

PEOPLE & TALENT RETURN ON RETENTION STUDY

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The brief

Study Objective

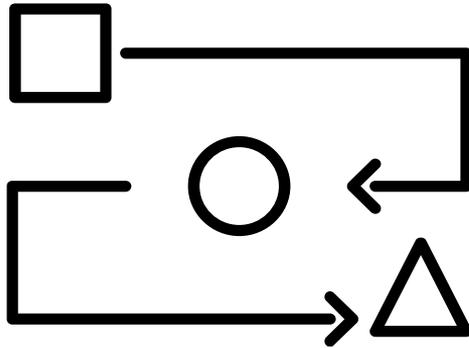


To provide MRS insight agency leads with a financial and commercial framework to assess the positive impact of staff retention and a positive company culture.

- Is Retention just a fluffy 'nice to have'?
Or is does it impact on the bottom line?
- Is staff turnover/churn beneficial or
damaging to the P&L?
- How to begin such a conversation?
And quantification?
- Not just an individual agency issue,
but a sector-wide concern



Methodology



- Desk research to understand latest public-domain data on staff turnover/churn & retention
- MRS Employee Engagement & Satisfaction Survey learning 2024
- 2023 MRS Retention Best Practice study
- Core of study: Qualitative one-to-one interviews with a sample of experienced, senior, personnel who have seen the impacts of staff retention & churn close-up:
 - Agency Leads
 - Agency CFO's & FD's
 - Insight Recruitment Agency Leads



Retention & Staff Turnover
context & benchmarks

34%

Average annual staff
churn in UK

35%

Information &
comms sector churn

2-5 yrs

Most common
employee tenure
in UK

2-5 yrs

Information &
comms employee
tenure*

16%

Under 12-months
tenure in UK*

**I&C = 16.5%*

The CIPD's Resourcing and Talent Planning Report 2024, found that 31% of businesses calculated the cost of labour turnover (up from 17% in 2022) and just 20% collected data to evaluate effectiveness of retention initiatives.



Retention:
always a good thing?



**There are occasions when
someone leaving the
business is beneficial**

Immediate P&L saving

Future cash flow benefit

Opportunity to upgrade performance

Frees up budget for promotions...

and promoted staff can perhaps deliver
similar performance at lower cost

Opportunity for businesses not in growth
to bring in fresh ideas

But these headline savings often mask underlying costs...



“ It’s all too easy for CFOs to focus on the immediate impact of churn on the P&L, particularly given the pressure from shareholders.

However, I believe it’s even more important for CFOs to prioritise the longer-term implications of churn, as these can have a lasting and more profound effect on the P&L.

”

Agency CFO

Finding the 'right' level of retention for your business?

Attrition is a fact of life for any healthy business. It can have profound impacts on agency performance and is easy to measure. So, finding the right level is an important first step.

Too Much Attrition

- Inconsistent service
- Disrupted Culture
- Recruitment Costs
- Lost knowledge

Not Enough Attrition

- Costs increase faster than growth
- Missed opportunity to learn from other cultures
- Low performers tolerated



