



Turnover Analysis

Presented by Montlake Consulting Group

Introduction

Turnover rate is an important factor in a company's success and performance. In a large company, such as Expeditors International, there is a high cost related to employee turnover. Retraining costs and a loss of company-specific knowledge are a few of the detriments related to high turnover rates. Our analysis will look into the increasing turnover trend at Expeditors. Some central points of analysis will include:

- Evaluating turnover and awards correlation
- Identifying key employee concerns
- Improving survey design
- Determining critical tenure tier
- Formulating effective improvements

Approaches

Our first objective is to determine, compared to previous use of awards and stock participation data, the effectiveness of the survey results in signaling employee dissatisfaction and turnover rates. Only after establishing that surveys provide accurate reflections of actual employee concerns can we make conclusions on potential areas of improvement. Therefore, we approach the analysis in two directions:

The Data Correlation Analysis

To measure how accurately previous data reflect turnover rates, we ran correlations between the Awards/ESPP data and the turnover rates in 2008 to determine which criteria are important. With the information available to us, we were able to perform this analysis with four groups of data:

- OTS Awards (by branch) vs. Turnover
- OTS Awards (by tenure) vs. Turnover
- ESPP vs. Turnover
- Excellence Awards vs. Turnover

The Survey Analysis

Similar to the Data Analysis, we ran correlations between the number of employees that answered "Poor" for general satisfaction and the turnover rates in 2008. We then focused on key causes of dissatisfaction both through:

- Qualitative studies of employee comments
- Quantitative analysis of core areas of dissatisfaction

Analysis Results

Data Analysis

After running the correlation aforementioned we come to several conclusions on the importance of Awards/ESPP for:

- OTS Awards-

The larger dataset allows us to compare within geographic regions as well as globally. Due to the more detailed information available, we were able to compare OTS with turnover rates by both tenure and branches. However, both methods of analysis give us low, insignificant results. We therefore conclude that OTS awards do not provide us with valuable information on employee satisfaction or turnover rates. In addition, the positive correlation number suggests that even if there were some valuable conclusions we can draw, it would be that high turnover rates are actually related to more awards. One possible explanation is that employees use awards to benefit their other career opportunities.

OTS vs. Turnover (by Branch)		OTS vs. Turnover (by Tenure)	
Global =	0.050107	Global r =	0.281016
South Pacific r =	0.151467	South Pacific r =	0.491816
LATAM r =	0.089731	LATAM r =	0.16037
USA r =	0.057821	USA r =	0.248917
EMAIR r =	0.116365	EMAIR r =	0.395753
Mexico r =	0.770928	Mexico r =	0.649179
Asia r =	0.038271	Asia r =	0.708291

The ESPP provides us with slightly higher, but still insignificant, numbers with negative correlation results. Higher ESPP is therefore more related to lower turnover rates than OTS awards, and is a better measurement method, but still not great.

ESPP vs. Turnover

Global r (without outliers)=	-0.217697
Global r (with outliers)=	-0.153676

-Excellence Awards-

The results in Excellence Awards are highly similar to the OTS awards, reinforcing our conclusion that awards do not provide valuable information on turnover rates.

Excellence Awards vs. Turnover

Global r (without outliers)=	0.18509
Global r (with outliers)=	0.03494

-Conclusions-

The overall conclusions we draw, based on the data analysis, is that:

- Current awards are ineffective in reducing turnover
- They are somewhat related to more turnover
- The positive nature of the correlations suggests awards do not translate into company interests, but instead personal interests
- ESPP is the strongest indicator of employee satisfaction

In general, awards are not a strong measure of employee performance / satisfaction

Survey Analysis

-Qualitative-

After looking at the responses from the survey, several positive feedback trends were observed:

- The majority of employees rated their overall job satisfaction as either 'fair' or 'excellent'.
- Employees are satisfied with their co-worker relationships
- Employees are happy with as well as the management's active involvement in developing and training entry-level positions.
- Positive feedback about the professional work environment and the availability of the direct managers.

However, after further examining the core reasons behind why a portion of the employees rated their overall job satisfaction as 'poor', there were a few patterns that were observed:

- Dissatisfaction in opportunities for career growth
- Feedback for ideas and complaints
- Dissatisfaction with promotion and pay structure
- Consistent and uniform standards for employee recognition

One key question that was addressed was whether the employee satisfaction survey accurately indicated the reasons for why people are leaving. It was found that there was a **positive correlation (.354) between the number of people that were poorly satisfied and the turnover rate** (per branch). This positive correlation showed that if more people expressed dissatisfaction on the survey about their branch, there would be a higher turnover rate within the branch.

Thus the results from the survey had a very strong relationship with the company's turnover statistics.

Branches with the most poor responses

Branch	# of poor responses
SJO	11
LAX	9
HKG	8
SHA	6
SIN	5

-Quantitative-

Our quantitative analysis of the survey has given us further insight into the turnover at Expeditors. The analysis has provided the following conclusions:

Tenure group of 2- 5 years has earned the most OTS rewards, but are the most unhappy compared to the other tenure groups. OTS awards do not necessarily have a strong positive effect on employee satisfaction.

