

INDUSTRY:  
Retail

SOLUTION:  
Customized Professional Level Assessment

## Reducing Turnover by Assessing Culture Fit

### THE SITUATION

A large retail organization partnered with Select International to develop a customized assessment solution for hiring professional-level positions, including management and various types of individual contributors. One of the goals of the project was to identify individuals who best fit their organizational culture, which would hopefully lead to reduction in turnover rates. After the process had been in place for approximately two years, Select International evaluated the effectiveness of the custom assessment, including whether there was a decrease in turnover.

### THE SOLUTION

Based on in-depth job analyses, Select International developed and implemented a customized “culture fit” assessment aimed at identifying individuals who would best fit within the organization’s existing culture. One of the goals of the assessment was to help reduce turnover among professional level positions. In 2012, this customized assessment was implemented early in the hiring process to screen out candidates with poor culture fit.

Turnover rates from the group hired with the assessment were compared to employees’ turnover rate prior to the company’s use of the customized assessment.

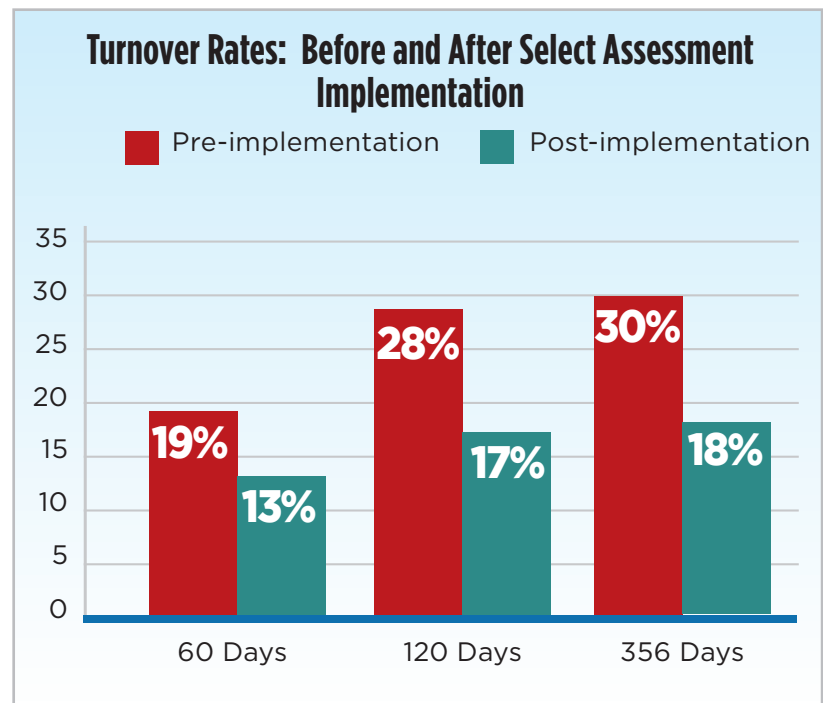
### Turnover Costs

- \$14,000 to replace an employee (Mulvey, 2005).
- For an organization with 10,000 employees, a turnover rate of 30% would cost \$16.8 million more than if the turnover rate was 18%.
- **Hidden costs:**
  - Productivity loss
  - Sunk costs of hiring/training
  - Decline in morale

### OUTCOMES

Turnover is costly for organizations, but early turnover can be even more troublesome because of the loss of return-on-investment (ROI). The costs and investments in employee training have not been recouped yet by the organization through efficiencies and productivity. Comparisons of early turnover rates showed a clear reduction after implementation of the customized assessment. Turnover rates were examined at 60 days, 120 days, and 365 days.

Prior to using the Select Assessments, this organization had a 19% turnover rate at 60 days after hire, 28% at 120 days after hire, and 30% turnover rate within one year of hire among all professional-level positions. After implementation, with poor culture fit applicants screened out, the turnover rate was reduced at 60 days (13%), 120 days (17%), and 365 days (18%). Overall, **turnover was reduced by 12% for turnover at 1 year.**



## IMPLICATIONS

By focusing on important cultural aspects of an organization, Select assessments can contribute to a reduction in turnover. Assuming an annual management salary of approximately \$50,000, 1,000 hires per year, and cost of turnover as equal to salary; if this organization simply used Select's customized culture fit assessment to screen out poor fitting applicants, the client would reduce its 60-day turnover by 60 employees, saving the company \$3 million. Employee 365-day turnover would be reduced by 120 employees, saving the company \$6 million. **This is a total savings of almost \$9 million.**

The results of this study demonstrate convincingly that using a customized culture fit assessment can provide an effective and proactive means of reducing turnover.