisory roles are often chosen based on past experience or tenure, even if that background has not included supervisory roles. Having been placed in a supervisory role can lead one to conclude that whatever their current quality of interaction, it is apparently what the boss wants. Over time, the challenges attendant to the new role can result in the supervisor’s disengagement, followed by disengagement by staff.

These studies establish indisputably that insufficient self-awareness among supervisors and leaders increases voluntary turnover substantially. This then imposes extremely severe consequences for employees as well as myriad complexities for those involved in compensation and benefits management.

In another Gallup study of over 2,500 U.S. managers, 51% were disengaged and 14% were actively disengaged. Gallup estimated that the impacts the disengaged managers had on their direct reports cost the U.S. economy at \$77 billion to \$96 billion annually. The financial impact caused by

the actively disengaged managers on their direct reports were estimated by Gallup to cost the U.S. economy \$319 to \$398 billion.

Reports vary regarding the amount U.S. firms spend annually on recruitment. The Work Institute reports that \$900 billion was spent on replacing employees who quit in 2023 alone. The Work Institute’s *Retention Report* estimates that turnover expenses could cost U.S. businesses \$600 billion to cover severance, exit interviews, reduced productivity, morale, and the like. SHRM reports that the cost per hire is between \$4,000 and \$5,000.

As troubling as the above may be from an enterprise point of view, generic studies from mainstream media will not likely evoke change at the individual level. Instead, what is needed is data that is specifically and exclusively about the individual, captured from others with whom the individual routinely interacts.

THE CONUNDRUM

Though study after study reveals that a poor relationship with a supervisor is the primary reason for voluntary turnover, perhaps readers will agree that supervisors do not deliberately set out to alienate or disenfranchise their employees. Perhaps we can also agree that

staff are not likely to confront supervisors with complaints about the quality of their supervision. Simultaneously present, these create a vexing conundrum. One cannot manage what one does not know. If supervisors are not aware of the impacts they are having on their direct reports and other internal colleagues, and if those populations do not provide feedback, what can catalyze supervisors' recognition of the need to recalibrate their supervisory methodology?

RESOLVING THE CONUNDRUM

Implementing a 360-degree feedback process will either be a destructive and devastating experience or a developmental epiphany for those involved, depending entirely on how the process is structured. The remainder of this article focuses on the reasons why 360-degree feedback fails and provides best practice solutions for each.

Begin with a definition of the instrument. A 360-degree feedback mechanism is a questionnaire that captures perceptions of key stakeholders (usually superiors, peers, and subordinates) regarding the quality of an individual's supervisory characteristics and compares those perceptions to the individual's self-view. Because 360-degree feedback is not

intended to assess one's job performance, it is not a substitute for the performance review process. Instead, it provides a degree of clarity and specificity that evokes intense self-reflection and produces discernable change. Such results are available through no other workplace mechanism.

Before undertaking a 360-degree feedback initiative, assess your level of commitment to avoiding the failures detailed below and instead employing the best practices that follow:

- **Failure #1: *Choosing not to sub out the process.*** Anonymity is absolutely crucial to a successful 360-degree feedback process. Whether true or false, the perception of internally hosted 360-degree feedback is that selected individuals within the organization know everyone's scores and know who said what about whom. This erodes credibility at all levels and generates distrust.
 - **Best practice:** Avoid these unnecessary distractions by choosing a qualified third party to host and conduct your 360-degree feedback. Ensure

your consultant can provide online instrumentation, has a strong background in facilitating work sessions, and has a successful history of executive coaching.

- **Failure #2: *Choosing not to customize the questionnaire.*** Leaders in successful companies rightly resent being measured against generic criteria that do not reflect organizational uniqueness. The questions that will accurately assess, for example, one's ability to supervise others in a hospital setting are quite different from the questions that will accurately assess one's ability to supervise others in a manufacturing environment.
 - **Best practice:** Your consultant should meet with those to be subjected to 360-degree feedback to elicit and define what they view to be the dimensions of excellence for supervisory methods/behaviors in their firm. Based on this input, the consultant can design a well-structured questionnaire that is cus-

tomized exclusively to your organizational culture. Because those who will be evaluated by the mechanism have input into its construction, greater receptivity to the process is won, greater validity is imputed to the results, and commitment to improve is easier to sustain.

- **Failure #3: *Overlooking the importance of introducing the process to all parties.*** It is not enough to explain the 360-degree feedback process only to those who will be reviewed. The rest of the organization, from which respondents will later be selected, should be briefed as well.

