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WHITEPAPER

Transforming the Culture of Attrition

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DID YOU KNOW?

Assessments add value to retention programs by helping companies ensure applicants have the abilities and personal characteristics to fit well with the job.

Introduction

ABC Corporation has struggled with attrition for a long time. With an annualized rate of attrition above 40%, the company has desperately sought a solution. Over the last several years, the company has spent millions trying to fix the problem. They have implemented realistic job previews, changed the pay scale, implemented popular pre-hire tests, created incentive plans to reward good performance, added more flexible scheduling options, and redesigned the supervisor role to encourage individualized coaching. Similar to most companies in the industry, however, ABC Corporation remains mired in a quagmire of attrition.

ABC Corporation's story is common in the contact center industry. The attrition problem is omnipresent and has been for years. Unfortunately, after getting beyond the sales pitch and marketing appeal, it seems that most solutions fail to deliver on their promise of results. We believe most solutions miss the mark because they are focusing on the wrong problems. In this month's article, we discuss: (a) center and labor issues that work in unison to create the culture of attrition, (b) strategies to drive improvement, and (c) the role pre-hire assessments can play in helping to combat the problem.

Attrition [uh-trish-un]: a reduction or decrease in numbers, size, or strength

Have you ever wondered: "what if attrition didn't matter?" Being in the contact center industry, it might seem strange to think that attrition isn't a top-shelf issue for every company – it's not. It's probably not even a semi-transparent blip on a first-level manager's radar in the software, petroleum or logistics industries.

In contact centers, attrition is one of the most pervasive problems. It's hard to imagine anything else that siphons margins as efficiently and unnecessarily as attrition. With attrition rates commonly in the stratosphere, the instability created by the constant inflow of new hires leads to poorer customer service, high recruiting, training, and operating costs, lower quality, and a disengaged workforce among other

outcomes. The result for many centers is that they are at the center of a vortex that is spinning out of control.

In last month's article we described eight common reasons underlying early-stage turnover. In this article, we will explore some of the deeper issues that often lead to attrition and discuss the role that properly validated assessments can play in helping you transform the culture of attrition.

Is Attrition Merely a Symptom?

We believe that to make a lasting impact on attrition it is important to think about it as a symptom of other problems; it's unlikely that attrition is the root problem. Let's start by reviewing center and labor pool factors. We consistently see six contact center issues and three labor pool issues that contribute to the culture of attrition.

Although this article's primary focus is on attrition, please remember that many of the topics that we discuss also influence non-attrition behavior (e.g., absenteeism, tardiness, and poor performance).

Contact Center Issues

Six business specific issues contribute to attrition. The six issues are hiring competition, equity, recruitment, environment, job design, and leadership.

Contact centers often compete for talent against fast food, retail, and rival centers. The relative standing of many centers in the labor market typically means that they must compete for the best talent against companies who offer comparable pay, flexible scheduling, and usually an easier job. To put this situation into perspective, according to the Bureau of Labor Statistics, the median salary for a call center agent is \$13.62, placing it just below that of a sanitation worker at \$13.93. Nevertheless, it isn't economically viable to substantially alter pay for the majority of agent roles.

It's natural for people to compare the relative value of different jobs. Before accepting a job, people often weigh the expected difficulty of the job and its environment against the income and flexibility they expect to receive. Once in the job, people who believe that the work and its outcomes are balanced are more likely to express satisfaction. In contact centers there is often a disconnect between what people expect to encounter on the job and the reality of contact center life. The consequence is that many people begin to believe that the work-outcome tradeoff unfairly favors the company. The concerns reflect agents' revised views after

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spending time on the job, valid or not, that contact center jobs are professional roles with high standards, but with pay scales that are more in line with entry-level jobs. These feelings of inequity lead to dissatisfaction, negativity, resentment, and attrition.

Attrition places a burden on the entire organization, but no group feels more pressure than the recruitment team. The never ending need to fill training classes creates pressure to hire as many applicants as possible. The rarely mentioned outcome of these 'butts-in-seats' strategies, which we refer to as the 'talent acquisition paradox' (TAP), is that many of these new hires stand little chance of performing well or staying with the company. It seems that, in an effort to fix an immediate need, many companies are unwittingly implementing approaches that almost guarantee that their attrition rates will remain high.

