

# An Algorithmic Approach to Flight Risk

March 2009

Employees switch jobs for many reasons, including poor relationships with their managers, the quest for more money or improved benefits, a shorter commute, to exercise all remaining stock options, a limited or no career path, peer frustrations, lack of trust in company leadership, etc. With the free-agent mentality of today's workforce, is it really a surprise when employees leave a company? To avert such surprises, companies can apply a more algorithmic or predictive approach to assess an employee's flight risk.

Flight-risk selections in succession planning software applications often include low, medium and high as options, but what's really behind those choices? Is it a manager's gut feeling? Can a manager really be trusted to publicly note in a software application that an employee is a high flight risk? What does that say about the manager? What does that say about the employee? Does it mean the employee is noticeably disgruntled, a poor cultural fit or a highly talented worker with a lot of open doors? Without basing that flight risk calculation on any historical information, there is no way to tell.

Why not leverage all the data about why employees leave a company, develop a flight-risk formula and then attempt to calculate a flight-risk score based on key criteria and weightings? That way, talent managers can address employee issues before they leave, better retain the best people and ensure competent candidates are ready to step up to the plate when positions become vacant.

Ironically, one of the best places to start this process is at the end, with the exit interview. When employees leave a company, it's a great opportunity to solicit an employee's true feelings. When employees are gainfully employed, they're less likely to complain loudly because it may jeopardize their employment status. The day employees turn in their resignation letters, however, true emotions and opinions are unleashed. It's important to filter for the facts, but there often is truth in what is said.

A well-structured exit interview can go a long way toward understanding the reasons for and patterns of employee departures. By consolidating exit-interview data and information from other internal employee surveys, talent managers can develop a comprehensive list of the most frequent reasons why employees leave. This data can be manipulated and analyzed, by position, department and across the entire organization.

Once the reasons for employee departures are identified, they can be weighted for in-depth analysis. For example, if 10 percent of the people who leave cite commute as their No. 1 reason, commuting should be worth 10 percent of a person's flight-risk score. A scale such as 1-100 could be developed in which employees with a commute of less than 10 miles receive a score of 10, between 10-20 miles receive a score of 40, between 20-30 miles receive a score of 70, and more than 30 miles receive a score of 100 — based on real, company-specific data.

Applying weighted scores to a number of flight-risk criteria may yield a richer and more precise view of a team's expected continuity. Consider the following thumbnail sketches.

John is currently meeting expectations, is paid fairly, has an above-average commute, has exercised most of his stock options and recently received an annual bonus. His flight-risk score of 62 should sound some alarm bells internally. Assuming the company would like to retain him, the company could offer additional stock options or perhaps the opportunity to telecommute one day a week.

Sally is a top performer, is underpaid, has a long commute, has exercised all of her options and recently received an annual bonus. Alarm bells should be sounding even louder for Sally. As a top performer, she is likely to attract interest from other employers. The company should be proactive in its approach with Sally, particularly in the areas of compensation, stock options or promotion. Once again, the opportunity to telecommute probably wouldn't hurt. Working one day a week at home may be just enough incentive to keep an employee like Sally from looking for a job closer to home. If that's all it takes to retain talent and sustain company momentum, why not extend the option?

Finally, Mary is partially meeting expectations, is paid very well, has a terrific commute, has only exercised 25 percent of her options and recently received an annual bonus. Based on her recent performance review, the company is not receiving an adequate return on its investment. Why not turn this into an opportunity to look for ways to improve her performance? Maybe all she needs is some additional training. How about assigning a mentor to Mary who could check in with her on a regular basis?

The examples of John, Sally and Mary show there are ample opportunities to better understand each employee's unique situation and, thus, take appropriate steps that help to retain that employee and/or help to improve that employee's performance.

As previously stated, there are limitations to this tool. The example above does not evaluate qualitative flight-risk criteria, which may significantly impact an employee's choice to leave. For example, if an employee records a low quantitative flight-risk score, but distrusts company leadership or strongly dislikes his or her immediate supervisor, there may be nothing that can be done to retain that employee.

One approach may be to examine as many quantifiable areas as possible and use that score as a data point for an overall flight-risk score, one that considers qualitative criteria, as well. This type of analysis is most needed — and most valuable — in instances when an employee seems generally satisfied with his or her job, by qualitative measures, but has a number of quantifiable scores that merit attention.

For this analysis to be effective, it's also important to understand how impactful the loss of a single employee can be to a company. While not every employee who walks out your door will represent hundreds of millions in market capitalization, do you know what they do represent? First, how much will it cost to replace them, either externally or internally? Second, how long will it take to train their replacement and get them up to speed? Third, and perhaps most important, what does this time gap — including time to find and train that replacement — mean in terms of lost revenue? What about an engineer whose departure causes a key product to slip by three weeks? By six weeks? By six months? What if that person's departure causes other employees to start looking, as well?

Efforts to keep top performers with a high flight risk focused and content probably will require a short-term investment, but the long-term returns can be quite rewarding. In today's economic climate, any type of investment that doesn't deliver an immediate return may be tough to justify, but how can the talent manager justify losing a top employee when there is available data to predict flight risk?

While algorithmically calculating a flight-risk score may seem like something out of the movie "Minority Report," there are more established patterns in talent departures than may be visible at first blush. Properly developed and consistently executed exit interviews, combined with other employee data, can't guarantee talent managers will always find ways to keep top talent. But they will greatly increase the chances by bringing critical data into focus. When that picture emerges, talent managers can design effective techniques to proactively avoid unexpected resignations, and they'll likely see why the business case for applying an algorithmic approach to talent retention is almost overwhelming.

*Derek Finkelman is a product manager for Workscope, an outsourced benefits and talent management solutions provider.*