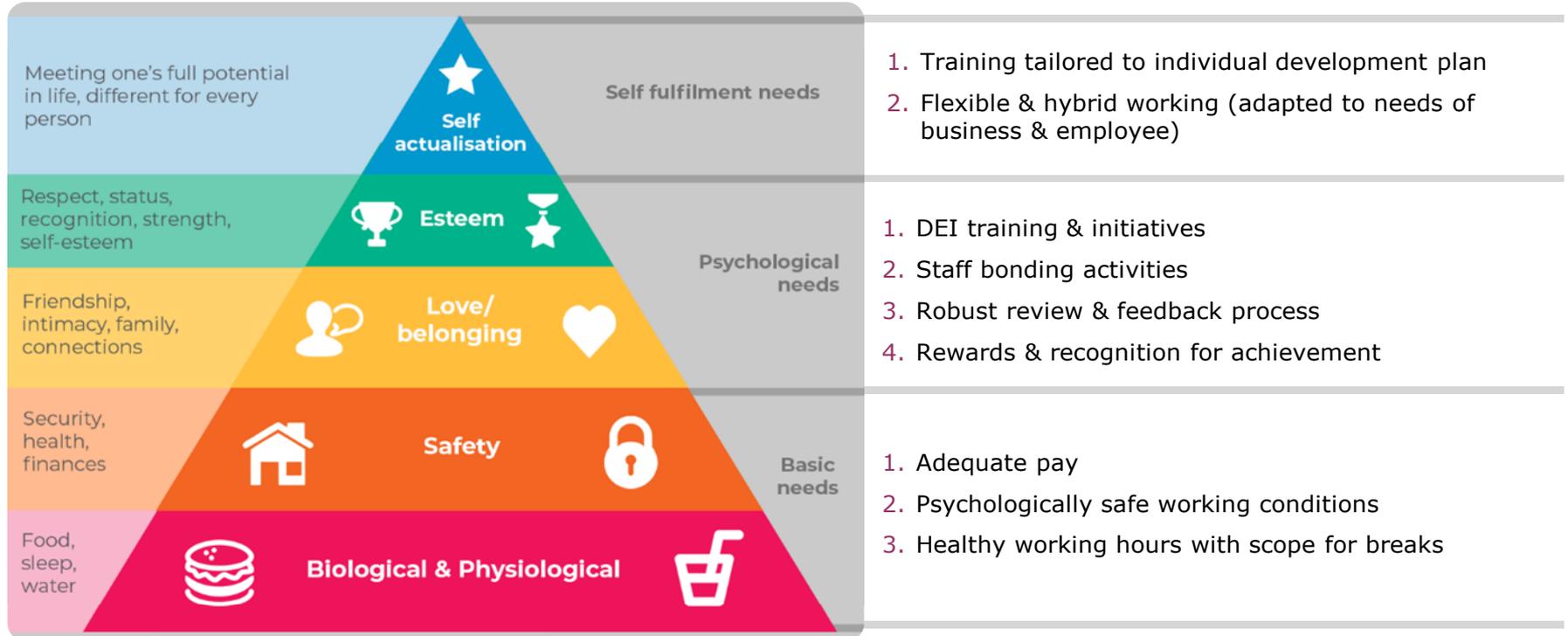
“ We have 4 business units and each is different, with its own attrition target. We know the average salary for each. We know its growth forecast. We know how many people each will need. We know the cost of recruitment. Based on that we can set a target for team leaders. ”

Agency Group COO



So, let's assume we need a degree of retention. How do we encourage it?

Retention requires investment across the hierarchy of needs





Across industries, one factor dominates when it comes to retaining people – **Culture**

Those who strongly agree with “I feel connected to my organization’s culture”:

- **55% less likely** to be watching for job opportunities or actively looking for another job
- **68% less likely** to feel ‘burned out at work ‘very often’ or ‘always’
- **3.7 x more likely** to be engaged at work
- **5.2 x more likely** to recommend the organisation as a great place to work
- **Engaged employees** top words used to describe their workplace: Caring, Integrity, Innovative, Friendly, Fun, Service

Source: Gallup x Workhuman 2023 study – From Praise to Profits

Building
a strong culture
is what builds
a strong organization.

@simonsinek



Culture is key in Market Research, as are the people who lead them



Lead factors impacting engagement:
MRS Employee Engagement & Satisfaction Survey, 2024

1. Belonging
2. Feeling Valued
-
3. Confidence in Leadership
4. Enjoyment
5. Role Models
6. (...10. Salary)

Return on Retention
a virtuous cycle of sales and efficiency



**If agencies can create optimised retention,
there is ROI across the business model**





“ I 100% give more work to teams I know are settled. They become a knowledge bank for us, and I can trust they won't disappear mid project ”

Insight Manager, FMCG



Retention

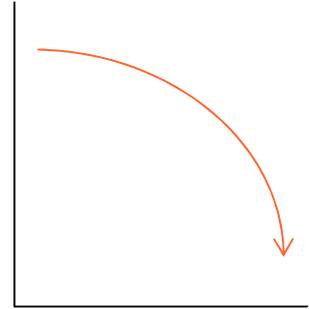
the costs of not doing it

What are the costs of staff churn?

- We have created a heuristic model to quantify the negative impacts of staff churn in Insight agencies
- Using rules of thumb gained in our interviews
- They cover the two perspective we encountered in our interviews. People generally had two different ways of quantifying any impact

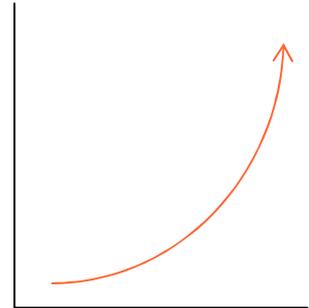
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Internal
productivity loss



