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## **Turnkey Turnover Solutions: Powerful Tools and Experts are Available!**

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### **Introduction**

It's early in World War II, and the US is scrambling to put together an effective fighting force. But how do you select and place millions of former civilians into military positions that will suit their abilities and temperament? The Army turned to industrial/organizational (I/O) psychologists. To solve this problem, the I/O psychologists developed the Army General Classification Test (AGCT), which later evolved into the Armed Services Vocational Aptitude Battery (ASVAB) still used today. Although it would be an exaggeration to say that I/O psychologists won the war--that honor is reserved for those who fought and died on battlefields around the world--they did have a major impact on the US war effort by placing soldiers in appropriate jobs. The results were deemed so successful, that after the war, I/O psychologists came into great demand by the military, intelligence agencies, other branches of government, and private industry. The field of I/O psychology has continued to advance and grow. Security managers can benefit from this expertise--especially for helping them deal with the crippling problem of security guard turnover.

In our post 9/11 world, the demand for private security and protection professionals is skyrocketing. The constant threat of terrorism and the pervasive fear that follows have helped to drive this need. In response, private security guard companies have had a somewhat difficult time keeping up with the increased demand. These trends, combined with the extremely competitive contract bid process, which drives wages down, has put contract security firms in quite a conundrum. On the one hand, they are forced to slash wages to offer competitive terms when bidding for contracts. On the other hand, security personnel are in high demand, yet the contracting companies have only modest wages to offer. This puts a great deal of strain on recruiting and hiring. To compensate, private security firms are

scrambling to hire anyone willing and able to fulfill the job requirements.

But there is an additional, and perhaps more serious, problem that is putting stress on these organizations. Turnover rates for security guards have been estimated to be approximately 100%-300% per year. That means that a medium sized security firm that has enough work to employ 1,000 guards and has a turnover rate of 150% must employ about 2,500 people over the course of the year to meet its annual workload. In addition, this same organization would end up employing guards with an average tenure of about five months—hardly enough time to develop expertise at their post before they leave the organization and are replaced with a new employee.

This revolving door of guard personnel can have troublesome consequences. First of all, customers who contract for guard services are likely to have certain expectations about the performance and professionalism of the security services they hire. Sending a constant stream of different guards to the customer can cause significant dissatisfaction that may lead to the cancellation of, or failure to renew, existing contracts. Another potential problem associated with high turnover goes right to the heart of security. It is well understood that the most important security vulnerability for organizations is disgruntled current and former employees. Any organization that suffers turnover of 100% to 300% must assume there is likely to be a significant amount of employee disgruntlement. Moreover, these potentially disgruntled employees are security guards who likely had keys, pass codes and knowledge that could grant them access to critical areas. Obviously this is a recipe for possible disaster. And finally, one must consider the actual dollar cost of turnover. Looking at our fictitious 1,000-guard security firm discussed earlier, we see just how dramatically that high turnover can affect a company's bottom line.

To be concrete, let's assume that a contracting security firm bills 2,000 hours per year, at \$15 per hour, for each of its 1,000 guards. That corresponds to a total of \$30 million of revenue in the course of a year. The US Department of Labor estimates that the cost of turnover is 33% of the salary of each employee who terminates. Assuming the guards are paid \$9 per hour, their yearly salary (excluding benefits) would equal \$18,000 and it would cost our firm approximately \$6,000 to replace each departing individual. With a 150% annual turnover rate, this firm would have to employ 2,500 guards to meet its obligations and thus has to replace 1,500 guards over the course of

the year. Using these numbers, we find that turnover is costing our fictitious organization approximately \$9 million per year. Put another way, turnover accounts for 30% of the organization's gross receipts. (See Figure 1 below for costs at other turnover rates). Clearly this is a serious matter. And one that has received attention in the past (e.g. see How to Turn Around Turnover, November 2002).

