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## Customers Suffer From Employee Churn: High Turnover Makes It Harder To Provide Top Service

### THE TOPIC: VOLUNTARY EMPLOYEE TURNOVER

Companies invest significantly in retaining talented employees whose jobs are critical to competitive advantage—and with good reason. When employees quit, operations, productivity, employee morale, and service falter. For services companies, which dominate the U.S. economy, losing employees means that customer service standards decline.

In order for service firms to succeed, HR practitioners must better understand employee churn and find ways to minimize its disruption of customer service. It's possible to manage turnover in ways that keep good service flowing to customers. Uncovering the truth about turnover is key.

This is the first data-based study to examine whether service quality is actually impaired by employee turnover, and if so, how managers can make the situation better.

### KEY FINDINGS

- ◊ As rates of voluntary turnover climb within key business units, customers are more likely to report bad customer service.
- ◊ When new workers arrive, established workers have to take time away from customer service to train the new workers in procedures and company culture.
- ◊ Work units with lots of new employees have more trouble managing turnover and receive the lowest customer service ratings.
- ◊ Bigger may not be better—larger work units have particular difficulty managing turnover and receive lower customer service scores than smaller ones.
- ◊ A tight, cohesive work group seems to suffer from turnover as much as a less-bonded group.

## THE STUDY QUESTIONS

In this study, researchers asked the following questions:

- ◊ Does customer service suffer when employees quit?
- ◊ Do units with a high number of new workers have more trouble delivering high quality service in the face of high turnover?
- ◊ Do larger or smaller work units adapt better to turnover?
- ◊ Does a work group that reports working well together adapt better to turnover than one that is not very cohesive?

Researchers have had hunches about these topics, but this study is the first to really look at the numbers.

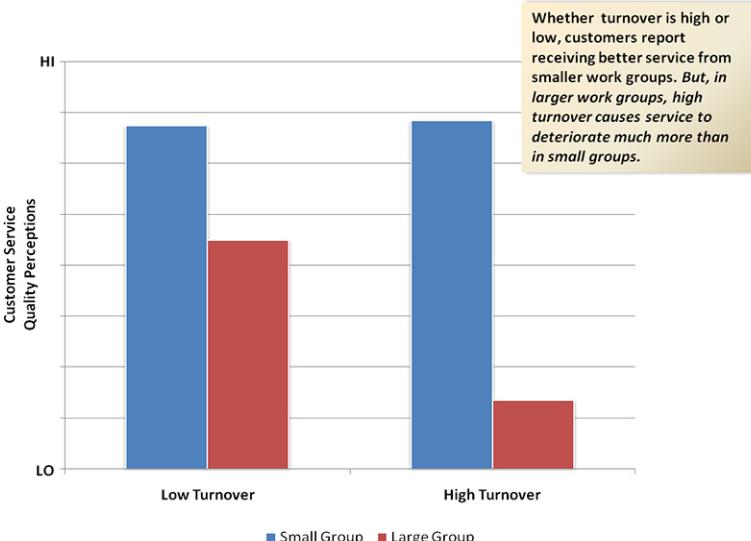
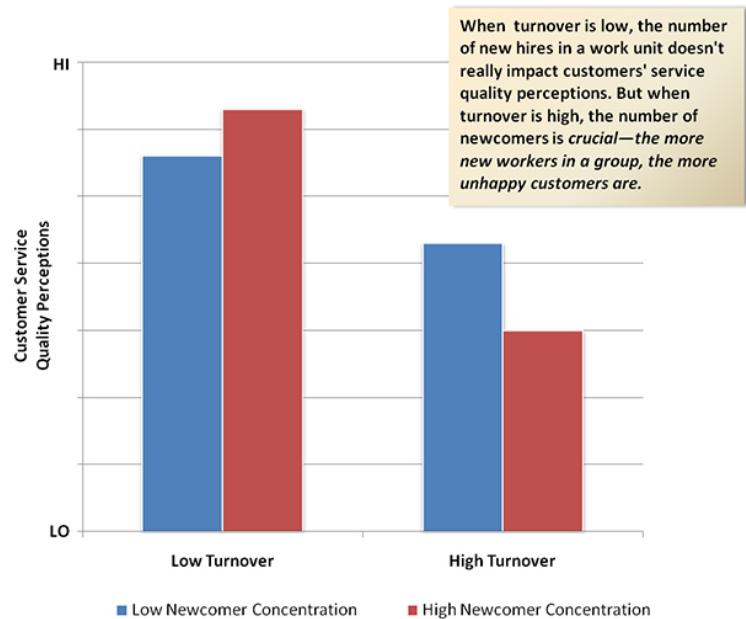
## THE RESULTS

*Customers were less happy with service from work groups with higher turnover rates.* Of course, newcomers offer less competent service as they learn the job. But experienced workers must also take their attention away from customers in order to train new hires in the company's culture. These two factors drive the decline in service.

*The more new workers there were in a unit, the more problematic turnover was for the unit,* and the more unhappy customers were.

*In larger work units, a high level of turnover caused service to deteriorate more than in smaller work units.* This may be due to the fact that larger work groups are already known to be less efficient. Concentrating newcomers in large units increases those problems.

*Group cohesiveness did not seem to matter in this setting.* No matter how well- or poorly-bonded the work group, a high turnover rate meant that customers reported less than high-quality service.



## THE DATA SOURCE

The researchers studied over 5,000 employees in 75 work units at a large U.S. hotel and casino chain. They chose this industry because of its high annual quit rates, which average about 50 percent. Managing voluntary turnover well in this industry is critical.

The workers in this study are motivated to provide good service because they receive bonuses based on their work group's service scores. The study defined new workers as those on the job less than 90 days. Researchers looked at not only their rates of turnover but also the group's size and their ranking of statements that reflect on work group cohesiveness, such as:

*"In my department, my coworkers and I work very well together to deliver excellent customer service."*

*"My coworkers follow through on their commitments."*

*"My coworkers and I can work through differences in opinion without hurting feelings or starting arguments."*

*"Overall, I enjoy working with my coworkers."*

The study also examined customer service surveys completed by nearly 60,000 external customers. Because customers often spend entire days or weekends at the hotel or casino, they interact with many employees and are well poised to evaluate the service they received. The customers answered questions including:

*"How friendly and helpful were the staff?"*

*"How would you rate the waiting times?"*

## THE RESEARCHERS

This study was conducted by:

- John Hausknecht, Assistant Professor of Human Resources, Cornell University ILR School (Industrial and Labor Relations)
- Charlie Trevor, Associate Professor of Management and Human Resources, University of Wisconsin-Madison
- Michael Howard, Chief Executive Officer, Employee Insights [a private employee data gathering and analysis company]

### For an in-depth discussion of this topic, see:

**Hausknecht, John P., Trevor, Charlie O., & Howard, Michael J. (2009). Unit-Level Voluntary Turnover Rates and Customer Service Quality: Implications of Group Cohesiveness, Newcomer Concentration, and Size. *Journal of Applied Psychology*, 94, 4, 1068–1075.**

- ◊ Questions about this research brief should be directed to John Hausknecht at [jph42@cornell.edu](mailto:jph42@cornell.edu).