

BUSTED: SAD FAREWELLS

When employees leave, the news is not all bad for organisations. It's all in how you manage it, says Harry Onsmann

MINOR MANAGEMENT issues such as absenteeism and staff turnover rarely surface at executive levels unless prompted by a crisis. Often, such issues are seen as belonging to the HR department and frontline managers don't bother to get involved.

In contrast some organisations actively manage staff turnover for a performance outcome. They look beyond the cost of turnover to take advantage of the benefits. This is in sharp contrast to the standard catechism that turnover is a cost burden that should be minimised. The main bogeyman here is the cost of staff replacement, with cost estimates of 100 per cent of salary or even higher often being quoted. Other costs can include separation costs and productivity loss during the vacancy period.

Most of these costs vary wildly with the position, the organisation and the industry. There is little agreement on the actual level of cost, although there is general consensus that it should be avoided. However the benefits of turnover are rarely considered. These include

unpaid bonuses, vacancy savings, replacement savings, and (potentially) higher productivity of replacement employees. Some of these benefits can be quite substantial; for example, when a vacancy occurs it is usual practice for other employees to pick up some of the duties of the vacant position for some time without getting paid for the extra work. This can last for anything from 30 to 90 days, thus creating a significant saving of up to one quarter of annual salary.

Most people will quickly point out that this is not sustainable over the long term and that it is somewhat unsavoury to take advantage of staff in this way. But whatever your personal views, it is possible to build such gains into an overall strategy that generates organisational advantage. A cost benefit analysis suggests turnover should be optimised rather than mindlessly minimised.

The most contentious part of this type of strategy is when higher-paid employees are deliberately targeted for "separation" only to be replaced by less experienced employees who get

paid less (and may also be more productive). In some employment environments this is completely acceptable; law firms are quite open when hiring young lawyers about the reality that only a few will make it to partner level.

However, for most organisations, turnover is still considered a cost burden for the organisation and a simple inconvenience for managers. Most are happy to chant "high turnover bad, low turnover good" along with the rest of the herd.

Reference: Hansen, F, "The Turnover Myth", *Workforce Management*, June 2005, pp.34-40.

Harry Onsmann is an author and management consultant. harryo@condico.com.au



OFFICE SCRIPTS

Brad Hatch checks out what Hollywood has to say about work

Baby Face (1933) Sleeping your way to the top, floor by floor.

His Girl Friday (1940) Newspaper editor tries to win back his ex-wife (and star reporter).

Executive Suite (1954) Boardroom manoeuvring to get the CEO's job.

Desk Set (1957) Efficiency expert sets out to computerise the office.

Lover Come Back (1961) Rivalry and romance between two advertising execs.

Norma Rae (1979) Single mum and textile worker tries to unionise her factory.

Nine to Five (1980) Sexist boss gets ousted and the girls take control.

The Secret of My Success (1987) Michael J. Fox breaks the executive ranks, gets the girl, and staves off being fired.

Working Girl (1988) New York secretary assumes her boss's identity.

The Firm (1993) Money lures a young law graduate who uncovers the dark side of his employer.

The Paper (1994) A workaholic loves his job, but loathes the long hours.

Disclosure (1994) A male worker is falsely accused of sexual harassment by his former lover, now boss.

Swimming with Sharks (1994) A young assistant takes revenge on his abusive, ego-driven movie producer boss.

The Associate (1996) Business is a man's world and prejudices are hard to break on Wall Street.

Clockwatchers (1997) Secretaries fighting boredom and each other.

Office Space (1999) Small cogs in a company rebel.

In Good Company (2004) Young business school prodigy steals the top job away from middle-aged advertising executive.