Table 1  
*Turnover Rates and Related Outcomes for Contract Security firms employing 1,000 guards, under the assumption that guards' time is billed at \$15 per hour and they are paid \$9 per hour.*

Turnover Rate	100%	150%	200%	250%	300%
Total Employees Hired per Year (TEH)	2,000	2,500	3,000	3,500	4,000
Billable Hours	2 million				
Gross Receipts	\$30 million				
Cost of Turnover (TEH – 1,000)	\$6 million	\$9 million	\$12 million	\$15 million	\$18 million
Turnover as a % of Gross Receipts	20%	30%	40%	50%	60%

Table 1 shows just how serious this problem truly is. If your organization's turnover is 100%, relatively low for contract security firms, than 20% of your company's gross income is wasted on turnover costs. Think about that. For every hour that is billed, at say \$15, a full \$3 goes to turnover costs. That's before you have made payroll, adjusted for taxes, or covered any expenses. And, that's only if you are doing WELL in terms of turnover compared to the rest of the

industry. If your organization's turnover is at the high end of the range, then you are in serious trouble. No organization can thrive when 60% of its pre-tax income is wasted. Obviously, any firm that can keep turnover at a moderate level will have a dramatic competitive advantage over others in the industry.

Some might argue that high turnover is inherent in the industry and simply unavoidable. To this we say nonsense. Granted, low wages, lack of benefits, shift work, and the temporary or part-time nature of many security jobs, plus a number of other challenges, makes recruiting and retaining guards difficult. But these are challenges that many other industries have successfully addressed, and the security industry must as well.

So what can be done? Industrial/Organizational Psychologists have long been interested in ways of reducing turnover. Over the years they have developed a number of programs that have proven to be quite successful for other industries. It seems likely that, with thoughtful planning and careful execution, adopting one or more of these programs could significantly reduce turnover in the security field as well.

It is, after all, much easier to reduce turnover from 100% to 75% than from 25% to 0%, yet the reductions in cost are identical. It is important to offer a couple of notes of caution, however. First, it may be *easier* to reduce an already inflated turnover rate, but achieving reductions in turnover is never *simple*. As such, it is vitally important to find someone who is trained in diagnosing and treating these types of organizational issues. Certainly don't be hesitant in seeking external assistance -- the ROI for investing in a reputable consultant could easily be as high as 3,000%. In fact, it would likely be beneficial to take this approach. The key is to find someone who is in fact, reputable. It might be worth checking to see if your local university has an I/O Psychology program. If not, perhaps someone in the Organizational Behavior/Management Department could help. The point is, anyone can *call* himself or herself a business consultant but that doesn't mean they *are* (most managers and business owners who have dealt with consultants know this already). There is no serious accreditation or certification necessary to advertise consulting services. If there were, it would be a safe bet that there would be a lot fewer "consultants" in the world. But there are many fewer still that are rigorously trained to deal with this type of organizational issue. And bigger isn't always better, either. Often with the largest consulting companies, unless you are willing to spend millions of dollars all you

will get is a standardized solution that they have sold to a number of other companies in a number of other industries. You'll likely overpay for a program that underperforms since every organization faces unique challenges in addressing turnover; some are unique to the individual organization and some are inherent to a particular industry. Second, don't rely exclusively on your HR department or generalists to solve these issues. In most cases they are not equipped to deal with all of the complex legal, statistical and theoretical considerations that are involved in making changes of this kind. But don't cut them out of the process either. Experience has shown that the most successful consulting relationships are collaborations between those that know the company intimately and those that specialize in strategies to help the company attain its goals.

With that said, we now turn to a discussion of strategies to reduce turnover. For ease of organization, the programs are divided into two categories; pre- and post-hire. It is important to recognize that not all of these strategies are ideal for all organizations. You must carefully consider the individual operating environment that your organization faces, and then decide how to proceed. Extensive research has been conducted on each of these techniques. What follows are summaries; much more information is available on any of these techniques.

## **Pre-Hire Turnover Reduction Strategies**

Pre-hire turnover reduction strategies are aimed at preemptively eliminating job candidates who are at a high risk for turnover. This type of screening can come in two forms. The hiring agency can actively look to screen out candidates (using, for example, personality testing and bio-data to aid in selection), or the candidates can remove themselves from consideration for the job (which is the purpose of a realistic job preview). Either is an acceptable route, as long as the end result is a reduction in turnover.

