The success of succession to reduce manager turnover costs
A qualitative study on costs related to manager turnover in a Swedish retail company and succession planning and management success factors to reduce these costs

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Abstract

Problem background/Introduction: Many of today’s organizations struggle with securing a high performing manpower due to either a retiring or an increasingly mobile workforce. If a company fails in attracting and retaining their talents, costs related to employee movements - in this study employee turnover costs - will probably increase. Retention of people and promoting the employees’ knowledge, capabilities and talents are becoming ever more important in order for companies to stay competitive. As a solution to the employee turnover problem, Succession planning and Management (SP&M) could be applied.

Purpose: To investigate the costs associated with employee turnover, manager turnover to be specific, and to identify SP&M success factors to reduce these costs.

Research questions: What are the costs related to manager turnover in a Swedish retail warehouse? What are SP&M success factors for reducing manager turnover costs? To answer the second research question we also ask; Why should SP&M be used to reduce manager turnover cost?

Limitations: This case study was performed at one company and in one particular warehouse. The focus was put on three different managerial levels within the warehouse, all other personnel were excluded. The internal corporate data was compiled into lump sums, representing one total cost for manager turnover.

Methodology: This study combined a descriptive research with a qualitative research approach. A case study was performed where semi-structured interviews were used as primary data and internal corporate data and previous literature were applied as secondary data. The analysis of the qualitative findings was performed using an iterative and thematic analysis approach.

Empirical results: Tangible and intangible employee turnover costs related to manager turnover have been identified. The tangible costs, such as vacancy costs, training and education costs, amount to SEK -15 788. The intangible costs, such as lost knowledge and lost productivity, measure SEK 3 266 667. SP&M is useful to handle resignations, competition for skilled employees, poor career development and manager transitions. The success factors to reduce employee turnover costs are: focus on development, identify talents and key positions, transparency and communication, continuous assessment and flexibility.

Conclusions: To answer the first research question, both tangible and intangible employee turnover costs were identified. The tangible costs related to employee turnover are separation costs, vacancy costs, replacement costs and training costs. The intangible employee turnover costs are rework, lost knowledge, stress and lost moral and performance differential/lost productivity/lost sales. The intangible employee turnover costs constitute the major part of the total employee turnover cost, where the total costs amount to SEK 3 250 879 in the case of IKEA. To answer the second research question and the sub question, SP&M is considered useful to reduce costs related to resignations, competition for skilled employees, a lack of career development and poor transitions. Success factors for reducing these costs are a clear focus on development of the process and a long-term and proactive approach to find and retain people. It is crucial to identify key talents and positions to achieve seamless transitions and avoid high costs related to manager turnover. In this process transparency and communication are important, especially when it comes to building strong relationships between the manager and employees in order to guarantee a sound leadership pipeline. By continuously assessing the SP&M processes, a company could easier detect future vacancies and be proactive in reducing turnover costs. Flexibility becomes a success factors as there exists competition for talented employees, even within the company.
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1 Introduction

The opening chapter includes a problem background and discussion regarding the subject of this paper. Moreover, the motivation, limitations and research questions are set, and the chapter ends with the thesis outline.

1.1 The turnover problem - Losing people and money

Due to resignations of today’s leaders, Millennials and Gen. X employees become an increasingly important part of the leadership pipeline (Barnett & Davis, 2008). Previous studies show that Millennials will change jobs more frequently compared to earlier generations, leaving companies with problems related to retaining talents and competence within the company (Berger, 2016). Hence, many of today’s organizations struggle with securing a high performing workforce due to either a retiring or an increasingly mobile workforce (Aberdeen Group, 2006). The reasons behind the increase in job-hopping among young professionals seem to be career development opportunities, an increased mobility and the chance of finding a better cultural fit (Zimmerman, 2016). Also, people are constantly looking for challenging and meaningful work and are more loyal to their profession than the organization (Barrett & Beeson, 2002).

Retention of people and promoting the employees’ knowledge, capabilities and talents are key in order for companies to stay profitable (Pinkovitz, Moskal & Green, 1997; Parrino, 1997; Ropella, 2013). Specifically, a 2015 Aon Hewitt Global Risk Management Survey classifies the failure of attracting and retaining talents as one of the top ten most critical risks that organizations face today (Aon Risk Solutions, 2015). If companies do not manage to attract and retain their talented employees, the costs related to employee movements - in this study employee turnover costs - will probably increase. Some costs are tangible and are directly visible when a manager resigns. These could for example be advertising or interviewing costs. The greatest costs are argued by Tracey & Hinkin (2008) to be intangible in nature and could for example be costs related to lost productivity. These costs are difficult to measure (Pinkovitz et al., 1997; Contino, 2002; Hillmer, Hillmer & McRoberts, 2004; Johanson & Johrén, 2007). To address the employee turnover problem, and reduce employee turnover costs, succession planning and management could be applied (Becker, Huselid & Ulrich, 2001; Rothwell, 2001; Richards, 2009; Hills, 2009; Kim, 2010).
1.2 Succession planning and management to prevent losing people and money

Succession planning is referred to as a systematic method of defining the organization's future management needs and developing employees that have the potential of meeting those needs (Mondy, Noe & Premeaux, 2003). This is in line with Garman and Glawe’s (2004, p. 120) definition of succession planning: “a structured process involving the identification and preparation of a potential successor to assume a new role”. By adding the term “structured”, the authors exclude ad hoc or just-in-time identification of successors into the definition. An also common term for these kinds of processes is succession management, which according to Leibman, Bruer and Maki (1996) is a process involving both role planning and leadership development to guarantee that new appropriate recruits are available at the time a position is free. This means that organizations could identify and evaluate successors in order to provide them with adequate knowledge and skills to fit future positions (Stadler, 2011). The theories around succession planning and succession management are highly interconnected (Rothwell, 2001; Kim, 2010; Mehrabani & Mohamad, 2011), thus this paper will use the term succession planning and management (SP&M) for the remainder of this thesis.

Failing in retaining skilled and motivated employees often leads to several costs connected to replacement of the resigning manager (Pinkovitz et al, 1997; Favaro, Karlsson & Neilson, 2015). As the problem with resignations is growing, SP&M could be used to motivate and engage employees to stay within the company through better planning and preparation of leadership candidates (Rothwell, 2001; Conger & Fulmer, 2003) and thus reduce costs (Favaro et al., 2015). The market for skilled workers is getting more competitive, therefore SP&M could be used to enhance collaboration within the organization in order to find suitable positions for the employees before they leave for a competitor and creating turnover costs (Rothwell, 2001; Kesler, 2002; Kuptsch & Pang, 2006). SP&M can help organizations to identify career development opportunities and thereby increase the employee engagement (Barnett & Davis, 2008). Also, effective SP&M processes could reduce the gaps that occur between a resigning manager and the replacement (Rothwell, 2001), meaning that costs related to manager turnover could be decreased. Conclusively, a successful SP&M process enables firms to achieve long-term financial performance and growth by planning, implementing and evaluating strategies to ensure that key positions will remain filled with individuals possessing adequate skills for the position (Aberdeen Group, 2006).
1.3 Employee turnover and succession planning and management at IKEA

The retail sector is one of the industries with the highest employee turnover rates in Sweden (Svenskt näringsliv, 2016). Approximately 35 percent of the workers resigned and 39 percent began to work in this sector between the years 2014 and 2015. The corresponding numbers for officials are 19 percent and 27 percent (Svenskt näringsliv, 2016). As in many industries, it is important for the retail sector to secure competent workforce for key positions. At IKEA, much work is put on developing innovative human resource management practices that will favor employee retention and lower the employee turnover rate. The heavy work on employee empowerment has resulted in IKEA being a preferred employer within the retail sector and has a turnover ratio that is almost half of the industry amounting to seven percent (IKEA, 2017). Even though the turnover ratio is low, employee movements are still associated with huge costs (IKEA, 2016; Fridolfsson, 2017). When a manager resigns, the company faces rising costs related to for instance lost knowledge and poor relationships that affect the remaining employees as well as a loss in productivity (Fridolfsson, 2017). Therefore, one prioritized area within IKEA is to further advance their work on talent management to become even better at retaining and developing great people within the company. To achieve this, one method that IKEA has started to employ is SP&M.

