

# BREAKING THE CYCLE OF TURNOVER IN THE SERVICE INDUSTRY

## PART 2

A company is not customer  
centric without loyal employees.

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# A Good Picture

Most for-profit enterprises measure success in terms of some variant on growth in sales and profit. However, if you believe that SQM and FSFT are your competitive keys, then you have to add earning the active loyalty of employees and customers to definition. I think in pictures, so let me recast this statement as a general business model of unit (clinic, store, or restaurant)-level success:



Figure 2. The Egg Model

That’s a lot of x’s, eggs, and arrows, but it has worked well as a teaching tool for many years. What it says about the path to success bears repeating: Whenever an employee (hourly or management) or customer has a memorably positive or negative of your company [1], it creates thoughts such as “This is great!” on the upside or “I can hardly wait to get out of here!” on the downside. These thoughts lead to feelings of excitement when they are positive, and anger when they are negative

[1] In order for an experience to affect us one way or the other, it has to have what psychologists call *affect*; that is, there is awareness of it along a line from we really dislike it to we really love it. Neutral experiences don’t register; i.e., have no impact. That’s why you often cannot remember what you had for lunch. You know you something happened, but it did not register one way or another

These feelings create intentions such as “I am going to make (the name of your company here) my career” on the upside, and “Heck with this! I’m going to tell my friends to avoid this place like the plague” on the downside. People put their intentions into action in a thousand ways such as Facebooking, Yelping, quitting, referring, returning, volunteering for a shift, or being a no-show. In short, the stakeholder’s experience drives the stakeholder’s emotions, emotions drive the stakeholder’s behavior, and behavior drives the unit’s results. The multiplication signs between the eggs mean each experience hinges on the previous: in other words, a sustainably great customer experience cannot be built on the back of a mediocre manager or hourly employee experience.

To understand how this path can result in employee retention, let’s detail the Hourly Employee “Egg” shown in Figure 2.



Figure 3. Detail of the Hourly Employee Path to Active Loyalty

What do we expect as an employee? Regardless of who or what you read, there is general agreement that the trifecta of a great employee experience, shown in Figure 3, is meaning, autonomy, and feedback. What your company wants is Actively Loyal Behavior which is shown as Performance, Tenure, Referrals, and Promotability in Figure 3. If you follow the path of causality shown in the figure from 1 – 5, it’s clear that the employer gets what it wants by first delivering what the employee wants. In this light, my interpretation of the fact of high employee turnover in the service sector is that many companies do not operate with this chain of cause and effect front of mind. If they did, it’s likely that employees would not play musical chairs among competitors.



# CREATING LEVERAGE

I believe that many companies are managing (accommodating) turnover rather than leading (building) retention. The starting point of shifting from managing to leading is to identify your competitive keys – those few things that, when strongly in place, make success possible. The Egg Model shown in Figure 2 is a generic business model for the service sector, and if you believe what it says, then you understand that the points of leverage for creating success are within the experiences of unit-level management and hourly employees rather than within your customer experience. In effect, the knobs that will turn up the consistency of your customer experience are within the experiences of your management and hourly employees. The knobs include clear direction, training and development, support, and creating a sense of belonging and significance among all employees.



This is a statement of leadership focus in that it says “We must get our management and hourly employee experiences right before we can get our customer experience right.” Although it appears to exclude building the active loyalty of customers or building sales and profit, it does not. The leaders of many service companies have pushed for the impossible: consistently delivering a great customer experience on the back of a consistently mediocre employee experience – and they have paid the price in employee turnover. It’s simply unreasonable to treat employees like turkeys, while expecting them to act like eagles as there is no leverage in that.

Leverage is the idea of getting the best possible outcome from the least possible effort and derives from clear understanding of the what, why, how, and order of unit success [2] Period.

If you doubt the absolute nature of this assertion (belief about success), turn your attention for a few moments to something that is likely quite clear to you such as the well-known process of creating financial leverage.

Make a checklist of the major components of creating financial leverage. It likely took you only a few minutes to complete. Now, make a checklist of the major components of leadership leverage. That one probably took you more time and is not nearly as clean and clear as your financial checklist, especially if there is an order to the points on your list.

