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# Hiring for Keeps:

## Avoiding the High Cost of Employee Turnover

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A White Paper on  
Hiring and Retention  
Strategies for the  
Retail Jeweler



Jewelers of America, Inc.

*A proactive approach to hiring and retention is made up of deliberate and well thought out steps that will result in increased job satisfaction for your staff and a lower turnover rate for your store. These two outcomes will have a tremendous impact on your store's profitability – the first in making money, and the second in saving money. The ultimate benefit is the ability for your store to do what it needs to when it needs to as it moves toward realizing its ultimate strategic and financial goals.*

### Contents

- 1 Part 1: The Real Cost of Employee Turnover
- 4 Part 2: Understanding the Real Problem
- 7 Part 3: A Proactive Approach
- 11 Job Satisfaction Questionnaire
- 12 Exit Interview



## **Hiring for Keeps: Avoiding the High Cost of Employee Turnover**

### **Part 1: The Real Cost of Employee Turnover**

It wasn't so very long ago that it seemed like good employees were easy to find and easy to keep. Those days have long passed. With today's fiercely competitive human resource marketplace top performing employees are demanding more than money and benefits to remain in a position for more than a short period of time. Stand in any break room or next to any water cooler and the comments are always the same. "I've got needs that I want met from my job, my boss and the company." – "It's not all about money; it's about job satisfaction." – "If I'm appreciated and my needs are met I'll stay. If not, I'm out the door."

It's more critical now than ever that jewelry stores attract and retain top performers. One key reason relates to increased costs and decreased productivity. Research has proven that high rates of turnover have a direct and powerful negative impact on the bottom line. In fact, the inability to control turnover has contributed to the failure of many formerly profitable businesses.

Another reason the retention of top performers is so critical is the correlation of longevity to value. In the greatest majority of instances, the value and productivity of top performing employees increases dramatically over time. The "intellectual" value of tenured individuals – their knowledge of product and process – saves both time and money and, in a larger sense, makes time and money. Quite simply, they have the know how to get things done, from displaying a case effectively to closing a big sale.

Sadly, the importance of these two features of retention (the cost to productivity and the value of longevity) is lost on many of today's jewelry storeowners and managers. Wrapped up in the day-to-day struggles of running a business, they grossly underestimate the true costs of turnover. Some of the costs are apparent (newspaper ads, overtime pay, recruiting services) while other costs are well hidden (time spent on the overall hiring process, the relationship between store morale, turnover and productivity).

The reality is that few managers know how to accurately measure the true value of an employee except through wages or salary. This is certainly the most obvious yardstick to use, but intuitively we all know that the real worth of any top performer (and their knowledge of product and process) can only be measured in part by a paycheck. Though difficult to quantify, there is no harsher



realization of true value until an indispensable employee walks out the door taking with them years of accumulated knowledge and experience.

What does turnover really cost? Many research organizations, think-tanks and individuals have devoted their lives to analyzing the true costs related to employee turnover. Though subjective and varied, there is some general agreement among respected researchers on how to calculate these costs for the retail industry.

Turnover results in both hard and soft costs. Hard costs are easier to quantify and may include:

- monies paid at termination: severance, vacation, sick pay, etc.
- advertising
- hiring a search firm or placement firm
- temporary staffing
- time away from normal job functions to undertake the hiring of new staff
- time required to orient, train and qualify the new employee

Soft costs are more difficult to measure but in most cases have an equal or greater impact than hard costs on a store's bottom line. They may include:

- loss of general productivity and efficiency
- loss of "intellectual" assets and their benefits to the organization and its members
- increased levels of manager stress and frustration
- increased workload on remaining staff
- general loss of morale

Years of analysis and research have resulted in proven benchmarks that you can use to calculate the cost of turnover in your store for a one-year period. These benchmarks appear below as simple mathematical formulas. Before using either of these formulas you'll need two pieces of information: the number of individuals who left in a specific twelve-month period and their average salary.

(A) represents the number of people lost in a year

(B) represents the average salary of those who left

**Low-end benchmark** (a benchmark for organizations where most employees have limited direct impact on bottom-line profitability, i.e., fast food, convenience stores, self-service discount retailers, etc.)

$$(A) \times (B) \times .5 = \text{low-end cost of turnover in a one-year period}$$



**High-end benchmark** (a benchmark for organizations where most employees have high levels of direct impact on bottom-line profitability, i.e., upscale department and specialty stores, luxury goods retailers, etc.)

$$(A) \times (B) \times 1.5 = \text{high-end cost of turnover in a one-year period}$$

The benchmark formula you choose should be based on your store's culture, the nature and range of your employees' responsibilities, and any other factors that might influence an employee's impact on profitability. You may also use a number between .5 and 1.5 that you feel better reflects the reality of your store and the relationship of an individual employee to profitability.