1.4 Motivation

There exists a common agreement regarding the need for suitable SP&M systems, and according to the Aberdeen Group (2006) many companies are well aware of the need and advantages of using a robust process for SP&M. However, according to Lars-Erik Fridolfsson (2017), Talent Manager at the case company, the firm faces issues with high costs connected to manager succession. Thus, this study aims at identifying both costs associated with employee turnover and SP&M success factors to reduce these costs. In more detail, this paper will help the case company gaining in-depth understanding of what costs are related to manager resignation and how SP&M could successfully reduce these costs. Previous literature has focused on SP&M success factors or best practices for implementing and executing SP&M in an organization and have not linked SP&M and employee turnover costs to the same extent and detail as this paper. What the SP&M success factors are for reducing employee turnover costs have not been covered before and therefore this thesis aims at contributing with new and more knowledge in these research areas. Furthermore, this thesis will contribute with new knowledge regarding employee turnover costs from a case in the Swedish retail sector and what is considered important with SP&M in this case to reduce the costs. Since an
idiographic approach will be employed in this case study, the researchers will identify unique features of the particular case (Bryman & Bell, 2011).

1.5 Research questions and Purpose
This research will be conducted in collaboration with the Swedish retail company IKEA Retail Sweden (named IKEA in this thesis). The purpose of this research is to investigate the costs associated with employee turnover, manager turnover to be specific, and to identify SP&M success factors to reduce these costs. Conclusively, the research questions for this thesis are:

1. What are the costs related to manager turnover in a Swedish retail warehouse?
2. What are SP&M success factors for reducing manager turnover costs?

To answer the second research question, the following sub question is investigated:
   a) Why should SP&M be used to reduce manager turnover cost?

In this research, employee turnover describes the employee movement on the labor market; between companies, jobs and positions; and between the states of unemployment and employment (Abbasi & Hollman, 2000). Hence, the employee turnover costs are tangible and intangible costs associated with employee turnover, such as recruitment and productivity loss (Pinkovitz et al., 1997). SP&M refers to a structured strategic approach of finding, preparing, developing and retaining potential successors for future positions. This approach is characterized by proactiveness and continuous processing in order to ensure that the leadership pipeline is prepared and ready to enter new available positions (Rothwell, 2001; Conger & Fulmer, 2003).

1.6 Limitations
- This case study is geographically limited to Sweden and based on data collected from one warehouse in the Gothenburg region. However, since the practices and procedures regarding the studied subject are fairly standardized between all warehouses in Sweden the findings can be applicable to other Swedish warehouses (Fridolfsson, 2017). Moreover, this study was performed at IKEA Retail Sweden, meaning that other IKEA subsidiaries were not covered.
Considering that this study will be performed on a large retail company, small-medium-sized companies and other industries will be excluded.

- The focus was on collecting empirical evidence from three different managerial levels at one warehouse. Thus, personnel on other levels, such as floor staff and executives will be excluded. This would perhaps narrow the perspectives that could have been achieved by interviewing all personnel levels.

- In this study, a lump cost representing three different managerial levels was used when calculating the tangible costs. Since the purpose of this research was not to compare different managerial levels in terms of costs, a lump cost was used and considered appropriate. Using a lump cost will not generate an exact figure.

- The internal corporate data regarding tangible employee turnover costs represents a lump cost of an internal and external recruitment. This means that the figures perhaps would have been different if solely focusing on either internal or external recruitment.

- Due to the lack of previous literature concerning the identification of intangible employee turnover costs, this research will contribute with a deeper knowledge regarding the intangible cost associated with performance differential/lost productivity/lost sales. We think this is reasonable as other intangible costs, such as rework, lost knowledge, low morale and stress, are strongly affecting productivity. Therefore, we will not present any specific figures for the intangible costs rework, lost knowledge, stress and lost morale.

- We are aware of that tangible and intangible costs are highly interconnected. This thesis will illustrate the connections between costs and SP&M from the perspective of the respondents. Therefore, some aspects of SP&M reducing employee turnover costs could have been missed.
1.7 Thesis outline

Figure 1: Thesis outline

1. Introduction
   • Presents the problem background, motivation, purpose and the research questions, which this thesis will focus around. Further, the limitations and the outline of the study will be displayed.

2. Theoretical Framework
   • Illustrates the literature on employee turnover costs and succession planning and management, where SP&M is described in general and then related to employee turnover costs.

3. Methodology
   • Provides a detailed overview of the research approach, design and methods used in this research. The methodology section also includes data gathering techniques and selection of case company and respondents. Lastly, the reliability and validity are discussed.

4. Empirical Findings
   • Illustrates the collected data.

5. Analysis
   • Comprises a thorough and complete analysis of the empirical findings in relation to the theoretical framework.

6. Conclusion
   • Summarizes the results and answers the research questions. The report ends with presenting recommendations and future research proposals.
2 Theoretical framework

This section presents the theoretical framework for this research, which later will serve as the foundation for the analysis and conclusions performed on the empirical results. The theoretical framework starts with a presentation of employee turnover and the associated costs. These costs are specified as tangible and intangible. Moreover, theories around SP&M are presented, where SP&M is described in general and then related to employee turnover costs. Here, the section SP&M as a solution to reduce employee turnover costs display why SP&M can be used to reduce employee turnover costs, followed by SP&M success factors. Lastly, a summary of the theoretical framework is presented.

2.1 Employee turnover

Employee turnover describes the people movement on the labor market; between companies, jobs and positions; and between the states of unemployment and employment (Abbasi & Hollman, 2000). Here, employee turnover covers all members of an organization, from executives to floor personnel (Pinkovitz et al., 1997; Johanson & Jorén, 2007). Price (1977) defines employee turnover as the number of employees who have resigned during a specific time period divided by the average number of employees in the organization during the same time period. Abbasi & Hollman (2000) further argue that a vacant position, regardless if it is voluntary or involuntary, must be filled by a new employee. This whole process of recruiting and training a new employee to fit the position is known as turnover.

According to Shaw et al. (2005) and Handelsrådet (2016), employee turnover can bring some advantages. To have some degree of employee movements can reduce the risk of the organization stagnating, since new employees can contribute with fresh ideas and innovative mindsets. Ton and Huckman (2008) further talk about the differences between low and high employee turnover rates. They argue that companies having low employee turnover rates often become more affected compared to companies having high rates of employee turnover. The underlying explanation is that companies with low turnover rates often have generated internal firm-specific knowledge to a greater extent than a company with high turnover rates (Ton & Huckman, 2008).

2.2 Employee turnover costs

Failing in retaining skilled and motivated employees often leads to several costs connected to replacement of the resigning employee (Pinkovitz et al., 1997; Favaro et al., 2015). These costs include covering the vacant position, finding a new replacement and increasing the speed of the new person, and are directly affecting companies’ financial performance (Pinkovitz et al., 1997; The Ken
The following paragraphs will be divided into tangible vs intangible costs of employee turnover.

This research focuses on investigating manager turnover costs in particular. However, since literature on employee turnover and its associated costs cover all members of an organization, from executives to floor personnel (Pinkovitz et al., 1997; Johanson & Jorén, 2007), this thesis will have its theoretical roots in employee turnover. Thus, when talking about employee turnover and its related costs it is important to remember that this paper refers to manager turnover specifically.

