Are Customers Causing Your Turnover?

Dr. Robert E. Ployhart

We all know turnover is costly. It is expensive and time consuming to hire replacements, the employees who remain have to incur greater workloads, and even a single turnover event can stimulate additional turnover and lower morale. In prior columns I have talked about the causes and consequences of turnover. For the most part, the causes include the employee’s satisfaction with his/her coworkers, job, and supervisor; compensation and non-monetary rewards (e.g., recognition and development); and unemployment rates. Nearly all efforts to reduce turnover start and end with the firm’s management, leadership, and human resource (HR) practices.

In research that I have been conducting with a large bank, we are finding that branch employee turnover is also strongly driven by the nature of the customers who frequent the branch. In branches where customers report a more negative customer experience, we are observing turnover rates much higher than in branches where the customers are more satisfied and report higher customer quality. Further, the effect of negative customer perceptions is approximately as strong as the effect for negative employee attitudes. This surprising result occurs even when we account for prior branch turnover, employee attitudes, and customer attitudes. To put it simply: unhappy customers are contributing to employee turnover, and for reasons that are independent of employee attitudes and satisfaction.

This new finding is actually consistent with a large body of research showing that working in service contexts is mentally and physically exhausting. The provision of excellent service
requires an employee to be highly attentive to a customer’s needs. The employee needs to listen carefully, show empathy, and ask questions to ensure understanding. Employees must also express positive moods and demonstrate enthusiasm—even when they don’t feel it, and even when customers are rude or obnoxious. Organizational psychologists call this type of work “deep acting” because the employee must convey a positive impression at all times. Deep acting can contribute to exhaustion and burnout, which we know can lead to turnover. Thus, the more negative the customer, the more deep acting is required, and the more likely the employee is to become exhausted and think about quitting.

Of course, we can turn this equation around and try to provide a better customer experience in the first place. We know that branches that have more favorable employee attitudes provide a higher quality customer experience and enhance customer satisfaction. The reason is because employees who are more satisfied and engaged, are more likely to perform better, attend to customer needs, and “go the extra mile” for customers. By this logic, one should focus on employee satisfaction and engagement as a means to enhance customer satisfaction and loyalty.

Our research suggests that focusing only on employee satisfaction and engagement will not be enough. Employees with even favorable satisfaction will be more likely to quit, if the customers are unsatisfied with the service encounter. Enhancing employee satisfaction and engagement is thus a necessary, but not a sufficient, condition for reducing turnover.

Certainly it is important for managers to continually try to enhance the satisfaction and engagement of their employees, but they must also realize that customer satisfaction will also
influence employee turnover. The following suggestions will help managers reduce turnover by focusing on customers:

- **Continually assess customer perceptions.** Understanding whether customers view the service experience favorably or unfavorably helps establish a baseline. Examining this data in a more fine-grained manner can be particularly helpful. For example, ask customers to indicate which employee he or she worked with, as a means to identify which employees might be a higher risk for turnover.

- **Find ways to reduce the tension after dealing with difficult customers.** You can try putting employees on a rotation program, where they may spend ¾ of their time with customers and ¼ of their time on non-customer facing activities (e.g., bookkeeping). Another suggestion is to have “debrief” periods where employees share their difficult customer experiences with other coworkers—after all, misery loves company.

- **Have protocols for dealing with difficult customers.** Customers that are difficult, argumentative, offensive, or abusive, take a toll on employees. Have standards for customer conduct, similar to standards for employee conduct. Create procedures for handling difficult customers (for example, no tolerance for an abusive customer). Sometimes it is helpful to work with difficult customers in teams.

- **Ensure you hire employees with a predisposition for service.** This may seem obvious, but not everyone is cut out for providing excellent service. There is a pressure to ensure a workgroup is sufficiently staffed, but is it really better to hire an incompetent employee to fill a position today, rather than wait longer to hire a competent employee tomorrow? Usually, the answer is no.
- **Create a climate where employees know you support and recognize their efforts.** A supportive climate helps buffer the negative consequences of deep acting and emotional exhaustion. Difficult customers take a toll and having a supportive climate helps give employees the resilience they need to maintain high levels of performance.

There are many other approaches to try. The most important point is to recognize that customers can be causing some of your workgroup’s turnover, and thus managing customers is one way to retain your best employees.

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