Tenure	# Responses of "poor" satisfaction	Manager dissatisfaction	%	Lack of Career Opportunity	%	Lack of Recognition	%	Awards	%
0-3 months	1	0	0%	0	0%	0	0%	23	5%
4-11 months	9	1	4%	6	12%	4	12%	57	13%
1 year	8	5	21%	4	8%	3	9%	69	16%
2-5 years	44	12	50%	28	56%	19	56%	183	42%
5-10 years	15	6	25%	10	20%	7	21%	79	18%
10+ years	4	0	0%	2	4%	1	3%	27	6%
Total	81	24	100%	50	100%	34	100%	438	100%

Limits on career opportunities are the highest cause of general dissatisfaction. Discontent with direct manager is a prevalent problem mainly in 1 year tenure group.

Tenure	# Responses of "poor" satisfaction	Manager dissatisfaction	%	Lack of Career Opportunity	%	Lack of Recognition	%
0-3 months	1	0	0%	0	0%	0	0%
4-11 months	9	1	11%	6	67%	4	44%
1 year	8	5	63%	4	50%	3	38%
2-5 years	44	12	27%	28	64%	19	43%
5-10 years	15	6	40%	10	67%	7	47%
10+ years	4	0	0%	2	50%	1	25%
	81	24	30%	50	62%	34	42%

Years 2 – 5 Spotlight

Both survey and turnover data show that employees with 2 -5 years of tenure have the most dissatisfaction with the company. This group had the most "poor" responses in the survey and their comments show a need for further in-depth analysis.

Profile/Characteristics

After compiling comments and survey data, there seems to be many general characteristics that define this group. This includes, but is not limited to:

- Feel stuck between entry-level & management positions
- Without a pay increase attached to higher positions, there is no incentive to take on increased responsibility
- Feel that initial skill set is stagnant and development opportunities are lacking
- They are still early enough in their careers to switch companies

Since this group is relatively early in their career timeline, it is important to cement their commitment to Expeditors. Focusing on the satisfaction of these employees will lead to long-term success. High turnover in this segment will lead to an expending of resources in re-training programs for incoming employees. Keeping this segment committed to advancement within the company will help keep a stable in-house knowledge base.

Possible Solutions

By addressing the specific root causes of dissatisfaction, there are improvements that can be put into place to help raise the morale of 2 – 5 year tenured employees.

- Create more "rungs" on the promotion ladder-
By creating more steps in the promotion process, employees will feel less trapped between entry-level and management positions. There will be a more gradual progression though the advancement process.

Tenure	"Poor" Responses	Total Survey Response	Percentage of "Poor" Responses
0-3 mon.	1	119	0.84%
4-11 mon.	9	182	4.95%
1 year	8	178	4.49%
2-5 years	44	532	8.27%
5-10 years	15	334	4.49%
10 years +	4	209	1.91%

- Pay increases/incentive for promotion-

Many employees in this group have expressed dissatisfaction in pay structure relating to advancement in position. Providing them with a pay raise or another incentive, will help increase the drive towards achieving upper management positions in the company.

-Selective leadership/development training-

Managers can select a few of their employees to participate in leadership-based training. This will help develop their skill set towards a management position with Expeditors in the future.

- Emphasize PDP and company advancement -

Survey data has shown that employees in the 2-5 year range do not feel a strong connection to the Personal Development Plan they originally outlined. If managers put more emphasis on the PDP, employees will be reminded to strive towards their goals. When outlining goals, managers should try and put an emphasis on advancement, so employees will have a commitment and future vision related to Expeditors.

Solutions

Based on internal and external research analyzing employee turnover and the employee satisfaction survey, we have determined areas of concern and developed a set of recommendations on how to improve these areas. Our solutions fall into four categories: **management, motivating employees, gathering feedback, and improving the survey.**

** Some solutions that will be presented have been shown in the previous section, specifically applying to the Years 2-5 tenure **

- Management -

Insight offered from the comments of the employee satisfaction survey assisted us in determining our first category, management. Many employees responded to the survey with

dissonance about how management rewards individuals for a job well done. These employees often indicated that they feel like they were not learning new skills or advancing within the company hierarchy (specifically tenure range 2-5 years). We believe managers could help fill this gap with the following solutions:

- **Greater emphasis on the Personal Development Plan (PDP)**
 The satisfaction survey suggests that in many instances, employees who have filled out a PDP have not been encouraged to work on their goals and utilize their plans in order to improve. If management makes PDPs more important within their individual office communities, then more employees will be using the PDP and seeing their own development over time.
- **Clear set of criteria to identify successes**
 With a standard set of guidelines for acknowledging exemplary performance, employees will know what they need to do in order to get recognition. Also the methods used to recognize a job well done need to have high visibility. One way to develop a clear set of criteria is to set up goals for the entire department or division and reward individuals who are especially instrumental in achieving these goals.
- **Set up leadership training seminars**
 Managers will select employees to attend these seminars. This training will help show employees that they are valued by the company and that they have a future within it. By receiving leadership training, these employees will see greater promotional direction and will exhibit increased enthusiasm in their current jobs.
- **Manager-specific conferences and workshops**
 Only these individuals will be able to educate each other and learn from others. Such seminars could be led by upper level managers (15+ years) within

the company or 3rd party leadership specialists.