### 2.2.1 Tangible employee turnover costs

Pinkovitz et al. (1997), Bliss (2004) and Karsan (2007) among others have identified different cost categories related to employee turnover, namely; separation costs, vacancy costs, replacement costs, training costs and performance differential. The model by Pinkovitz et al. (1997) will be used in this thesis as it covers equal components as many other models in the field. Moreover, the model by Pinkovitz et al. (1997) is clearly structured and is easy to translate to the specific case of IKEA. Separation costs include costs related to exit interviews, administrative costs connected to employee termination and separation payments. Further, the vacancy costs contain the net costs or savings obtained as a result of increased overtime or having temporary employees to perform the tasks related to the vacant positions (Pinkovitz et al., 1997). In accordance with Richardson (1999), a vacancy is often unfilled during one to four months and the longer vacancy the greater costs.

Replacement costs comprise of costs related to attracting applicants through for example advertising, entrance interviews, testing, travel/moving expenses (Pinkovitz et al., 1997). Here, Johanson and Jorén (2007) talk about the importance of investing in a strong and supporting recruitment process in order to find the most suitable candidate for the vacant position. To hire suitable versus unsuitable candidates can have huge implications on a firm’s financial result and performance. However, the greatest replacement costs are not as visible as advertising and recruitment costs. Rather, the highest expenditures are often associated with training and acclimatizing the new person who is going to fill the position (Johanson & Johrén, 2007), including both formal and informal activities (Pinkovitz et al., 1997). The complexity of tasks has direct implications on the costs. Also, the new employee’s earlier experiences and the ability to learn new things affect the costs (Johanson & Johrén, 2007). The difference in productivity between the person who leaves and his/her replacement is called performance differential, and is according to Pinkovitz et al. (1997) a tangible cost. In this thesis and at IKEA, we classify the post “performance differential” in the model by Pinkovitz et al. (1997) more as an intangible cost mainly due to two factors. Firstly, IKEA is a retail company which means that
sales are highly affected by employee turnover and are often dropping (Fridolfsson, 2017). Lost sales is according to Richardson (1999), Tracey & Hinkin (2008) and Allen (2008) seen as an intangible cost since it is difficult to explain the exact underlying reasons to the losses; various reasons could exist. Secondly, the intangible costs that are described in the upcoming paragraphs are all affecting the level of productivity, meaning that there is a chain of costs appearing when a manager resigns. Performance differential, from the model of Pinkovitz et al. (1997), is therefore seen as an intangible cost in this thesis and is further described in the section covering intangible costs.

When talking about separation, replacement and training costs, these are generally seen as net costs. Nevertheless, vacancy costs can be either a net cost or a saving. That is, if the overtime or temporary personnel costs are lower than the costs that would have occurred if the vacant position was filled, it would result in a vacancy saving. However, in line with Richardson (1999), it is important to remember that it can be misleading to only identify and measure the tangible employee turnover costs since these costs often symbolize only a small fraction of the total employee turnover costs.

Pinkovitz et al. (1997) have constructed the following model to calculate tangible employee turnover costs, which will be used in this thesis.

**Figure 2: The Pinkovitz et al. (1997) model**

**THE COST OF EMPLOYEE TURNOVER ($)**

**Separation Costs**
- cost of exit interviewer's time
- cost of terminating employee’s time
- cost of administrative functions related to termination
- separation pay
- increase in unemployment tax

**Vacancy Costs**
- cost of additional overtime
- cost of additional temporary help
  - wages and benefits saved due to vacancy

**Replacement Costs**
- preemployment administrative expenses
- cost of attracting applicants
- cost of entrance interviews
- testing costs
- staff costs
- travel and moving expenses
- postemployment information gathering and dissemination costs
+ cost of postemployment medical exams

**Training Costs**
- cost of informational literature
- + formal training costs
- + informal training costs

**Performance Differential**
- differential in performance costs/benefits

**TOTAL TURNOVER COSTS PER EMPLOYEE**

The model will be applied as a base, where certain adaptations will be made to fit the particular settings of IKEA i.e. some titles will be removed and some will be added to the model in order to match the context and internal corporate data at IKEA. The following subtitles have been removed under “Separation costs”: cost of terminating employee's time, separation pay and increase in unemployment tax. “Vacancy costs” are intact. Under “Replacement costs” the following are removed: travel and moving expenses and cost of postemployment medical exam. “Training costs” and “Performance differential” are intact.

**2.2.2 Intangible employee turnover costs**

Previous studies state that intangible employee turnover costs are difficult to measure (Pinkovitz et al., 1997; Contino, 2002; Hillmer, Hillmer & McRoberts, 2004; Johanson & Johrén, 2007). However, there is a great interest in finding and measuring these costs as they are often considered to have huge impact on the financial performance of an organization (Pinkovitz et al., 1997; Hillmer et al., 2004). Hillmer et al. (2004), among other researchers, have identified several intangible costs related to employee turnover, namely; cost of rework, cost of lost knowledge, cost of stress and low morale. The greatest cost is argued by Tracey & Hinkin (2008) to be the loss in productivity that arise when a manager leaves and a new individual enters that role.

**2.2.2.1 Rework**

The cost of rework occurs when a new employee lacks the experience and skills to perform the work task, consequently he/she does more mistakes (De Long, 2002; Hillmer, 2004; Vilet, 2012). In line with Baldwin, Dodd & Wrate (1998), serious mistakes are often related to employees’ inexperience. They suggest that inexperienced individuals should work close to a supervisor in the beginning of their career and be encouraged to take responsibility in order to reduce mistakes in the future. The cost of rework refers to the cost that exceeds the mistakes of an experienced manager (Hillmer, 2004) and can be costly in terms of time and money for an organization (Schloss, Flanagan, Culler, & Wright, 2009). One explanation to rework could be the lack of communication (Herrmann, 2017).
Here, Vilet (2012) and Herrmann (2017) believe that it is crucial to have a well-functioning feedback and dialogue between all involved parties in order to lower the costs related to mistakes and rework. Also, costs of doing rework can be reduced by documentation and evaluation of certain processes (Vilet, 2012; Herrmann, 2017).

2.2.2.2 Lost knowledge
Lost knowledge is apparent if valuable experiences and skills are lost when an employee leaves the firm (De Long, 2002; Hillmer et al., 2004; Ghere & York-Barr, 2007). Thompson (2015) says that employees who leave a job, regardless if they have worked at the company for one or several years, take with them firm-specific knowledge and history that the company loses. Since the new manager most likely does not possess the same level of corporate knowledge as the leaving manager, and thus must learn new procedures and tasks that come with a new job, he/she will not be able to perform equal or superior to the leaving manager. This affects the productivity negatively (De Long, 2002; Ghere & York-Barr, 2007).

Lost knowledge could also appear as a result of underutilized people, called knowledge waste (Ferenhof, Durs & Selig, 2016). Here, the authors define knowledge waste as failures in the knowledge conversion process. In more detail, if employees are not using their skills or expertise completely or are given limited roles when they actually could assume much more if the process was designed effectively, knowledge is wasted (Ferenhof et al., 2016)

2.2.2.3 Stress and lost morale
Not uncommonly, an increased level of stress occurs when an employee leaves as that person's workload is handed over to existing employees, leading to work overload (Thompson, 2015). McHugh (1993) mentions that a too high level of stress affects the employees by for instance decreasing their mental health, motivation and productivity. Stress could also lead to costly mistakes or careless behavior. However, Barnett and Davis (2008) say that new or challenging assignments requiring more job responsibilities also are the best way for an individual to learn and become prepared to enter future leadership roles.

The cost of low morale is related to the loss in motivation and engagement when an employee resigns (Hillmer et al., 2004). Moreover, the employees who are still in the company could experience a lack of morale as they have to compensate for the leaving person, perhaps without any remuneration (Contino, 2002). According to Thompson (2015), the longer people stay in their
overworked roles, the more difficult it will be to remain their engagement and motivation. Allen (2008) argues that reducing employee turnover will increase work morale.

