

The Death Spiral in Retention: Understanding how the search for a silver bullet is killing your teams.

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retention

an organization's ability to keep its employees and prevent them from leaving to work elsewhere

death spiral

metaphorically, the worsening situation of employee turnover

morale

a significant factor affecting employee retention and the overall health of an organization

innovation

positive outcome of effective employee retention strategies

financial burden

consequences of high turnover rates: recruiting expenses; training and on-boarding; lost productivity; severance and exit costs; impact on employee morale; intellectual capital loss; quality and continuity; customer service relationships

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Contemporary landscape for American business features a myriad of challenges shaping the trajectory of *organizational success*.

In the ever-evolving landscape of business, innovations emerge as towering beacons, driving companies towards unprecedented success and profits. Yet, amidst this whirlwind of progress, a relentless and largely unchallenged adversary persists: the challenge of employee retention. This issue stands as a titan in the realm of business, an enduring test of resilience and strategy.

From the moment an enterprise welcomes its first employee, the complexities of hiring, skyrocketing turnover rates, and the ensuing financial strains become a relentless pursuit for owners, leaders, and supervisors. Despite millennia of collective business acumen across the globe, recent studies reveal a staggering truth: employee retention and related challenges still dominate, accounting for an astonishing 50% of top concerns among business owners. This begs the question – why does this critical issue remain unsolved in our advanced business world?"

The death spiral. A death spiral is a situation perpetually getting worse and destined to end badly; in short, courses of actions leading to catastrophic failure. The verbiage doesn't sound fun.

A death spiral is most eloquently illustrated by ants. When a group of army ants become separated from the main group of ants, they begin to follow the pheromone track they left. This forms a continuously rotating circle as they follow themselves. Eventually with the lack of any progress, the ants die of exhaustion!

"The corporate death spiral means you'll never get turnover under control. The loss of one employee (good or bad) feeds the flame. You end up stuck in a cesspool of negative effects. Which leads to the loss of another employee. And another. Throw in the loss of a customer or two (or twenty). Massive collateral damage."

- Phil Wilson, Author, The Approachability Playbook

As the example of the ants illustrates, so is the gravity of labor challenges. Many companies' HR departments perpetuate antiquated hiring techniques; run faulty onboarding programs; and apply Machiavellian practices designed to subjugate employees. Many of these HR departments, who advise front line managers, blame the overall culture and low morale on the front-line managers. Ants following ants. Go figure.

Are you in a death spiral?

Around 2021, an blood plasma company realized its hiring initiatives were failing, sought to become more competitive to hire talent. Upon some unseen and ill-advised deliberation, management decided to raise the starting pay of incoming employees without considering the pay of current employees. This decision prioritized hiring over retention. The difference was significant enough to surpass some employee raises for merit and taking on additional responsibilities.

Initial employee shock manifested into outrage and in areas, mass resignations. One severe instance in southern Florida resulted in an entire center of over 25 employees quitting without notice. This event led to losses in profit, productivity, and company standing amongst customers unable to donate.

Most executive leaders look to their HR departments to solve these problems with a silver bullet: the one and done shot. Or maybe they believe every HR office has a William Tell willing to shoot the apple off the head of his own son with an arrow. Regardless, it is easy to see the lack of reality, practicality, or thought in many of these situations.

Alternately, some HR departments promise results, and continue to use antiquated, tried, and [proven] to often fail methods of employee engagement. This persistence only undermines the potential for financial advantage and perpetuates a cycle of frustration and inefficiency within the workforce. Can you feel yourself beginning to spiral as you read these words?

Does turnover keep you awake at night? Do you constantly seek answers from your HR department on turnover? Do you constantly get ambiguous answers and never see results? You're in line in the death spiral.

"Most of us comment throughout the year we want turnover of people we don't need in political office and then we take actions at the polls to retain the very folks we complain about. At the same time, more than some of us show up at our businesses as supervisors, managers, and owners and do quite the opposite: we take actions to thwart retention of those we need. What is up with us?"

- Publio Casillas, A Simple Observation

Why does this matter to you?

Issues of retention are a massive although sometimes hidden cost for companies. For example, in 5 years hospitals typically turn over 104% of their staff. Imagine this: 94% were voluntary. Yes. 94% of these highly skilled expensive care providers who leave, leave for their own reasons. The average turnover cost estimated of each turnover is \$46,100. To put into perspective, a small hospital with a meager staff of 100, would in 5 years see 104 employees separate. This results in 204 employees hired costing \$9,404,400 – not including salaries, lost productivity, and rework. (Coleman, 2023) Robertson, 2023)

Uncontrolled, employee turnover can be a substantial financial burden for organizations. It is understandable highly skilled labor as nurses and doctors can skew this figure; still, recent studies value the cost of hiring unskilled labor at \$4,500 per individual. Adding more complexity, various studies show between 1 and 3 out of every four new hires are likely to quit within 30 days depending on the robustness of the onboarding process.