Working in a call center is difficult. Most centers have successfully implemented performance-driven cultures in which representatives are held accountable for reaching challenging performance milestones. In an effort to minimize redundancy and control costs, centers often schedule as few agents as possible to cover anticipated call volume across a variety of shifts, some of which are more desirable than others. This is why most centers apply strict adherence and attendance policies to ensure adequate coverage. These policies sometimes seem rigid and punitive to the representative who may not understand or consider the realities of the business.

Agents who succeed in agent jobs are truly special. The way the jobs are designed adds a layer of complexity that is rarely discussed. Consider the descriptions of what it takes to be successful as an agent that we often hear from our customers: "We're looking for someone who is rigid when it comes to following rules, but adaptable to change." Another example is "This job requires the agent to pay close attention to details and also be an outside-of-the-box thinker." If you asked a psychologist to describe a person who fits either of these descriptions, you might hear something akin to a multiple personality. The reality is that virtually all agent jobs are diverse and require people capable of adapting to situations fluidly. Simply screening applicants for integrity or creativity misses the mark because it fails to take into consideration the requirements and reality of the job.

Research suggests that between 50% and 75% of managers are incompetent. In contact centers, poor first-line leadership magnifies the challenges that agents face. When combined with a difficult job, the lack of support seems to cause many agents to give up. Leadership matters in every industry, but there is no place where it is more critical to success than a contact center.

Labor Pool Issues

An equally important group of issues that contribute to the culture of attrition reflect attitudes within the labor pool. Individual workers make up the labor pools that contact center businesses navigate during the hiring process. There are countless issues at play in the labor pool, but there are three that commonly emerge in our research; transient attitudes, fear of failure, and a sense of entitlement.

A problem that seems to plague many centers is the transient attitude among many workers. In many cases, agents accept work as a stop-gap until they find a better paying job and then they move on. We have also seen countless examples of people who will take advantage of 8 – 12 weeks of paid training, but have no intention of moving into production. Although there is a tendency to attribute these attitudes to generational factors, a more likely cause is that people who hold these attitudes lack a sense of responsibility and respect.

Many people in the labor pool seem to think that contact center jobs are nothing more than answering phones, reading from a script, and forwarding difficult customers to managers. No matter how much advance warning the person has received, the nature of the job and its complexity rarely take hold until the person moves into production. It's at that point when many new employees simply become overwhelmed by the size of the job. For the first time in their lives, these people struggle to learn their job. It doesn't take long before doubts emerge and they wonder if they will ever get it. Some people cannot cope with failure, so they would rather leave on their own terms than be told they are not a good fit.

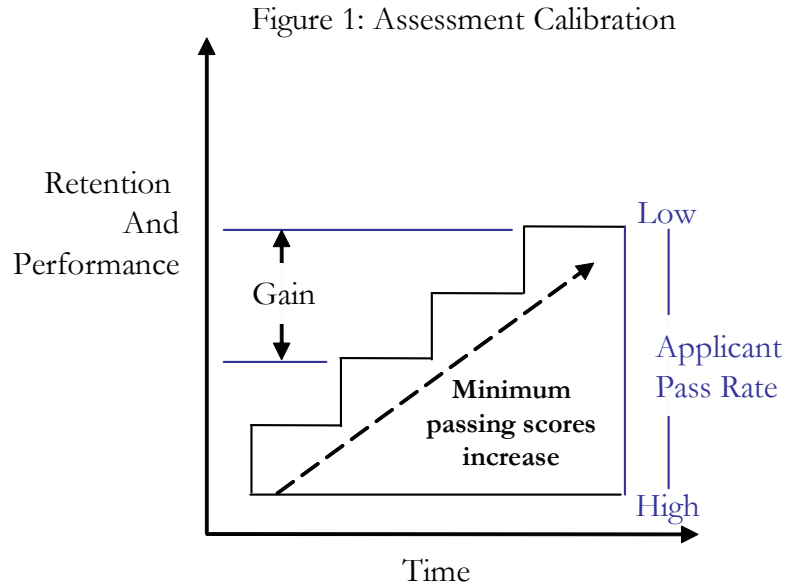
Many people today have a sense of entitlement that influences their world view and decisions; this point applies outside the contact center space as well. Many people seem to approach their work as if they are doing the company a favor by showing up and doing a good job, so the company should provide special privileges. Not long ago we met with someone who said: "Management doesn't understand how to take care of their people. They don't pay us a bonus for perfect attendance." Rather than seeing a job as a tradeoff – labor for pay – people believe that it's the company's responsibility to accommodate them. From attendance to wages, these attitudes are often at the heart of many personnel issues. Of course, when the employee doesn't perceive the resolution as fair, it leads to the same attitudes of dissatisfaction and resentment that we discussed above.