2.2.2.4 Performance differential / Lost productivity / Lost sales

Tracey & Hinkin (2008) claim that the cost of lost productivity is many times the greatest cost and could amount to over 50 percent of the total employee turnover costs. In line with Pinkovitz et al. (1997) performance differential can either be a net cost or a saving. Likewise, if the new worker performs superior to the earlier employee it would result in a net performance benefit (Pinkovitz et al., 1997). However, Tracey & Hinkin (2008) argue that a new employee or a short-term solution will be, under any circumstances, less productive than an employee who sticks to the organization. According to Richardson (1999) and Allen (2008), this would most likely lead to lost sales and revenues.

“Performance differential” is found by identifying the losses in sales when a manager resigns. Due to the strong relationship between performance differential, lost productivity and lost sales (Richardson, 1999; Allen, 2008), these are illustrated through one number. The title “Performance differential/lost productivity/lost sales” could in turn be explained by rework, lost knowledge, stress and lost morale (Pinkovitz et al., 1997).

The costs associated with employee turnover is displayed in Table 1 below.
Table 1: Costs associated with employee turnover

<table>
<thead>
<tr>
<th>Tangible turnover costs (Pinkovitz et al., 1997)</th>
<th>Intangible turnover costs (Hillmer et al., 2004; Tracey &amp; Hinkin, 2008; Allen, 2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Separation (exit interviews and administration related to employee resignation)</td>
<td>● Rework (cost that occurs when a new employee lacks the experience and skills to perform the work task, consequently he/she does more mistakes)</td>
</tr>
<tr>
<td>● Vacancy (net costs or savings obtained because of increased overtime or having temporary employees to perform the tasks related to the vacant positions)</td>
<td>● Lost knowledge and wasted knowledge (valuable experiences and skills are lost when an employee leaves the firm or when knowledge is not used in an optimal way)</td>
</tr>
<tr>
<td>● Replacement (attracting applicants through for example advertising, entrance interviews, testing, travel/moving expenses)</td>
<td>● Stress and low morale (work overload when a position becomes vacant)</td>
</tr>
<tr>
<td>● Training (formal and informal education)</td>
<td>● Performance differential/Lost productivity/Lost sales (the loss in productivity/performance between a leaving and succeeding manager, in this thesis expressed through lost sales)</td>
</tr>
</tbody>
</table>

2.3 Succession Planning and Management

2.3.1 Traditional approach

One of the early studies in the field of SP&M was made by Chapman in 1954 (Mehrabani & Mohamad, 2011). The focus was only on CEO succession, which most often was dealt with at the time the CEO resigned; meaning a quick and modest solution. Here, the plan was to identify one or two potential candidates. This type of administration was more related to theories around replacement planning, which could be seen as an early predecessor to SP&M (Mehrabani & Mohamad, 2011).
SP&M became more noted from the 1980s (Mehrabani & Mohamad, 2011). Here, the main intention behind succession and replacement planning programs was to ensure that qualified workforce to key managerial positions was developed ready to enter potential future vacant positions. Another concept during this time-period was Leadership Pipeline, where the emphasis is put on leadership development. This concept formed the base of the leading approach of SP&M (Garman & Glawe, 2004).

2.3.2 Leading approach

At his time Friedman (1984) contributed with one of the most essential findings within the field of succession planning. He made a distinction between the concepts of succession planning and CEO succession, where previous studies have paid most of their attention on the latter. Friedman (1984) also identified SP&M as a continuous process, viewed as a succession system rather than a single event.

After the turn of the millennium, several studies of SP&M have been published. One research, performed by Huang (2001), focused on succession management systems and their connection to human resource outcomes. The study showed that several variables affected the human resource performance, where line-manager involvement and review and feedback were some of the factors mentioned. Also, in the beginning of the 21th century, Rothwell (2001) developed a model used to accomplish a systematic SP&M. The model includes the following seven stages: 1) make the commitment 2) assess the present work/people requirements 3) appraise individual performance 4) assess the future work/people requirements 5) assess individual potential 6) close the development gap and 7) evaluate the succession planning and management program. Focus has now shifted towards finding a group of candidates, rather than only one or two. Further, Levitz (2008) examined the developments within the field of SP&M and concluded that SP&M should be considered as a core part of firms’ strategic planning and involve long-term perspectives.

The shift from the traditional approach to the leading approach can be summarized and displayed in Table 2.
Table 2: The shift from a traditional to a leading approach

<table>
<thead>
<tr>
<th>Traditional approach</th>
<th>Leading approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>(E.g. Garman and Glawe, 2004; Mehrabani &amp; Mohamad, 2011)</td>
<td>(E.g. Friedman, 1984; Huang, 2001; Rothwell, 2001; Levitz, 2008)</td>
</tr>
<tr>
<td>Focus is on executive-level positions</td>
<td>Focus is on key areas and positions at several levels</td>
</tr>
<tr>
<td>Focus is on finding immediate and short-term replacements</td>
<td>Focus is on continuous development of talents with a long-term view</td>
</tr>
<tr>
<td>Plans are limited to identifying only one or two potential successors for future senior positions</td>
<td>Plans are based on finding a group of candidates rather than only one or two</td>
</tr>
<tr>
<td>Succession planning is not integrated with other disciplines (e.g. recruitment and learning, training and development).</td>
<td>Processes are in place to integrate succession planning with other disciplines</td>
</tr>
<tr>
<td>The plan is to build competencies and skills that are needed to achieve certain business goals</td>
<td>SP&amp;M is a core part of corporate strategy</td>
</tr>
</tbody>
</table>

2.4 SP&M as a solution to reduce employee turnover costs

It is vital for companies to retain and develop talents in order to stay competitive in the global market as well as sustain and increase future growth. Long-term corporate performance and growth relies on the ability to plan, implement and evaluate strategies to secure key positions that affects the business objectives (Aberdeen Group, 2006). Rothwell (2001) and Groves (2007), among other authors, argue that a successful SP&M system can help corporations ensuring long-term survival. Today people are considered to be the most valuable asset within companies, consequently, regularly reviewing SP&M processes can help a company to reach high performance and stay competitive on the market (Kiessling & Harvey, 2006; Grant, 2013). The following paragraphs display why SP&M can be used to reduce employee turnover costs, thereby explaining connections between SP&M and employee turnover costs.
2.4.1 Resignations
Currently, companies are facing challenges that come with manager resignations (Aon Hewitt, 2013). To secure top talents for the future, companies must focus on both finding the best talents as well as retaining and engaging their existing employees (Rothwell, 2001; Levitz, 2008; Hills, 2009). Since companies sooner or later will face resignations of a mature workforce, they should put more emphasis on and engage in strategic planning to cope with this future problem (Aon Hewitt, 2013). The resignation of today’s leaders also results in Millennials and Gen. X employees becoming an increasingly important part of the leadership pipeline (Barnett & Davis, 2008). Previous research implies that Millennials will change jobs more frequently compared to earlier generations, leading to companies having problems with retaining talents and competences within the firm (Berger, 2016). This will also lead to high employee turnover costs (The Ken Blanchard companies, 2009). To cope with these issues, companies should implement effective SP&M practices to secure qualified candidates that can fill future vacant leadership roles and other key positions (Rothwell, 2001; Groves, 2007; Richards, 2009).

2.4.2 Competition for skilled employees and the need to retain corporate knowledge
Another critical challenge that companies face in today’s rapidly changing environment is the shortage of and competition around skilled workers (Kuptsch & Pang, 2006). Further, Kesler (2002) states that finding and mapping talents should be a process characterized by collaboration, where the author argues that very often managers attempt to favor their own potentials and hide information about them that could make other managers interested. To handle these issues, SP&M is identified and argued to be one of the most important actions (PwC, 2013). By implementing effective SP&M practices, companies can retain qualified and skilled people through developing challenging assignments that support the talents’ career objectives (Rothwell, 2001). In addition to loss of skills, companies might also encounter loss in corporate knowledge when employees leave (Grant, 2013), leading to increased employee turnover costs (Hillmer et al., 2004). Successful SP&M developments could mitigate these problems, since it includes developing strategies for knowledge transferring (Rothwell, 2001).