This doubles and potentially triples the cost of filling a position. Additionally, an employee quitting in the first 90 days only exasperates the cost by staying longer. The loss of productivity by both their unfilled position, training hours spent, and HR hours spent is only magnified by the rework required by repeating the process.

Excessive costs related to the constant replacement of workers extend beyond recruitment and training. The intricate web of challenges surrounding employee retention also underscores systemic issues within organizations. By limiting experience and camaraderie, turnover costs loyalty and innovation which are of organic value to any system. Strategic employee retention plays a pivotal role in mitigating these expenses, both quantifiable and qualitative. Many case studies and many authors demonstrated companies investing in retaining their workforce experience long-term cost savings. This is due to reduced hiring and training coupled with a loyal workforce with intrinsic motivations to create efficiency in processes for the sake of shared goals.

Imagine the savings and the innovation just beneath the surface?

Actionable Steps to Escape the Death Spiral

I retired as an Air Force senior non-commissioned officer (a Senior Master Sergeant). In my final year as a SNCO, a distressed peer approached me. Despite all his effort, his unit had terrible morale. He explained he was doing routine ice cream socials, NCO of the month awards, and submitting high performers to be recognized at commander's calls and still no one was happy.

The team exhibited ambivalent and sometimes even combative behaviors. They never took the initiative and took every advantage to not be at work. Worst of all, they would not communicate with him about any real issues. He was out of ideas. I reassured him there was hope and we sat down to discuss the problem. After thirty minutes I gave him a few simple directions. I warned him it would be difficult at first; however, as long as he focused on service and stayed diligent to the actions, he would see results. After two months, his team thanked me for talking with him.

His mistake was utilizing tired, tried, and ineffective methods of creating positive morale. When any cursory inquiry is made on how to motivate a team with low morale the results are usually either extrinsic motivators or ambiguous platitudes. He was doing the obvious extrinsic motivators within his power and attempting to meet some of these ambiguous platitudes. The problem with extrinsic solutions is their inherent disingenuous pallor. *They come of more as a bribe rather than as sincere gratitude.*

Action must happen! It is important to realize there is a problem. Either denying the existence of the problem or underestimating the problem leads to the start the death spiral. Just like the ants, they fail to see the separation and ignore the repeated trail. The result is the same for both. A problem develops and the disconnect leads to a worsening situation.

After identification, it is an important approach for retention to see it as a relationship. A healthy relationship is nurturing and positive, whereas an unhealthy relationship is destructive and negative. The difference in relationships was described to me like this: if you like a flower, you pick it. If you love a flower, you water it.

Conclusion (Your Beginning)

The intricate web of challenges surrounding labor-related issues, explored through the lens of hiring complexities, turnover rates, and associated costs, underscores the imperative for businesses to prioritize strategic employee retention. From the alarming turnover rates in sectors like healthcare to the ripple effects of executive decisions on workforce morale, we delved into the multifaceted landscape of organizational success without overbearing and endless easily found data.

It is truly not rocket science.

Uncontrolled employee turnover, as evidenced by the plasma company case, emerges as a significant financial burden extending beyond recruitment costs, impacting loyalty and innovation.

Strategic employee retention, therefore, becomes a cost-mitigating strategy and catalyzes enhanced operational efficiency, long-term stability, and positive work environments.

“The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things.”

– Ronald Reagan, former President of the United States

About Publio –

Publio Casillas, a seasoned consultant with over two decades of experience in leadership, management, and organizational culture comes to us from Pensacola, Florida. His deep understanding of organizational challenges and opportunities, along with his commitment to optimizing the human component of operations, redefining customer experiences, and improving profitability through efficiency and a loyal workforce, makes him a trusted partner for healthcare, manufacturing, and logistics space. With 20 years in the dynamic military aviation weather field culminating in four years of teaching as a subject matter expert and running the Department of Defense Weather School; 8 years of plasma center management experience post military; And, 15 years of non-profit leadership with Tired Dog Rescue, Publio’s contribution to leadership development, employee development, and organizational objectives is unparalleled. He brings with him an evangelistic calling to spread the values of service, excellence, and integrity driving success in all that he touches.

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