The nature of the contact center industry is interlaced with challenges. The business (competition, equity, recruitment, environment, job design, and leadership) and labor pool factors (transient attitudes, fear of failure, and a sense of entitlement) form a perfect storm that has created a culture of attrition. Although the issues we've discussed are not the only things that are important, they consistently rank near the top in our research. Overall, our work suggests that, like any effective relationship, it is critical to understand the tension between the needs of all involved parties. One proven way to improve the "fit" between a new employee and center is to use well-validated assessments.

Driving Improvement

Using well-validated assessments is an excellent way to balance both the needs of the business and those of the employee. In our experience at FurstPerson, addressing these demands requires time to understand the business and the agent jobs and conduct research to determine what distinguishes the successful from unsuccessful agents. We then use those lessons to prepare recommendations that identify applicants with the best chance of being satisfied, high-performing employees who will remain with the company. The process is intensive but follows best practices and leads to the right solution for the hiring organization.

It's important to understand how assessments add value to the business. Although it would be nice to implement today and realize a 20% reduction in attrition overnight, the reality is that it takes time to see the improvements. In fact, for most customers, the best approach is to implement recommendations that will deliver small gains in retention and performance initially while still enabling them to meet recruiting targets. As these small gains are realized over the coming weeks and months, we can gradually raise the bar on the assessments' recommendations. As shown in Figure 1, with each step, the recommendations become more stringent (i.e., pass rate decreases) and accurate (i.e., performance and retention improve).



Building on the discussion, there is a direct relationship between attrition and the assessment pass rate needed to meet recruitment goals. Table 1 shows an example from a 500 FTE center. With 48% attrition and 30 bona fide applicants per month, the center would need two-thirds of applicants to pass just to maintain head count. However, by decreasing attrition by 10 percentage points (to 38%), the center would only need about half of the applicants to pass to meet recruiting goals. When using well-validated assessments, their impact on performance and attrition typically improves as passing scores become more stringent (i.e., there will be fewer hiring mistakes). By focusing on small gains that match recruiting capabilities with overall changes in the applicant pass rate, organizations can gradually bring down attrition and maintain hiring capabilities that meet production goals.

Table 1: Relationship Between Attrition and Selectivity of Hiring Process

Sample Call Center

Assumptions: 500 FTEs | 48% Annual Attrition | 30 bona fide applicants per month

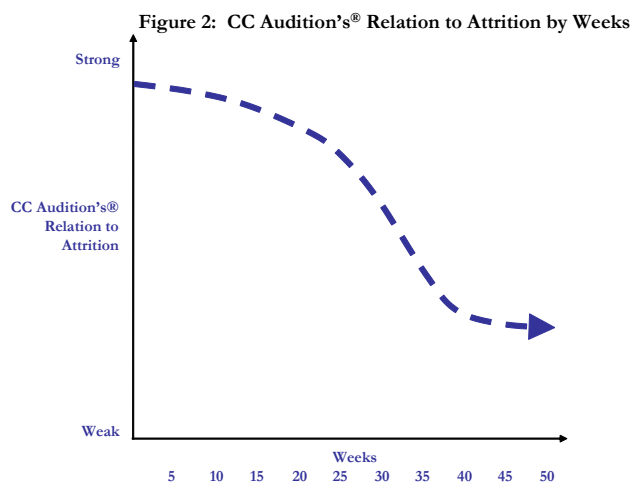
	48% Attrition	43% Attrition	38% Attrition	33% Attrition	28% Attrition	23% Attrition
Assessment Pass Rate	67%	60%	53%	47%	40%	33%

The Relationship between Assessments and Attrition

New research suggests that some assessments may predict attrition most effectively during early phases of an employee's lifecycle. In our experience, FurstPerson's assessments have demonstrated an exceptional ability to predict attrition. As we focus on the employee lifecycle and when attrition occurs during this lifecycle, we have conducted focused research on early-life attrition. A recent study involving our simulation assessment, CC Audition®, provides an example into this research.