2.4.3 A lack of career development leads to lower employee engagement
By lacking career development opportunities, such as having unrealistic planning or poor development activities, a company could count on lower levels of engagement from the employees (Corporate Leadership Council, 2005). More precisely, employees will show less commitment and
loyalty towards the company as well as decrease their working-efforts (Groves, 2007). This will most likely lead to increased turnover costs as people would work slower, less efficient and could maybe leave the company (Parrino, 1997). Bernthal & Wellins (2006), state that nonexistent leader development processes will discourage efforts and decrease the level of commitment. By providing employees with career development opportunities by using SP&M companies can count on higher levels of engagement from the employees (Barnett & Davis, 2008), thereby saving costs related to employee turnover.

2.4.4 Poor succession plans result in poor transitions
Vacant positions are costly and affect the organizational performance on several levels (Ropella, 2013). The absence of plans and strategies for succession would lead to increased vacancy gaps between the leaving manager and the replacement (Rothwell, 2001). If the succeeding employee has not acquired the human capital needed for a specific position, the risk of making costly mistakes is greater. Implementing effective SP&M plans could help companies reducing costly errors (Parrino, 1997). According to Bernthal & Wellins (2006), potential leader candidates who have not experienced the various tasks, decisions and situations of a leader will not be prepared to take over the role. One of the most evident benefits with SP&M is the enabling of seamless transition, meaning that a vacancy does not occur (Rothwell, 2001). Parrino (1997) further states that a succession plan motivates employees to make investments in firm-specific human capital. By hiring people possessing corporate knowledge, the employee turnover costs will decrease as the level of productivity could be maintained or even improved in the event of succession (Rothwell, 2001).

2.4.5 External vs Internal Succession through SP&M
The question whether firms should hire people from outside or inside the organization is fiercely discussed (Parrino, 1997; Naveen, 2000; Rothwell, 2001; Hills, 2009). Some situations demand external succession through SP&M. For example, the loss of an employee who possesses particular knowledge and skills may have to be succeeded by an external individual as the required skills do not exist within the organization (Lauterbach, Vu & Weisberg, 1999). If the firm is struggling with internal regeneration of knowledge or a lack of talent, an outsider may have to be employed to resolve the issues. An outsider could bring fresh ideas and views that the company is missing (Lauterbach et al., 1999).

However, identifying and training a potential successor through SP&M from inside a firm comes with several benefits. For instance, the so called ready-now candidates do not exist (Garman &
Glawe, 2004; Sims, 2014). Instead, it takes time for external successors to learn the new role and acquire the skills needed for the position (Miles, 2009). Further, an internal successor will probably disturb the existing corporate businesses to a lesser extent than an external since he or she already is familiar with the corporate culture and practices. Hence, an internal candidate can be seen as a lower risk compared to an external (Russell, 2008). Lastly, Grant (2013) argues that firms should focus on recruiting firm-specific human capital, which would increase the incentives for maintaining a long-term relationship from both parts. In this sense, companies could earn returns by hiring internals possessing company-specific human capital. From a cost perspective, internal recruitment through SP&M is considered to be beneficial (Parrino, 1997; Naveen, 2000; Rothwell, 2001; Hills, 2009).

Based on the theories above regarding external vs. internal succession, many authors favor internal successors over external candidates (Parrino, 1997; Naveen, 2000; Rothwell, 2001; Hills, 2009).

### 2.5 SP&M success factors

Many firms, regardless of size and industry, encounter challenges related to preparing personnel to take on future leadership positions (Groves, 2007). Previous literature present some best practices of how to successfully implement and execute SP&M in order to secure the leadership pipeline (Rothwell, 2001; Kesler, 2002; Conger & Fulmer, 2003; Garman & Glawe, 2004; Bernthal & Wellins, 2006; Groves, 2007; Richards, 2009).

#### 2.5.1 Focus on development

Firstly, a company must focus on development, which means that the SP&M system must put emphasis on advancing the process of finding and developing potentials (Conger & Fulmer, 2003). Good work planning is vital, where retirements and resignations should not surprise the firm when occurring (Rothwell, 2001; Conger and Fulmer, 2003). Barnett & Davis (2008) further imply that the SP&M processes should be easy to understand and clearly communicated to the involved participants. Garman & Glawe (2004), Groves (2007) and Aon Hewitt (2013) state that SP&M practices must be considered as a top priority for senior management in order to secure the required leadership pipeline ratio. Kesler (2002) strengthens this by saying that SP&M practices must be given time. Furthermore, linked to top management commitment is the need of using SP&M as a strategic means to meet the long-term strategy and goals (Becker et al., 2001; Levitz, 2008; Kim, 2010; Aon Hewitt, 2013). Here, it is important to shift focus from replacement to development, or from short-term to long-term (Barnett & Davis, 2008).
2.5.2 Identify talents and key positions on different managerial levels
Secondly, a company should focus on identifying talents and key positions on different managerial levels. This will help the company creating smoother career paths as more people on different managerial levels will be involved in SP&M and become ready to take on new positions (Conger & Fulmer, 2003). Kesler (2002) and Conger & Fulmer (2003) add that it is important to identify talents early and focus on talent development. Johanson & Jorén (2007) also highlight the importance of having the right competences on the right positions. Moreover, Kesler (2002) and Bernthal & Wellins (2006) argue that all positions are important and SP&M should be practiced to find talents at all levels across the entire organization. They claim that talents do not belong to a certain manager or function, they should be placed wherever they could maximize their personal and professional performance. Related to this, Leibman et al. (1996) explain that leaders tend to select successors that are like themselves, which the authors say is not always best as new and fresh ideas and behavior are sometimes essential to progress. Occasionally, new talents with different capabilities are needed in certain positions, and therefore Leibman et al. (1996) and Conger & Fulmer (2003) argue that it is important to identify appropriate talents and key positions. The SP&M process should include more candidates with different backgrounds to enable finding the perfect match (Leibman et al., 1996; Bernthal & Wellins, 2006).

2.5.3 Transparency and communication
Thirdly, the SP&M process should be transparent and clearly communicated. Since many employees often are result driven, there is a belief that people will make more efforts if they know what goals they are working towards (Conger & Fulmer, 2003). This is also supported by Richards (2009), who states that SP&M strategies must be transparent and well communicated to all employees in order for the process to be successful. These strategies should include elaborations of communication plans that will contribute to talent development. Barnett & Davis (2008) argue that when the SP&M process is transparent and well communicated, the employees will become more engaged and put effort in achieving the goals of the process.

2.5.4 Continuous assessment
Fourthly, continuous assessment is a key component in the SP&M processes (Rothwell, 2001; Conger & Fulmer, 2003; Groves, 2007; Richards, 2009). That is, the processes should be measured and scrutinized regularly to iteratively update and enhance the work procedures (Bernthal & Wellins, 2006). According to Van de Ven, Polley, Garud & Venkataraman (1999), empowered employees who have the responsibility to drive the process, including monitoring and updating, are crucial.
Here, firms should assess the contentment of the process and the results as well as have a dialogue regarding improvements of future SP&M practices (Barnett & Davis, 2008). Rothwell (2001), Groves (2007) and Richards (2009) also claim that firms need to regularly assess the talent knowledge, behavior and results. Conger & Fulmer (2003) further argue that continuous assessment of SP&M processes can help companies avoid a too thin leadership pipeline. This is explained as a company would already have discovered what skills are needed in the future by continuously assessing the processes. Moreover, the authors say that by continuously assessing the SP&M processes firms can ensure that talented employees do not grow tired and leave the company, but have enough options to develop (Conger & Fulmer, 2003).