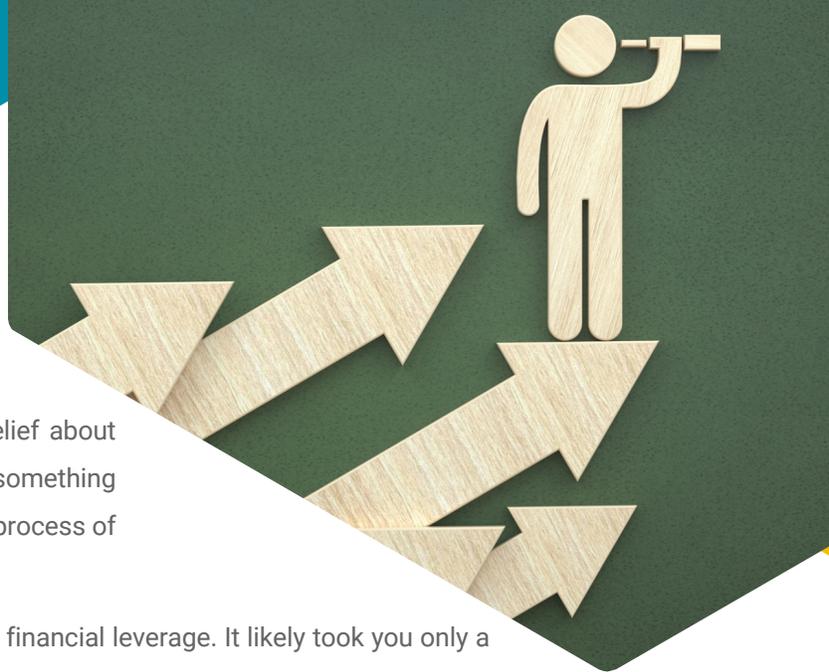
If you're like many of the leaders, your financial checklist is a high resolution map that includes all the necessary details of the path to success as well as the warning signs of pending doom. In contrast, your list for creating leadership leverage is likely akin to a copy of a copy of a copy of a hand-drawn map that has been folded, stained, and left out in the rain.

There's a good reason for that. What is urgent – day-to-day operations, customer problems, employee problems, and meeting budget – has a way of sucking the oxygen away from what is critical. So what to do? It's not a pleasing answer, but the answer is you have to add a focus on what is critical to building retention to the flurry of action that defines day-to-day operations.

## WE'RE GOING TO THE MOON!?

It's 1961 and NASA is rattled by the Soviet Union putting the first man – Yuri Gagarin – in space. President John F. Kennedy steps up the pressure in a speech announcing that “. . . This nation should commit itself to achieving the goal before this decade is out of landing a man on the moon and returning him safely to earth.” Talk about a SMART goal: Specific, Measurable, Action-Focused, and (perhaps to some at the time) Realistic. – with a Timeline! (The returning to earth part of the goal always struck me as a genius recruiting ploy.) This eclipsed previous lofty and ethereal space goals like, “Achieve the most effective utilization of the scientific and engineering resources of the United States, with close cooperation among all interested agencies of the United States in order to avoid unnecessary duplication of effort, facilities, and equipment” (said in one breath).

[2] What, why, and how are likely obvious to you, but “order” may not be. By order I mean what has to happen first, second, third, and so forth to achieve success. The business model shown in Figure 2 makes it clear that unit management is the first point of leverage, then hourly employees, then customers, and then financial results. When there is an order to success, starting in the middle is often counterproductive if not destructive. It's a common mistake that leaders make when they jump to tactics before fully understanding the problem to be solved.



With JFK's simple statement, the space race was on – with one clear and inspiring goal replacing large and un-actionable statements and that inspired no one.

President Kennedy not only delineated a battle field in the Cold War, he focused NASA on a single actionable and inspiring goal. He had not only declared “war” on the Soviet Union’s space program, he defined the war as a race to the moon. There were to be no baby steps and no undecipherable goals. It was game on! The war he defined was “first man on the moon (and back).” But where to start? What were the battles that had to be won in order to win the war? In business-speak, what were the competitive keys or leverage points for the goal?

