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Strategic Human Resource Management

MIT Sloan School of Management
The Loyalty Effect...

• A consulting study of a trucking company showed that reducing driver turnover 50% could increase profits by 50%.

• A study of brokerage companies showed that increasing broker retention by 10% increased broker value by 155%.

• A study of retail stores showed that stores in the top third of employee retention were also in the top third in productivity with 22% higher sales per employee.

• Fast food stores with low turnover had profit margins 50% higher than stores with high turnover.
Why Long-Term Employees Create Value

1. **Training:** Wages paid during the training period yield little or no return. For long-term employees, training becomes a net benefit.

2. **Efficiency:** Long-term employees are more efficient, require less supervision, and may be more motivated.

3. **Customers:** Loyal employees are better at identifying, serving, and retaining the best customers. They are often a major source of customer referrals.

4. **Employee Referral:** Long-term employees often generate the best flow of high-caliber job applicants.