2.5.5 Flexibility

The fifth and last factor is to make the SP&M process flexible (Conger & Fulmer, 2003; Barnett & Davis, 2008). To this, Becker et al. (2001) add that the SP&M practices should be adapted to and in line with the particular settings of the organization. Barnett & Davis (2008) further say that talents should be considered a shared organizational resource. A flexible organization could more easily share talents across departments and maximizing the employees’ performance as well as developing and gaining new knowledge without seeking external resources (Rothwell, 2001; Conger & Fulmer, 2003). This is supported by Ferenhof et al. (2016) who state that knowledge is wasted if employees are not using their skills or expertise completely. Moreover, Leibman et al. (1996) and Rothwell (2001) argue that a flexible organization, in terms of for instance having several ready successors, could become more agile to future events. Many best practice companies apply methods related to agile systems, which assumes that both processes and content should be redefined and adjusted based on feedback from managers and participants (Conger & Fulmer, 2003). Conger & Fulmer (2003) also say that SP&M systems must fulfil users’ needs to be successful. Figure 3 summarize the SP&M success factors.
2.6 Summary of the theoretical framework

Employee turnover describes people movement on the labor market; between companies, jobs and positions; and between the states of unemployment and employment (Abbassi & Hollman, 2000). There are costs related to employee turnover, which can be divided into tangible and intangible costs (Pinkovitz et al., 1997; Contino, 2002; Johanson & Jorén, 2007). The tangible costs include separation costs, vacancy costs, replacement costs and training costs (Pinkovitz et al., 1997; The Ken Blanchard companies, 2009). Intangible costs consist of rework, lost knowledge, stress and lost morale, and performance differential/lost productivity/lost sales (McHugh, 1993; De Long, 2002; Hillmer, 2004; Tracey and Hinkin, 2008). In this paper, employee turnover and its related costs refer to manager turnover specifically.

Regarding SP&M, there has been a shift from a traditional to a leading approach. This shift means; greater focus on key positions on several levels, continuous development and long-term view, plans are based on finding a group of candidates, processes are in place to integrate succession planning with other disciplines, the plan is to build competencies and skills that are needed to achieve certain business goals and SP&M is a core part of corporate strategy (Friedman, 1984; Huang, 2001; Rothwell, 2001; Garman and Glawe, 2004; Mehrabani & Mohamad, 2011; Levitz, 2008). According to literature, companies face challenges with retaining individuals and corporate knowledge leading to increased costs (The Ken Blanchard companies, 2009). Due problems related to employee and knowledge retention, the competition for skilled employees has increased (Kuptsch & Pang, 2006). Also, previous research has shown that career development is key to increase employee motivation, therefore there is a risk of huge costs if firms cannot offer their employees career opportunities.
(Barnett & Davis, 2008). Lastly, vacant positions are costly and affects the organizational performance on several levels (Ropella, 2013). To cope with all these issues, companies should implement appropriate SP&M practices to retain, prepare and develop talents that are ready to fill future vacant leadership positions, leading to decreased employee turnover costs (Parrino, 1997; Rothwell, 2001; Groves, 2007; Richards, 2009). Related to SP&M is also the question whether a company should recruit internal or external successors (Parrino, 1997; Naveen, 2000; Rothwell, 2001; Hills, 2009). Internal succession is beneficial since the new manager would already be familiar with the corporate culture, business and practices (Hills, 2009). An external successor often requires more time to get accustomed to the role (Miles, 2009). However, an external successor is beneficial when new ideas and behaviors are needed to further develop the firm (Lauterbach et al., 1999). Existing literature state that there exist several SP&M success factors for implementation and execution, which could be summarized into the following headlines; focus on development, identify talents and key positions, transparency and communication, continuous assessment and flexibility (Leibman et al., 1996; Rothwell, 2001; Kesler 2002; Conger & Fulmer, 2003; Bernthal & Wellins, 2006; Groves, 2007; Barnett & Davis, 2008; Richards, 2009).
3 Methodology

This chapter describes the methodology applied in the study. Firstly, the research approach, strategy and design are explained and our justification for chosen methods. Secondly, data collection techniques are presented and motivated. Thirdly, selection of case organization and respondents are displayed and thereto the process of data treatment. Lastly, the research criteria of this thesis are discussed in the context of validity and reliability.

3.1 Research approach

3.1.1 Descriptive research

The research areas of employee turnover costs and SP&M, which this thesis will investigate, already contain existing knowledge and explored patterns. Hence, a descriptive approach is suitable for this study. By using a descriptive research we can explore, explain and provide further information concerning the areas of employee turnover costs and SP&M (Bryman & Bell, 2011). As we aim to provide in-depth understanding of these areas in the IKEA setting, a descriptive research is suitable since it allows specificity and details. At the same time, a descriptive approach can include information regarding several aspects and the relations between them (Yin, 2013). Hence, these features strengthened our choice of conducting a descriptive research.

3.2 Research Strategy

To acquire a deeper understanding of employee turnover costs and SP&M in the context of a large Swedish retail company, knowledge about the practices, strategies and approaches within the company was considered important. Therefore, a qualitative research strategy was appropriate; enabling us to achieve a profound contextual understanding of employee turnover costs and SP&M and thereby reach fruitful insights regarding the case company and the theoretical concepts. Performing a qualitative research enabled us to collect valuable information based on people's views and perspectives, which can be hard to acquire using a quantitative research method since it primarily aims at measuring behaviors, opinions and generalities (Bryman and Bell, 2011). Such research would not contribute with adequate in-depth information to support this study. Rather, it is important to gain knowledge and understanding through the eyes and ears of the practitioners, which in this case are managers at the case company. Therefore, a qualitative research was motivated.

Consequently, we will combine the descriptive research approach with a qualitative research strategy which comes with several advantages. Particularly in this study, new knowledge can emerge in combination with a deeper meaning of the studied object, where the research methods allow
flexibility. The results will not be strict classifications, but rather adjustable interpretations (Sandelowski, 2010). As a result, the research process takes the perspective of the participants and encourages compliance (Yin, 2013). This outcome would not have been possible to accomplish using a quantitative strategy as it is more static and takes the perspective of the researcher (Bryman & Bell, 2011).

3.3 Research design

Since our research aims at understanding employee turnover costs and SP&M from the perspective of IKEA, we used a case study design. Using a case study design allowed us to focus on a single case company and thus acquire a deep and thorough understanding of that particular setting. Previous literature has not linked SP&M and employee turnover costs to the same extent and detail as this paper, rather they have been researched separately. What the SP&M success factors are for reducing employee turnover costs have not been covered before and therefore this thesis aims at contributing with new and more knowledge in these research areas. Hence, this thesis provides practical evidence that can help decreasing the gap in current theory. Further, this thesis can provide patterns and conclusions which are drawn upon the particular case company without stating general assumptions about other businesses (Bryman & Bell, 2011; Yin, 2013). Lastly, as it already exists research within the fields of employee turnover costs and SP&M, a case study was motivated since this study aspires to provide in-depth understanding rather than general assumptions.