Accurately identifying the battles – the points of leverage – was the hard part for the NASA team, just as it likely will be for your company. But a big piece of the hard part had been done when President Kennedy identified what had to be achieved with the support of unambiguous competitive keys.

Fairly quickly, NASA picked three battles to win in order to put a man on the moon; namely, navigation, propulsion, and life support. NASA had a Clear and Inspiring Goal (CIG) that was measurable and in a format that made achievement possible: From Standing on Earth to Standing on the Moon by December 31, 1969. “From X to Y by.

President Kennedy had not only given NASA an inspiring reason for being, but a focus that would make the country competitive and then dominant with respect to the Soviet Union. It all boiled down to intense focus:

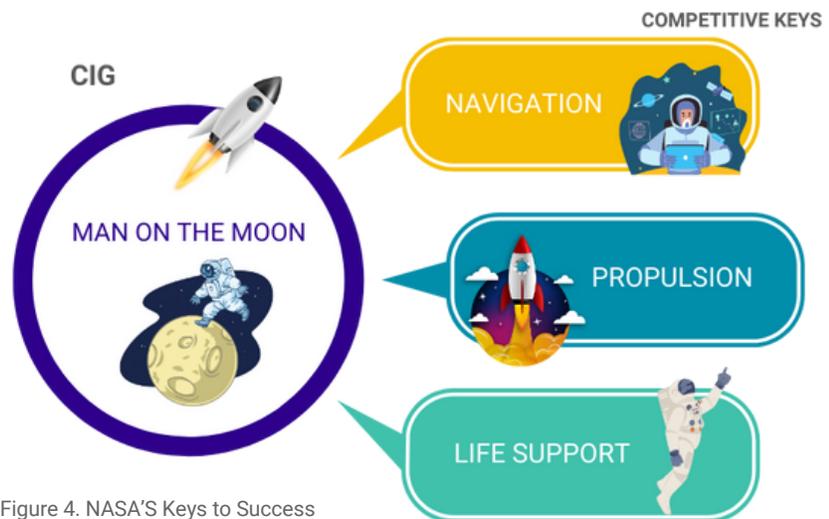


Figure 4. NASA'S Keys to Success

It was this focus that enabled the USA to put a man on the moon on July 20, 1969 and bring him safely home, while beating goal date by almost six months. Wars are won one battle at a time. It is this same process of contemplation, imagination, and determination that will enable your company to identify its CIG and the keys to achieving it.

The war is not SQM. Stable Quality Management is simply one of the key battles that a service company must win in order to be successful. Another might be creating a compelling and differentiating customer experience to be consistently delivered on the way to being a strong and healthy brand. A compelling customer experience is one that your customers simply have to have while a differentiating customer experience is one that can be had nowhere else but your company. I'll leave identifying a compelling and differentiating customer experience to you and focus the rest of the discussion on SQM and its force to create FSFT.

Winning the battle for SQM demands a deeper dive into the soft side of leadership. I read a book many years ago that had a profound effect on how I think about the how of building trusted relationships [3]. In a simple sentence in the book, the author notes that respect, understanding, caring, and fairness are the core of any healthy and positive relationship. His observation stopped me in my tracks and has been with me ever since as part of my own set of mental models or biases, if you will. The author – Dr. Willard Gaylin – did not define any of the four cornerstones, so I sought out my own definitions. They are shown in Table 1.



**Table 1. The Four Cornerstones**

I have added fun to the mix simply because it is something that I think should be part of relationships for the energy that it imparts. Think about almost any relationship you have had – business or personal – that has gone south on you. When you think about why it went south, your explanation will very likely gravitate toward problems of respect, understanding, caring, or fairness – and, perhaps, a lack of fun.

[3] Gaylin, W. Feelings: Our Vital Signs. New York, New York, Harper & Sons, 1979.



Where this brings me is that the essence of building SQM is earning trust by being respectful, understanding, caring, and fair. Trust is such an important part of your ability to build SQM and through it, being FSFT, that I define it as: Trust is coming through in any situation demanding performance, discretion, and results. While having definitions is handy, let me close with another picture. This one is a picture of the flow from a generic employee experience – your intended employee experience is likely more nuanced – to the concrete of a turnover goal.