The overwhelming majority of research comparing assessments and attrition describe results in terms of 30, 60, and 90 days. Some companies provide results for 180 days or more. This information can be important and informative, but it doesn't always tell the whole story. It is crucial to understand how and, even more importantly, when an assessment predicts attrition if we want to create client-specific solutions that will deliver lasting value – it is not enough to produce short-term results.

We examined relations between scores on the CC Audition® and agent attrition from more than 4,000 people who were hired between January and December 2007. We began by studying the relations at 1, 3, 6, and 12 months. While reviewing the results, we noticed that the CC Audition's® sensitivity to attrition went down over time; this was an interesting nugget that, due to smaller samples and shorter time frames, we had not seen before. More detailed analyses revealed that the CC Audition® predicts attrition well throughout the first 25 weeks of employment, but then its sensitivity to attrition goes down considerably (see Figure 2).



This research suggests that factors outside of the competencies that CC Audition® measures begin to have a greater influence on agent's likelihood to stay with or leave the company after six months. It seems reasonable to believe that, if an agent lasts for six months, that he/she has many of the skills and personal qualities it takes to be successful. However, the agent's relationship with the supervisor, opportunities for advancement, pay, etc. probably become even more important considerations when evaluating whether to stay or leave.

This study has important implications for companies looking to improve retention. The results suggest that just because an assessment predicts attrition well doesn't mean that it predicts attrition equally well throughout an employee's lifecycle. The results suggest that, perhaps more than ever, it is essential to build multi-faceted solutions that take into consideration the entire employee lifecycle. Although assessments are an essential part of transforming the culture of attrition, it seems clear from this research that their predictive strength may be strongest in key phases of the employee lifecycle instead of the entire lifecycle. For organizations seeking to improve retention, the implication is to not only focus on where assessments can predict attrition but also to focus on other influences to the agent's stay or go decision that may have taken a back-seat in the past.

Conclusion

Attrition is a pervasive problem across the contact center industry. Six business issues and three labor pool issues contribute to the culture of attrition.

New findings based on our research examining over 4,000 hires in a twelve month period show that assessments add value to retention programs by helping companies ensure applicants have the abilities and personal characteristics to fit well with the job and center. Historical assessment solutions tend to take a one size fits all approach. Our new research suggests that assessments have critical strength at key points in the employee lifecycle but at other points in the lifecycle other factors driving turnover dominate. Crafting a comprehensive hiring solution using assessment strategies and other retention strategies provides the best practices model.

It is not easy to do. Best practice solutions use data to choose the right assessments and also to continually monitor their performance. When selection systems are built using well-validated assessments with proper supporting data, companies can correctly match people to the right jobs, which allows them to invest more in recruitment and retention programs.

About FurstPerson

What we do:

- Develop and operate web-based pre-hire, employee selection assessments that help contact centre organisations hire and develop the right employees.

Our experience:

- Thirteen years of research and implementation experience working with all major call types including customer care, sales, collections, win back, and technical support.
- Implemented our solutions in over 250 labor markets in the United States, Canada, UK, the Philippines, and Latin America.
- Significant industry experience in telecommunications, insurance, outsourcing, financial services, retail, travel, and business services industries.
- Home agent hiring since 2002.
- Average client is a multi-site, multi-call type organization with complex hiring workflow models and job profiles.
- Developed award-winning assessments featuring interactive simulations.

Differentiators:

- Predictive assessments with demonstrated bottom line results ranging from:
 - Improved new hire performance (up to 40%)
 - Reduced turnover (up to 70%)
 - ROI - \$1 invested yields \$10 to \$20 in return
 - Lower recruiting expense
- Hiring solutions based on empirical research supported by ongoing job and validation analysis.
- Customized solutions leveraging our extensive contact centre hiring expertise and industry leading assessment solutions.

To learn more about FurstPerson, please visit our website at www.furstperson.com or email us at info@furstperson.com or call us at 888-626-3412.