As an example, a jewelry store loses 3 employees over the course of a year, and the average salary of these employees is \$29,500.00. Assuming all three were average to above average performers, the more appropriate formula to use would be the high-end benchmark. The result of our calculation tells us that the true cost (both hard and soft) of losing and replacing these individuals is approximately **\$132,750.00!**

$$3 \times \$29,500 \times 1.5 = \$132,750$$

Looking at turnover costs using proven benchmark formulas is beneficial in two important ways. The first is shock value. Managers and owners who have never thought about what turnover really costs are often alarmed and motivated to action after seeing the real dollars that are being lost. The second benefit is realized when a store begins to develop new attitudes, processes and strategies that lead to reducing the turnover rate.

Challenge yourself to take a hard and realistic look at what employee turnover is really costing your store. Don't underestimate what longevity is worth by only considering the value of an employee based on their paycheck. Think about what makes your employees happy – what makes their experience in your store a rewarding one. Don't be afraid to sit down with your staff and discuss the issue. You may discover that the best way to minimize turnover is not by paying higher salaries or more benefits. The real solution may be far simpler – a “thank you” for a job well done, a smile every morning, some active listening and honest caring – all of these things can be powerful tools to help you and your store become a more satisfying and gratifying place to work.



## Part 2: Understanding the Real Problem

*You really don't mind interruptions on a Monday morning, especially when it's one of your best employees. Darlene has been with you for almost two years and has proven to be bright, articulate, innovative, a great salesperson, and always looking for ways to improve her skills. This morning she probably has a new idea for displaying a case or some suggestions for a new line to start carrying.*

*But today is different – Darlene is in your office to give you her resignation. She likes her job and the people she works with. But she feels unfulfilled – there's just something missing, and her only course of action is to accept a position with another jewelry store. In two more weeks she'll be gone.*

*Didn't see that one coming did you?*

Most jewelry storeowners and managers have lived through similar situations on all too many occasions. And in today's economic climate they're happening more and more often. Few would argue that employee retention is one of our industry's biggest problems and getting bigger every day. Compounding the frustration is the fact that yesterday's remedies – higher pay or more benefits – just aren't working. They may buy a little time, but in the end they cost the employer a lot of money and the employee usually leaves anyway.

Before you find yourself in this situation again, let's take a look at the problem of employee retention from a modern perspective and examine some simple strategies to help minimize the turnover in your store.

Employee retention is all about “fit”. Employees are looking for good places to work. Quite simply, they're shopping for a place that both wants their skills and meets their needs. Jewelry stores are also shopping. Owners and managers look for people with both the aptitude and temperament to succeed in the unique environment of jewelry retail. Everyone involved in hiring today must face the harsh reality that the only way to attract top talent – those employees that can offer you a true competitive advantage – is to have a carefully crafted “package” to sell.

Before you can start building your “package” you should take a look at what you're really trying to accomplish through the improvement of employee recruitment and retention. What outcomes are you looking for? What is the broader landscape you're trying to create – the end state you want to achieve? How can better hiring and retention impact your store? Almost without exception all



desired outcomes could be summarized into three primary groups: Asset Management, Increased Performance and Productivity, and Quality Environment.

*Asset Management* – It's not just about money. You must consider all your company's assets – physical, monetary and human – if your decisions are to significantly impact the bottom line. Good hiring combined with a well thought out retention strategy is one of the most power ways to maximize all of your store's assets.

*Increased Performance and Productivity* – Few experienced owners and managers fail to realize that top performers are their store's key to continued growth and positive performance. Your "stars" set the bar for other employees and act as models and mentors for less experienced staff. These same top performers also act as primary sources and supporters for new ideas and initiatives. They become the wellspring of increased productivity and profit.

*Quality Environment* – Employees tend to stay with a company that creates and continually strives to improve its workplace environment. Happy employees are more productive and more enjoyable to be around. A good environment and satisfied employees work together to create, improve and perpetuate each other.

With the above three desired outcomes in mind, it's time to take a look at the most common causes of employee turnover and some of the preliminary steps you can take to begin building a successful hiring and retention strategy.

Everyone has his or her own idea of what contributes most to employee turnover. By examining some of the research compiled from different service industries nationwide we can create a summary of items directly linked to job satisfaction. Consider each individual item carefully, and ask yourself how successful you have been in ensuring that these positive attributes are part of your store's environment and employee retention strategy. In other words, have you created a workplace that offers every employee...