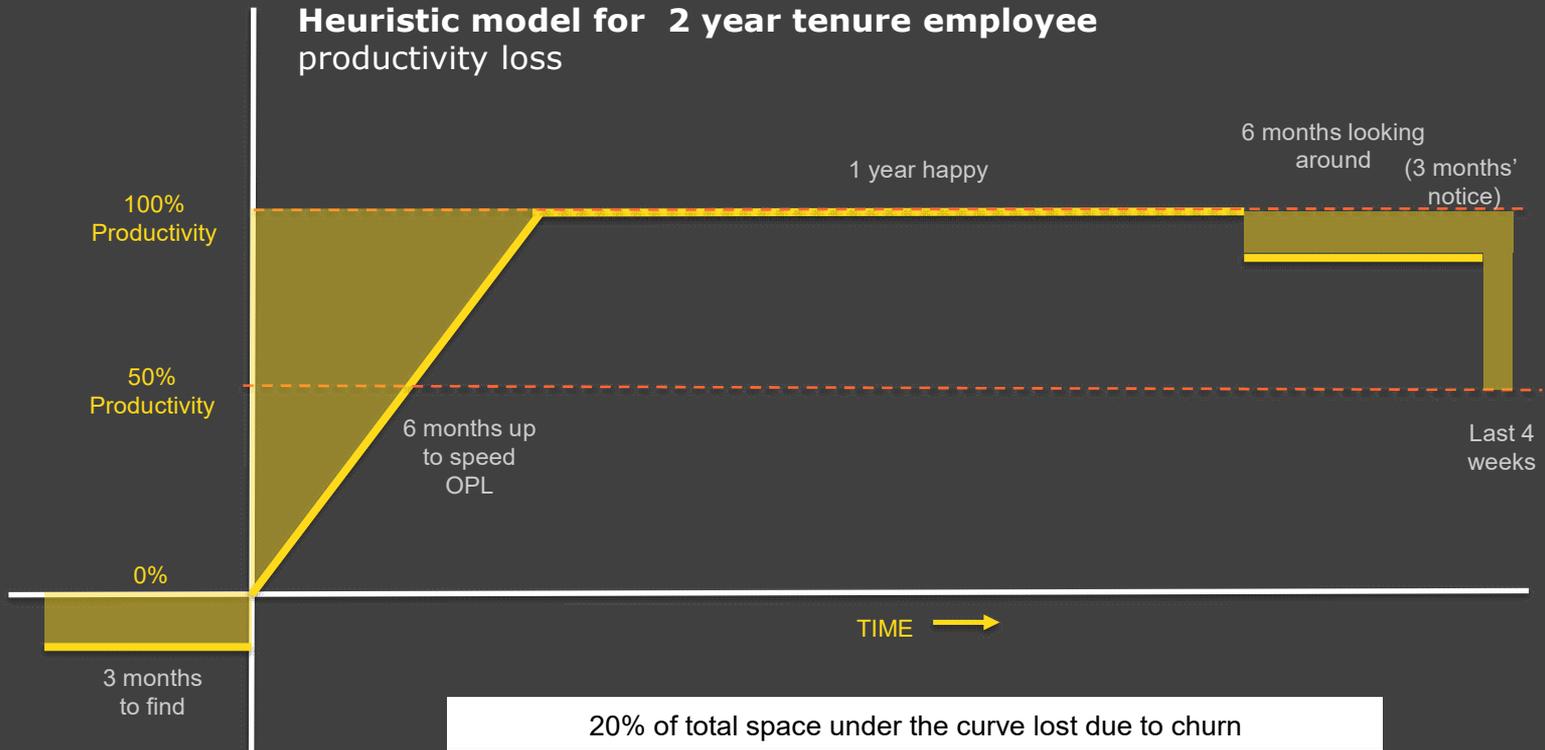
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External
opportunity cost