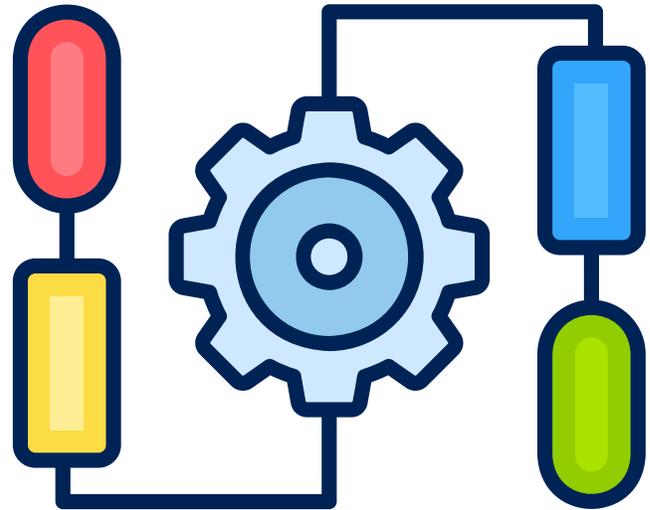


Figure 5. Achieving Stable Quality Management

Figure 5 represents a general model of how to build retention, whether of management or hourly employees. You enter the model at the bottom with the four promises that constitute the employee experience [4]. These are the rationale for all actions with employees. That is to say, any procedure or individual action of a leader can be understood as keeping one or more of the four promises. Next, there is the flavor or tone of the promise keeping. I like to think that this tone is the heart of the enterprise’s culture and each of its leader’s character. They guide the triangle of action among leader, employee, and enterprise.

4 Clear Direction, Training and Development, Support, and Belonging are four generic components of the employee experience. While each of them has a core definition that has stood the test of time, each of our customers that use our approach to creating a values-based enterprise put their own stamp on the definitions.

Actions speak louder than words. This means your company has procedures dictated by company policies and habits dictated by how those policies are interpreted in the actions of leaders. For example, hiring is a procedure as is performance feedback. In any company, procedures are stamped (branded) with one or more of the four attributes of character as enacted by the actions of individual leaders. The two-headed arrow between procedures and behavior points to the need for alignment between what policies say a company will do (procedure) and what leaders actually do.



The Critically Important Goal (CIG) is based on the reality of the turnover problem facing the company. While the CIG shown is general, I strongly recommend that each managerial job (e.g., General Manager, Assistant Manager) have its own CIG in order to ensure focus and the harvesting of low hanging fruit (i.e., problems that are easily and inexpensively solved). For some jobs, particularly entry level jobs, it may make more sense to also set a CIG that is based on increasing average tenure. This would be particularly appropriate where analysis shows peaks in the turnover within the job.

# Final Thoughts

It could be that thoughts speak louder than words in that what we believe or think about something determines how we will approach it regardless of what we say. Lots of companies in the service sector say, in so many words, that “employees are their most important assets.” However, their turnover rates make me question their authenticity. This is not deception, but self-deception. What it shows is the failure to align what thoughts with the realities of success. If customer frequency is a key to the success of your company, how it can be built while having high employee turnover? Customers come back for your products and services if they are valued, but they commit because of the relationships they build with your people. By building SQM and being FSFT you will win a battle you may not have realized you were fighting and in so doing win the war of being the best in your industry.

## DON'T MISS OUT ON PART I

BREAKING THE CYCLE OF TURNOVER IN THE  
SERVICE INDUSTRY - PART I

# About Corvitus

Corvitus provides a range of innovative, science-based measurements and services that tie a company's culture and core values to talent processes. Corvitus solutions have enabled hundreds of companies to strengthen and scale their corporate cultures, and to identify, develop and retain those employees with the characteristics and capabilities essential for business success and customer satisfaction. For more information, visit [www.corvitus.com](http://www.corvitus.com) or schedule a demo by using this link:

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