- Supportive work environment
- Self-empowerment
- Sense of participation in decision-making
- Performance-based rewards
- Open sharing of information
- Supervisor who listens and acts on suggestions



- Opportunity for ongoing education
- Balanced and secure workplace
- Opportunity for increased responsibility
- Encouragement to try new things
- Encouragement to contribute to the greater good
- Appreciation

By also examining several exemplary service organizations that have a strong track record in employee retention some striking similarities emerge. These organizations without fail exhibit the following commonalities:

- Value and reward their employees vocally and through reward programs
- Clearly understand their company culture and use this information as a basis for hiring
- Recognize the importance of employee growth and development
- Make training and education available and readily accessible
- Utilize standards of performance to measure employee competency
- Clearly communicate, track and evaluate employee goals, performance and expectations

A careful self-examination of your organization's attributes and structure will reveal if the above characteristics are alive and well in your store. If your introspection reveals a missing or weak component it might be time to re-think your business strategies as they relate to employee recruitment and retention.

Securing and retaining key employees revolves around a complex set of issues and demands a proactive and common sense approach. Possibly your biggest challenge is overcoming old assumptions about what motivates and gratifies employees. In today's aggressively competitive market your most valuable resource is your top performers. Finding them and keeping them begins with becoming the best employer you can be. If you devote the time and attention necessary to making your employees feel they are successful and valuable, you may even overhear them say to their friends, "*I've got the best job in the world!*".



### Part 3: A Proactive Approach

Today's employees seem to come and go for no apparent reason. You pay as well as other jewelry stores and you offer the same benefits, so why do you have a hard time attracting and keeping top-level performers? Perhaps the first thing you need to do is change the way you think about how to motivate today's workforce. It's no longer about money or benefits. Today it's all about job satisfaction. Your efforts and strategies to find and keep good employees must focus on creating a culture within your store that gives your staff the benefits they really want – a supportive work environment and a clear sense that they are valued.

A proactive approach to hiring and retention is made up of deliberate and well thought out steps that will result in increased job satisfaction for your staff and a lower turnover rate for your store. These two outcomes will have a tremendous impact on your store's profitability – the first in making money, and the second in saving money. The ultimate benefit is the ability for your store to do what it needs to when it needs to as it moves toward realizing its ultimate strategic and financial goals.

Once you've made the commitment to move your store toward a culture of retention you'll need to take some logical steps to make your vision a reality. The first thing to consider is the reality of the marketplace and the assumptions associated with this reality. Some general assumptions we can confidently make about the jewelry industry for the next several years include:

- Competition for high quality employees will continue to escalate
- Continual and increasingly rapid changes in the jewelry industry will require a higher caliber employee
- Economics will likely force you to "do more with less" in regard to human resources

Given the above assumptions, your next focus should be on what your real business needs are as they relate to staffing. You'll have to answer some questions about where you want your store to be in the next year, three years, five years and what kind of employees you'll need to reach your short term and long term business goals. Without thoughtfully considering your business goals as they relate to staffing, your hiring decisions will likely continue to be *reactive* instead of *proactive*.

Moving your store toward a culture of retention is much like taking a journey. Even if you've got a map in your hands you've still got to know where you are before you can determine where you need to go. To find out where your store is in regard to job satisfaction you'll want to gather some information. First, find out why the people you have stay with you. The easiest way to do this is to use some type of anonymous job satisfaction questionnaire. You'll find a sample you can use at



the end of this article. Gathering this type of data at least annually will help you determine what people like about the work environment you've created and what are some of the less than satisfying characteristics that might motivate them to look for jobs elsewhere.

You should also be committed to finding out why people choose to leave by conducting some type of exit interview. It's important to discover why employees start looking for a new job in the first place and what motivated them to make the final decision to leave. If you're not comfortable asking these questions in person, give your exiting employee a questionnaire with a postage-paid envelope. You'll find a sample exit interview you can use at the end of this article.

After you've gathered and processed data on why people stay and why they leave your next step is to put together a comprehensive "package" or plan that you can easily communicate to both current and prospective employees. This "package" should summarize your competitive advantage as an employer. It needs to be all about what makes your store a better and a more satisfying place to work. Some things to consider as you build this package include:

- how your organization is different from other stores
- how your store's mission and culture includes employees in the store's function and planning processes
- pay and compensation packages
- benefits
- flexibility in regard to work schedules
- opportunities for continuing education and training
- opportunities for advancement
- your store's commitment to employee participation and job satisfaction

Perhaps the most critical step you must take to increase retention is getting the word out to employees and perspective employees as to what you're doing and why you're doing it. No body will know what a great employment "package" you offer unless you tell them. This can get tricky if you attempt to target certain employees for retention efforts more so than others. You can help prevent the appearance of favoritism by creating an open environment of communication in your store. You can also build systems that clearly and fairly recognize top performers based on established and impartial goals and performance objectives. This means that you must create job or performance descriptions that articulate desirable skills and competencies and how they will be measured.