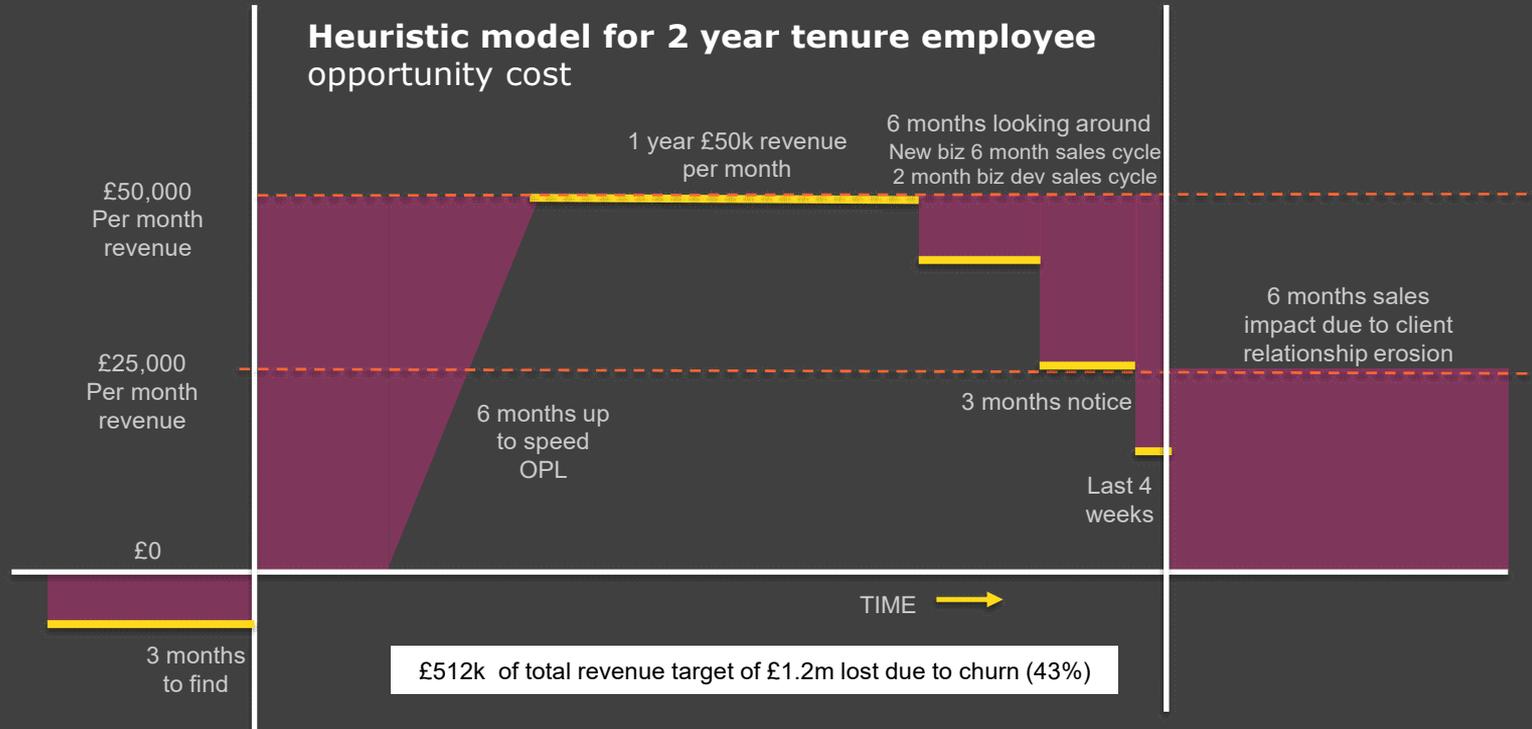




Heuristic model for 2 year tenure employee productivity loss



Heuristic model for 2 year tenure employee opportunity cost



Heuristic models in summary



We have estimated using a heuristic model based on our interviews with industry leaders that the impact of one person with a tenure of 2 years leaving the team is:

At best 20% in Lost Productivity

At worst 43% of target in Lost Revenue

N.B. These figures ignore

- the knock-on impact on the line manager needing to 'reach down'
- the direct cost of recruitment agency's fees for recruitment
- freelance cost to cover any gaps





“ Bad agency reputations in the recruitment ecosystem can hang around for 12 months, even if rectified in practice, and this only requires higher salary levels to attract new staff ”

Recruitment Agency Head

Broader impacts of a leaver

things that are less VISIBLE



The value of a team member can also be judged in multifaceted ways:

Cultural value

“when certain people leave who are role models, or are big personalities in the coffee shop, they will have a bigger impact on others in the team if they leave. They are valuable assets to an agency”

Knowledge capital

“we encourage the development of an individual’s side-desk skills and bring it into the light so the centre of the business can benefit from these leading edge skills and trends”



Summary & Conclusions



In summary
impact of high churn



- Estimated 20% reduction in Productivity
- Estimated 43% reduction in Revenue
- Headhunters' fees (15-20% of salary)
- Loss of cultural and knowledge capital, to competitor or client-side
- Overburdened team and team spirit decline
- Risk of bad agency reputation in recruitment ecosystem



With thanks to



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THANKS

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help please contact:
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