- Motivating Employees -

Another category that we found to be especially important for decreasing turnover and increasing employee satisfaction is, motivating employees.

Two ideas touched on in the previous section are directly linked to employee motivation (*see management category for details*).

- Increasing the importance and emphasis on the Personal Development Plan.
- Offering leadership training to potential managers in the 2-5 year tenure range.

Other solutions for motivation include:

- **Employee Stock Participation**
This method of motivating employees had a positive correlation in our survey analysis. When an employee takes stock in the company they work for, they become more motivated to see that company succeed.
- **More training and job variation**
Employee comments (primarily from the 2-5 year range) indicated that this is desired. A way to achieve this is to diversify job skills and allow for increased learning opportunities and job rotation. Job rotation can be expensive due to training costs and decreased efficiency from the learning curve. With this in mind, we still believe that it is necessary to implement job rotation when it is economically feasible.
- **Promotional and pay raise opportunities**
The satisfaction survey indicates that employees in the 2-5 year range are dissatisfied with the current promotion system. Thus, the promotional ladder should be modified to allow for more promotional opportunities, especially in the 2-5 year range. These promotions could be small increases in

responsibilities and tasks, but they will help employees feel like they are moving up in the company. Also, promotions should come with minor pay raises to compensate for increased responsibility.

- **Intra-company mentorship**
The satisfaction survey also indicates that employees in the 2-5 year range lack effective mentors. Someone who is outside of one's department can serve as an excellent lifeline and motivational connection. Mentorships should be encouraged at all levels and a mentorship connection program should be set up in order to increase the frequency of these relationships.

- Gathering Feedback -

This is one key area that can be improved in order to better gauge employee sentiments and decrease turnover. Solutions include:

- **Mentoring Program** (*see Motivating Employees category for more information*)
The program we recommend setting up will create new links between employees and allow for periodic feedback opportunities. "35% of employees who do not receive regular mentoring look for another job within 12 months" (Emerging Workforce Study).
- **Exit Interviews**
When an employee does decide to leave the company, it is important to determine why. Exit interviews are an excellent method for gathering feedback from a departing employee. These interviews must be performed by a person that the exiting employee feels comfortable conferring with, such as a human resources representative. They also need to be done behind closed doors and remain anonymous to direct managers and most others. This way, the exiting employee will be most open

about his/her feelings and reasons for leaving.

- **Online employee discussion forum**
 This could be a catalyst for gathering authentic feedback. It would have to be relatively anonymous so that discussion members are willing to speak their minds. However there also needs to be a method for tracking employees so that it does not become a source of libel.

- Improving the Survey -

By improving the survey to focus on key employee satisfaction issues and reach a larger crowd, the company will gather increasingly useful data. This can be done by:

- **Add More Response Options**
 Some of the questions in the survey do not offer enough possible responses. This limits an employee's ability to answer the question as truthfully as possible. An example of when this occurs in the current survey is with the question "rank your overall level of employee satisfaction". The possible responses are "excellent, fair, poor, and no opinion". This question would greatly benefit from having a possible answer be "good" (in between "fair" and "excellent"). Many employees filling out the survey even requested such an option.
- **Change Language Flaws**
 Another issue that came up in the survey is that some of the questions are worded in a way that might guide the employee to a specific answer. An example of when this occurred is with the question, "Do you feel Expeditors provides its employees with unlimited career opportunities?" The use of the word "unlimited" is too powerful and causes employees to answer more negatively because no company can offer unlimited opportunities.

- **Increase Survey Base**

By increasing the outreach of the survey and the frequency which it is administered, your company will be able to gather more accurate, current data.

One method of increasing survey participation is to create an incentive prize (such as an iPod or 2 more vacation days). This type of incentive would be awarded to a very limited number of people, but it could be the impetus to significantly increase involvement.

Another way of increasing response rate is to emphasize the importance of the survey in bettering the company and increasing employee satisfaction.

- **Add More Questions for Core Areas**

Another part of the survey that needs to be modified is that more questions need to focus on issue areas. Based on the feedback and analysis of the most recent employee satisfaction survey, we have determined that there are two key areas that need to be investigated further. These are *recognition for a job well done* and *career opportunities*. By developing more questions related to these two things, the company will have greater insight into issues that seem to be highly effecting employee satisfaction.

- **Report Back to Employees**

One method to improve the employee's perception of the satisfaction survey is for HR/corporate to analyze the data collected, then report on it back to the employees. The report would not go into details but it would outline key trends. Then it would communicate actions that the company intends to take in order to remedy some of the issues that are reported from the survey. This would help to increase transparency and would show the direct results of survey involvement.