3.4 Data collection

Since this thesis intends to identify both the costs related to employee turnover and SP&M success factors to reduce these costs, both primary and secondary data were employed. To acquire an in-depth understanding of the studied objects, face-to-face interviews were found appropriate to conduct. Face-to-face interviews, apart from surveys or phone interviews, allow for more in-depth data gathering where the researchers can gain a comprehensive understanding (Bryman & Bell, 2011). For example, body language and facial expressions can be more understood and contribute to a more accurate analysis. Also, both respondents and interviewers are given the opportunity to ask follow-up questions if needed as well as provide explanations for thoughts. This will reduce the risk of misunderstandings and wrongly interpreted results (Bryman & Bell, 2011). Additionally, secondary data was collected through various internet sources to build the theoretical framework, as well as from internal databases at the case company which was used to identify employee turnover costs.
3.4.1 Primary data

3.4.1.1 Interviews

Roughly, interviews can be unstructured, semi-structured or structured in nature (Bryman and Bell, 2011). This research utilized semi-structured interviews as primary data due to several reasons. Firstly, using semi-structured interviews enabled us to, as opposed to structured or unstructured methods, control the outcome but allow flexibility concurrently (Lantz, 2013). More specifically, the interview process was iterative meaning that we could rephrase and adapt the questions based on the unique situation. Secondly, semi-structured interviews allowed us to capture viewpoints that the interviewees were unaware of and at the same time allowed the interviewees to freely contribute with own perspectives that were not included in the interview guide (Lantz, 2013). The interviews concerned personnel on three different managerial levels within the chosen case company; team leader, shopkeeper (department manager) and functional manager. These interviews were conducted at one specific warehouse located in the Gothenburg region, Bäckebol, and took about 35 to 50 minutes each to complete. All interviews were, as mentioned above, conducted face-to-face and both researchers were attending. The reason to have both researchers present during the interviews was to enable different allocation of tasks between us. One asked and moderated the questions, while the other person took notes and recorded the interview. Since the tasks were divided we could focus on our area of responsibility and therefore assure that we asked adequate questions and made accurate interpretations. The interviews were conducted on site for the sake of convenience and to make sure that the interviewees felt comfortable. According to Lantz (2013), conducting interviews at a place where the interviewees feel comfortable might provide more valid and freely spoken answers.

To ensure that relevant research areas were covered as well as to keep the interviews in a desired direction, an interview guide was established. Since all interviews covered the same purpose and research area, one interview guide was used in all interviews and can be found in Appendix 1. The interview guide was designed with regards to the theoretical framework and the research questions of this thesis, meaning that inspiration was sought in previous studies and the questions were modified to fit the specific company and context. This resulted in a guide covering topics such as employee turnover costs as well as SP&M engagement and success factors. The interview guide starts with brief questions about demographic background of the respondents followed by a combination of open-ended questions and more structured questions, where relevant topics such as employee turnover costs and SP&M are elaborated. An intention was to ask follow-up questions to squeeze out information that had not been delivered as well as to guarantee that all information was correctly
interpreted (Lantz, 2013). The interview guide is however not as strict as a structured interview, but rather leaves room for flexibility. Further, the guide allows the respondents to lift own enquiries to not close off valuable data (Lantz, 2013). A pilot study was performed to test our developed interview guide and to validate our questions. The pilot interviews were conducted with three individuals, using a convenience sample, who possess a managerial position. Performing a pilot study helped detecting shortcomings of the interview guide and finding potential improvement areas. The interview guide was then adjusted with regards to the feedback from the respondents participating in the pilot study. (Bryman & Bell, 2011).

3.4.1.2 Selection of company and respondents
The process of finding a case company started with selecting a few companies who could have an interest in investigating employee turnover costs and SP&M in relation to their corporate practices and strategies. Several e-mails were sent out to potential organizations with an attached research proposal. From the answers received, IKEA was selected to be our case company. Lars-Erik Fridolfsson, who is the Talent Manager at IKEA, was our main supervisor. He showed great interest in our research proposal and has assisted us with information and guidance throughout the entire thesis. Also, Jessica Thorén, who is a HR Manager at IKEA Bäckebol, has worked as an on-site supervisor/contact person during the process. Lastly, Anders Blomqvist, who is a Business Navigator at IKEA, guided us through the process of measuring and evaluating costs and outcomes related to employee turnover. These three persons have acted as supervisors/mentors and are not considered as interview respondents.

At IKEA, the employees are an important and valuable asset (IKEA, 2017). By investing in the employees, IKEA believes that a strong commitment can be developed and help them reaching the common goal - to create a better everyday life for themselves and their customers (IKEA, 2017). Since IKEA is known for having a strong corporate culture and a well-established process for making internal recruitments, it becomes crucial to have an equally strong process for finding, developing and retaining talents (IKEA, 2017). Consequently, IKEA has an assigned Talent Manager to administer activities related to areas of this research. Thus, IKEA was most appropriate as a case company within the fields of employee turnover costs and SP&M. A case background of IKEA is presented in the empirical results and that paragraph includes references as the information could be supported.
In the outset of the research process, we were recommended by Fridolfsson (2017) to perform our interviews with personnel on three different managerial levels within the IKEA warehouses. Thereby, all managerial levels within the warehouse, except for the warehouse manager, were interviewed giving us different viewpoints on the subject. Since the three managerial levels that were interviewed are responsible for the work of SP&M activities and are expected to find their own successors (Fridolfsson, 2017), interviewing these three managerial levels seemed reasonable. We were thereby able to acquire information from the people who are directly involved in the SP&M processes. Also, according to discussions with Fridolfsson (2017), the main employee turnover problem seems to lie on shopkeeper level and thus shopkeepers account for the majority of our selection of respondents. In total, twelve respondents participated in our study. This number was mainly due to that twelve persons at IKEA showed interest in participating in our research. Also, twelve interviews were a sufficient and an appropriate number of answers to fulfil the purpose of the study since the final interviews gave similar answers to those already acquired. Hence, we believe that our twelve interviews captured the varieties in answers needed for this study. IKEA Bäckebol was selected as our research base. However, since the HR practices are fairly standardized within IKEA, regardless of location in Sweden (Fridolfsson, 2017), the generated results can be applicable to more warehouses in Sweden.

The interviewees were contacted through Jessica Thorén. A mail specifying the interview content and background was sent to the management team at the IKEA warehouse in Bäckebol, Gothenburg. The managers were provided with an interview schedule to be filled in based on their personal availability, where the interview schedule was open to sign during a week. After three days, a reminder was sent out to the managers who had not yet responded to the interview schedule. The following week was assigned to interviews, where we were positioned at the warehouse in pre-arranged conference rooms.
3.4.1.3 Primary data treatment

To increase the credibility of the study, the primary data was critically evaluated while simultaneously respecting the respondents’ integrity. To validate the results, the empirical findings were provided to and approved by the respondents before being published. The interviews were recorded and notes were taken, which helped us in the upcoming transcription and analysis. According to Bryman and Bell (2011), one disadvantage with recording interviews is the tendency of the respondents not revealing all available information. However, since all respondents agreed to be recorded, we assume that this restraint was not present during our interview sessions.

The aim with this thesis was to perform a thematic analysis in order to analyze the qualitative data, which is advocated by Bryman & Bell (2011). Here, the identification and analysis of common themes supported our aim to cover all relevant perspectives and thoughts from the interviews. The themes were found by constructing an excel-sheet, where each participant’s answers were coded, contrasted and analyzed against each other. Redundant data that did not contribute to the purpose of

Table 3: Information about respondents

<table>
<thead>
<tr>
<th>Respondent number</th>
<th>Title</th>
<th>Date</th>
<th>Interview duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Shopkeeper</td>
<td>20170227</td>
<td>45min</td>
</tr>
<tr>
<td>2.</td>
<td>Shopkeeper</td>
<td>20170228</td>
<td>45min</td>
</tr>
<tr>
<td>3.</td>
<td>Shopkeeper</td>
<td>20170228</td>
<td>40min</td>
</tr>
<tr>
<td>4.</td>
<td>Shopkeeper</td>
<td>20170301</td>
<td>50min</td>
</tr>
<tr>
<td>5.</td>
<td>Shopkeeper</td>
<td>20170301</td>
<td>45min</td>
</tr>
<tr>
<td>6.</td>
<td>Shopkeeper</td>
<td>20170301</td>
<td>40min</td>
</tr>
<tr>
<td>7.</td>
<td>Shopkeeper</td>
<td>20170302</td>
<td>40min</td>
</tr>
<tr>
<td>8.</td>
<td>Team leader</td>
<td>20170302</td>
<td>40min</td>
</tr>
<tr>
<td>9.</td>
<td>Functional manager</td>
<td>20170303</td>
<td>40min</td>
</tr>
<tr>
<td>10.</td>
<td>Shopkeeper/Functional manager</td>
<td>20170303</td>
<td>45min</td>
</tr>
<tr>
<td>11.</td>
<td>Team leader</td>
<td>20170303</td>
<td>40min</td>
</tr>
<tr>
<td>12.</td>
<td>Team leader</td>
<td>20170303</td>
<td>35min</td>
</tr>
</tbody>
</table>
the research was deleted. The data analysis was performed concurrent with data collection, hence, this thesis used an iterative approach (Bryman & Bell, 2011). Lantz (2013) states that analyzing qualitative material during the collection process is beneficial. Consequently, we made an overall summary of the results after each interview, which later facilitated the data analysis. The empirical results were compared to the theoretical framework, which helped us to explain various contexts where employee turnover costs and SP&M converge. Table 4 shows two examples of how the primary data has been put into a theme.