### Personality Testing in Selection

Personality testing has long been of interest to individuals hiring in the public safety and security fields. For example, candidates for positions as police officers are routinely given personality tests. And indeed, this practice has begun to find its way into the private security industry. In both cases, however, the hiring organization is most

interested in the presence of clinical psychological problems that would make a guard or officer unfit for duty. To make this assessment, candidates are often given the Minnesota Multiphasic Personality Inventory-2 (MMPI-2), or other similar types of tests. And while these tests are very good at diagnosing and screening individuals with abnormal personalities, by definition the vast majority of job applicants screened will be considered normal. As such, tests like the MMPI-2 are useful for screening unfit officers, however they can contribute very little to the reduction in turnover.

However, there are a number of personality tests that are designed to assess individuals with normal personalities. Many of these, and the ones that make the most sense to use, are based on theories of personality called Five Factor Personality Models (or the Big 5). Big 5 personality theories assert, and research supports, that there are really only about 5 broad categories of personality into which all other personality traits fit. These 5 categories include 1) conscientiousness, 2) openness to experience, 3) extraversion, 4) agreeableness, and 5) emotional stability (aka neuroticism). A full explanation of each of these categories of personality traits is not possible here, but virtually any current Personality Psychology textbook can provide such information. What is important is that many of these personality traits have been found to correlate with turnover. For example, a recent review of research has shown that emotional stability has an average correlation with turnover of about .25. This means that by using a measure of emotional stability to screen out applicants prone to turnover, it may be possible for organizations to reduce their turnover by about  $0.25^2 = 6.25\%$ . Although this doesn't sound like a huge reduction, if we refer back to our fictitious 1,000 guard firm, a reduction in turnover of 6.25% amounts to an actual dollar savings of \$562,500 per year. Clearly this is a substantial supplement to any organization's bottom line.

One added bonus to the use of five factor models of personality is that most measures of these personality traits are relatively short (usually less than 50 questions compared to the hundreds of items on the MMPI) which requires less time for administration and thus less upfront investment in potential candidates. In addition, the MMPI requires a trained psychologist to interpret the results for each individual test. The interpretation of results for five factor measures is usually much more straightforward. A psychologist may be required to set up the initial system, but after that it can be run fairly smoothly by knowledgeable HR professionals.

### Bio-Data in Selection

The use of bio-data, at least at the most basic level, is actually something that is fairly common. Any organization that requires an application or resume is familiar with the collection of bio-data. Bio-data is simply information from an individual's past such as work experience or educational history. However, most organizations fail to use bio-data to the extent that is possible. Many organizations simply look at applications to get a feel of someone's experience, and sometimes they will use the information to contact past employers or references. However, it is possible to develop a somewhat basic calculation that puts value on certain aspects of applicants' pasts. By plugging each individual's information into this equation, it is possible to predict with some accuracy which applicants are most at risk for turnover.

### Realistic Job Previews

It is becoming more and more common for Industrial/Organizational Psychologists and HR professionals to view the interview not only as part of the selection process (where the hiring organization gathers information to make a decision on employment), but also as part of the recruitment process (where job applicants gather information in order to make a decision about accepting a job). One sign of this shift in understanding is the development of the Realistic Job Preview (RJP). The idea behind an RJP is fairly straightforward, and summed up quite well by the name. An RJP is simply an attempt to provide accurate information about the nature of a particular job to all job applicants before hiring. This includes not only what the duties of the job are (e.g., walking a patrol, checking ID badges), but also what the job is like (e.g., tedious or tiring) and what working conditions may be encountered (e.g., night work, being outdoors and exposed to heat or cold).