- **Best practice:** The chief executive officer (CEO) should partner with the consultant in conducting all-staff meetings to explain why the process is being inaugurated and how anonymity will be protected. It is especially important to inspire staff esteem for the courage and emotional maturity requisite of those

who will be going through the process, asking that staff provide constructive, honest feedback. Below-the-belt or inappropriate narrative in the comments section will be deleted. Instead, respectful critique and thoughtful recommendations are expected.

- **Failure #4: *Choosing not to provide those subjected to 360-degree feedback with follow-up coaching with the consultant.*** Understanding a 360-degree feedback review is a fairly intense process. Indeed, the scope and depth of scrutiny imposed by 360-degree feedback is available through no other workplace experience. Requiring the delivery of results without providing any supportive follow-up is irresponsible, potentially hurtful, and is likely to obliterate the return on investment (ROI) that would otherwise have ensued.

- **Best practice:** After delivering an individual's 360-degree feedback results, the consulting coach should immediately

secure a series of dates for subsequent meetings. The coach will design short assignments between meetings, with the first being the prioritization of undesirable scores. Future coaching sessions should focus on facilitating the development of and monitoring of the progress in implementing meaningful action plans targeted at improving prioritized scores.

- **Failure #5: *Requiring that the results of one's first 360-degree feedback be shared with their supervisor.*** Attendant to this decision are implications for one's overall performance review rating and compensation. This potentially punitive use of one's initial 360-degree feedback is anything but constructive; it is intimidating and generates fear around the entire process.

- **Best practice:** The first time one is reviewed by 360-degree feedback, the results should be confidential, known only to the consultant and the individual.

Coaching sessions should occur at least monthly to develop and review progress toward action plans designed to remediate undesirable scores. It must be made clear that a second 360-degree feedback will be done 12 to 18 months later, the results of which will be shared with the supervisor. Since the perceptions of others take time to change, first-timers should be allotted 12 to 18 months to resolve any low scores on their own. Ensuring that a second 360-degree feedback will be done emphasizes accountability for polishing their managerial skills and catalyzes first timer efforts to become the best they can be in preparation for the second 360-degree feedback.

- **Failure #6: *Providing executive management with zero information about the 360-degree feedback scores.***

- **Best practice:** What can be shared with

management is a Composite Report. It combines the scores of all those given 360-degree feedback without attribution. This produces several benefits. First, those given 360-degree feedback and their bosses will collectively see whether the group of those given 360-degree feedback is fractured or united. Contributory factors will be discernable. Second, those given 360-degree feedback can compare their individual results to the Composite Report results to see how their scores affect the group and how their scores compare to other scores.

- **Failure #7: *Failure to formalize respondent selection.*** Because respondent selection can significantly skew results, choosing respondent pools should not be left to either the organization or the individual being given 360-degree feedback. Instead, the consultant should receive a list of all possible respondents for each supervisor being given 360-degree

feedback. The consultant will randomly select the agreed-upon number of respondents from the list and respondent identity will not be revealed to anyone.

- **Best practice:** For purposes of illustration, assume there are three rating populations: superiors, peers, and staff, and that three from each population have been randomly selected. It is not necessary for the executive or staff respondents to have a direct reporting relationship with the person they are responding about. For example, a superior respondent could be anyone hierarchically superior to the individual to be given 360-degree feedback who works closely enough with that individual to be able to respond to the questions. Similarly, a subordinate need not be a direct report of the individual to be given 360-degree feedback; they would just have to have worked together closely enough for

the subordinate to be able to respond to the questions. Worth noting is that there is no requirement to select respondents based on hierarchical levels. For example, a respondent cadre could be comprised of nine or more people throughout the organization without regard for hierarchical level. The disadvantage in doing so is the absence of data cuts. If superiors, peers, and subordinates are respondents, the results will show which of the populations is least complimentary and should be prioritized in the action plan.

- **Failure #8: *Insufficient protection of respondent anonymity.***

- **Best practice:** If hierarchically segmented respondents are selected, there must be at least three people from each respondent population. Additionally, it is crucial that the consultant diligently sanitizes word choice and writing style in narrative comments to

eliminate any chance of attribution. Furthermore, during the all-staff meeting, all should be told that if they are assigned as a respondent to one or more of the individuals being reviewed, they should not reveal their identity to that individual or to anyone else in the organization.

CONCLUSION

The 360-degree feedback is the only tool that provides quantitative and qualitative evidence of the causal link between supervisory methodologies and voluntary turnover. If we agree that supervisory methodologies significantly affect productivity, employee attitudes, morale, retention, team interactions, and overall business results, then we must exert the same level of scrutiny upon methods of supervision as is traditionally imposed upon other functions. Unless and until leadership is willing to exert that level of scrutiny, the impact of supervisory methods on voluntary turnover will not be measurable and will therefore remain invisible, free to impede retention with impunity.

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