Being proactive means taking control of several specific job functions: recruitment, selection, orientation and ongoing motivation and training. The ultimate control you exercise over these four



functions will have a tremendous impact upon your ability to hire and retain top performing individuals. You may want to use the following checklist as a guide.

#### Recruitment

- Focus on identifying candidates that have the potential to become “key” employees
- Encourage employees to be on the look out for qualified individuals on an ongoing basis and reward them for their efforts
- Know exactly what your needs are and advertise to match these needs
- Recruiting should be ongoing and proactive, not reactive. Don’t think about hiring only when you lose someone

#### Selection

- Take your time! Like your grandmother always said, “Haste makes waste”.
- Be prepared to answer the same questions you ask of the candidate about your organization. You want to know their weaknesses, and it’s only fair that they know yours.
- Tell the truth about your store and its environment. Don’t paint pictures of a workplace that you know fail to match the reality of your store.
- Focus on “fit”. No matter how good the candidate, if they don’t possess the skills your job opening demands they won’t do you any good.
- Consider culture. The right job skills don’t always ensure a good “fit”. New employees must be able to function and thrive in your store’s culture.

#### Orientation

- A clear and articulated orientation program is critical. Using tools like JA’s “Learning Center” will ensure that your new employee knows what’s expected and where to turn for help and support. For more information on the “Learning Center” please contact Jewelers of America at (800) 223.0673.
- Become involved enough in the orientation process to ensure that you’ll have enough information to make the right decision at the end of their probationary period.

#### Ongoing Motivation and Training

- Offer opportunities for self-directed, formal and informal training and development
- Encourage your staff to think of education as an ongoing activity as opposed to an “event” by using tools like JA’s “Learning Center” or other similar systems.
- Challenge and stretch your employees’ abilities with realistic and measurable goals and objectives



- Share your company goals with employees in a manner that allows them to take these goals and make them their own
- Ensure that your pay and compensation packages are attractive and somehow tied to performance

If you focus on the reality of today's jewelry marketplace and the quality of the employees you'll need to meet your future goals you'll be motivated to seek out and retain top performing individuals. By knowing what the true costs of turnover are you'll also be driven to spend the time and energy necessary to develop a retention strategy that matches your store's needs and culture. The benefits associated with improving your store's retention rate are tremendous and, without a doubt, your hard work will result in profound improvements to every aspect of your organization.



## Job Satisfaction Questionnaire

**Instructions:**

Please reply to the following statements and questions by checking the appropriate box.

DO NOT place your name on this Questionnaire. All answers will remain confidential.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our store has a good employee evaluation system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My work is rewarding and challenging	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My job makes use of my skills and abilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The company has a clear set of values that guide my conduct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I'm am given sufficient opportunities and tools to improve my skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My boss considers most mistakes an opportunity to learn and not a chance to reprimand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I receive ongoing feedback that helps me improve	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I understand the performance levels expected of me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication between supervisor and employee is honest and open	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My ideas and suggestions are listened to and seriously considered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am valued by my employer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am valued by my co-workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I can voice my opinions without fear	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I understand our company goals and objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I look forward to coming to work each day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am paid what I am worth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My job is secure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



## Exit Interview

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By completing this form you will be helping us determine why good employees choose to leave. Any information you provide will remain anonymous and be kept in the strictest confidence. A stamped self-addressed envelope has been provided for your convenience.

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### **Instructions:**

*On a separate sheet of paper, please answer the following questions providing as much detail as possible. Be sure to number your answers with the appropriate question numbers.*

1. What did you enjoy most about your job?
2. What did you enjoy most about working for our store?
3. What did you enjoy least about your job?
4. What did you enjoy least about our store?
5. How would you describe your performance when measured against the standards set by your job description?
6. How would you describe your performance when measured against the standards set by other employees?
7. How did your job fail to meet your career goals or expectations?
8. What factors led you to accept a job with our store when you were hired?
9. How has your perception of those factors changed during the time you've been here?
10. How do you feel about the level of training you received (i.e. was it enough to allow you to meet our performance standards)?
11. What training should/could have been provided to you?
12. How do you feel about the amount and quality of the supervision you received?
13. What motivated you to begin looking for another job or, if appropriate, what made you consider an offer from another company?
14. How would you rate the morale in the store? Why?
15. What part did pay or benefits play in your decision to leave?
16. What changes would make the store a better place to work?