Research on RJP's has shown that when done correctly they can be very helpful at combating turnover. Why this is the case, however, is not well understood. Some organizational scientists believe that information gained by applicants during an RJP allows them to decide if the job is right for them, and then withdraw from consideration for the job if it is not. In essence, you give the applicant information early on that he or she would otherwise acquire while doing the job. This allows the applicant to make the withdrawal decision (which they would have made anyway) before your organization has invested a large amount of time and money training and equipping that

individual. Others have more complex explanations for why RJPs seem to be effective. Some believe that turnover, much like politics or the stock market, is an expectations game. These theorists believe that RJPs lower the expectations that individuals have when they accept a job, which makes it easier for the organization and the job to meet those expectations. With expectations being met, the employee experiences job satisfaction, thus reducing the probability of turnover. Still others believe that RJPs cause individuals to believe that the organization is more committed and honest to them and therefore they are more committed to the organization. Regardless of the mechanisms that cause RJPs to work, the fact is that they do, and they can significantly reduce the rate of turnover.

There are a number of different questions that must be asked when developing an RJP. What information to communicate, when and how to do it, and to whom it should be given are particularly critical. Answers to each of these questions, and the many others you will face, depend in large part on the ultimate goals of the RJP and the organization.

## **Post-Hire Turnover Reduction Strategies**

Post-hire turnover reduction strategies are aimed at attempting to reduce turnover after individuals have joined the organization. As a result, these efforts could be viewed as more reactive in nature. Nevertheless, when implemented thoughtfully and applied consistently, these too can be effective at reducing turnover.

### Organizational Socialization/Orientation

Commitment to an organization is a powerful way to counter high turnover rates, as well as a number of other counterproductive work behaviors. There are a number of ways to build commitment to an organization, but one fairly straightforward way is by requiring all employees to complete organizational socialization training or orientation. This type of intervention takes new employees and teaches them what they need to know to function appropriately as an organizational member. This is different than teaching them the job skills; socialization is teaching them the organizational and people skills necessary to function. This is where you would teach things such as the organization's mission, the proper work attitude and even

simple things like when is payday. Through this process, you are showing individuals the proper way to behave as well as showing them that you are concerned about their adjustment to a new job. It shows commitment to the workforce and elicits commitment in return. And it does all of this before a new hire can begin work and potentially be contaminated by disgruntled workers with bad attitudes and work habits.

### Supervisor Training

A recent study conducted by the Gallup Organization revealed some very interesting information about the nature of employee turnover in general. The number one reason individuals left their organization was not due to low pay, lack of benefits, or the work itself. The reason employees left the organization was due to conflicts with their supervisor. It appears that many individuals form opinions of their organization based on their interactions with their immediate supervisors. To them, "management" is the organization and their first point of contact for management is the direct supervisor. Therefore, if the relationship between supervisor and subordinate is poor, the possibility of turnover is high.

To combat this problem, it is vital to invest in management development. Traditional training programs on interpersonal skills, communication, customer service and motivational skills could all be beneficial. But training for the sake of training is pointless. Supervisors must understand why the training is important and they must be encouraged to apply the lessons and skills they learn in training to their jobs.

### Higher Pay

Despite the fact that pay isn't the main reason that individuals leave their jobs, it can still have a major impact on turnover. Certainly the nature of the security business dictates that competitive bidding leaves little room for paying guards extravagantly. However, as Table 1 suggests, a large amount of a security firm's gross income is wasted on turnover costs. However, if an organization can bring its turnover under some degree of control, more money is then available for paying employees better, and providing other amenities such as benefits. Looking at our fictitious organization, let's assume they adopted a couple of the practices we have described above. By doing so, they are able to reduce their turnover from 150% to 100%. (Although this is a significant reduction, an annual turnover rate of 100% is still

nothing to brag about.) This reduction in turnover puts 10% of the organization's gross receipts back into their coffers. We know that the organization charges \$15 per hour for guard services, so this means that an extra \$1.50 per hour is available. Using some of that money to raise wages gives the organization a competitive advantage against those organizations paying less. The organization will get more and better quality applicants, which allows them to be even more selective about whom to hire, thus potentially reducing turnover even more. In this way positive feedback cycle is possible.

Despite the almost overwhelming nature of the turnover epidemic in the security world, there is hope. With a little guidance, forward thinking security managers can dramatically reduce turnover from the astronomical levels they are currently experiencing. By doing so, they can use these gains as a competitive advantage over other organizations. While the turnover epidemic slowly kills those organizations that choose not to respond, those that do can be cured and vaccinated against future damage. And ultimately it will be these organizations that survive and thrive.