Table 4: Example of coding

<table>
<thead>
<tr>
<th>Empirical findings</th>
<th>Themes</th>
<th>Related literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many of the respondents indicate that the departments and warehouses sometimes compete over skilled employees, resulting in many managers trying to keep their talents for themselves.</td>
<td>Competition for skilled employees</td>
<td>Competition for skilled employees and the need to retain corporate knowledge (e.g. Kuptsch &amp; Pang, 2006; PwC, 2013; Rothwell, 2001; Grant, 2013; Hillmer et al., 2004)</td>
</tr>
<tr>
<td>According to Respondent 6, poor relations and insufficient time to build trust with employees could result in employees resigning. In turn, he argues that a transparent and trust building communication between the new manager and the employees could save cost in terms of enhanced employee development, productivity and even incitements to stay at the company</td>
<td>Trust</td>
<td>Communication and Transparency (Conger &amp; Fulmer, 2003; Barnett &amp; Davis, 2008; Richards, 2009)</td>
</tr>
</tbody>
</table>

3.4.2 Secondary data

3.4.2.1 Internal corporate data
To gain a deeper understanding of the theoretical area of employee turnover costs and SP&M we collected our secondary data primarily through existing literature i.e. articles and books. Here, search engines that were used include: Google Scholar, GUPEA, EBSCO and Gothenburg University web-based library. A log was constructed to organize references and sort out relevant literature for this study. Lastly, to find relevant data we used the following keywords: Succession planning, succession management, succession planning and management, succession strategy, SP&M best practices, employee turnover costs, intangible costs of employee turnover.
Secondary data were also retrieved through the case company’s internal database. Using secondary data is advantageous since much data can be obtained without requiring tremendous efforts from the secondary researcher (Bryman and Bell, 2011). The internal data work as a foundation for metrics regarding for instance recruitment costs and loss of productivity connected to IKEA. The identified costs are based on earlier literature linked to the subject and was redefined to the case company setting. Thus, the identified costs had rigorous theoretical backing, but were still adapted to the specific case company. Also, before being finalized, the costs were assessed and confirmed by the case company to ensure that they include the variables needed to present an accurate result. Through internal data, we collected data on costs related to separation, vacancy, replacement, training and performance differential/lost productivity/lost sales.

However, we are aware of the critical issue of using secondary internal corporate data when it comes to its applicability to other studies. Bryman & Bell (2011) argue that it is crucial to understand that the primary collector could have had other intentions with the data than we have. Therefore, we employed secondary data carefully. Lastly, during the process of collecting secondary data from books and journals, number of citations and peer-reviews were taken into consideration.

3.4.2.2 Secondary data treatment

In this thesis the internal corporate data was used to identify both tangible costs and an estimation of intangible costs in terms of Performance differential/lost productivity/lost sales. The tangible costs were screened and matched against the Pinkovitz et al. (1997) model. The Pinkovitz et al. (1997) model was applied as a base, where certain adaptations were made to fit the particular settings of IKEA¹. In other words, some titles were removed and some were added to the model. The costs retrieved from the internal corporate data were applied to and calculated in the adjusted Pinkovitz et al. (1997) model. Since a vacant managerial position usually is unfilled during approximately four months (Fridolfsson, 2017), the calculation of “Cost of additional overtime”, “Cost of additional temporary help” and “Wages and benefits saved due to vacancy” are based on a four months time span. Also, the intangible cost “performance differential” is calculated on a four months basis. Remaining costs are considered non-recurring costs that occurs when a manager resigns. The tangible costs and the intangible cost “performance differential” are both lump costs based on the three managerial levels interviewed and various departments within the Bäckeboel IKEA warehouse.

¹ See detailed information in section 2.2.1 Tangible employee turnover costs
The internal corporate data regarding tangible employee turnover costs represents a lump cost of an internal and external recruitment.

The terms “performance differential”, “lost productivity” and “lost sales” are all illustrated through one number in this paper because of various reasons. Firstly, performance differential and lost productivity are treated equally. This assumption is based on historical data from IKEA which shows that the productivity has decreased when a new manager succeeds an old manager. This means that, in the case of IKEA, the performance differential rarely results in a performance benefit (Fridolfsson, 2017). Secondly, it should be stated that these three terms are not indistinguishable. Lost productivity could result from disparate causes and do not always lead to lost sales. However, this thesis has no intention to measure and provide actual costs on each intangible category, but rather to calculate a lump cost that could represent total intangible costs. Therefore, it is motivated to measure lost sales since it has strong connections to lost productivity, which in turn many times is a result of the intangible aspects of employee turnover. In other words, the term “lost sales” should be interpreted as a measurable aspect of lost productivity and the other intangible costs. The relationship between these terms is displayed in Figure 4.

**Figure 4: The relationship between intangible costs and Performance differential/ Lost productivity/Lost sales**
3.5 Research criteria

Objectivity is something that we aim to achieve throughout the thesis. As researchers, we have no intention to judge whether the studied phenomenon is good or bad based on our subjective view. To make sure that objectivity is reached, this thesis will employ two components, namely: reliability and validity.

3.5.1 Validity

Golafshani (2003) describes validity as the relation between what is supposed to be measured and what is actually measured. In other words, it is about finding an instrument to measure an object and then validate that the instrument measures what it is supposed to. As have been previously mentioned, costs are identified and semi-structured interviews are being utilized in this research. The costs are validated by knowledgeable personnel at IKEA. The interviews consist of general and specific questions to personnel on different managerial levels, and will be recorded to enable complete analysis, in order to achieve validity. Accordingly, no realities of importance will be excluded (Bryman and Bell, 2011). Since the interviews were conducted in Swedish, the interview guide was provided in Swedish to achieve as high credibility as possible. However, since the answers (the empirical results) are translated into English, which is an interpretative act, important meanings might get lost in the translation process. To cope with this problem and validate the results, the empirical findings were provided to and approved by the respondents before being published. Theories regarding interview practices will be used to in order to enhance our understanding of interview settings. Moreover, previous literature on costs associated with employee turnover and literature on SP&M as a strategic tool will be applied. All this will contribute to higher validity.

An issue with qualitative research, according to Bryman and Bell (2011), is in fact to achieve high validity. This is explained through the qualitative tendency to seek in-depth understanding rather than breadth, which could be seen in this study as we examine only one case company. However, this thesis does not aspire to contribute with general findings and conclusions which are applicable and true in several large firms. The aim is to provide further understandings of both costs associated with employee turnover and SP&M success factors to reduce these costs in one setting. To ensure as high validity as possible, the research questions and the research methods have been thoroughly scrutinized.
3.5.2 Reliability

Reliability is described by Golafshani (2003) as the degree to which a study is repeatable. This is, in accordance with the author, often a problem as the settings in a qualitative study can be difficult to replicate. Using established instruments for identifying employee turnover costs and by clearly illustrating the procedures of this thesis, we nevertheless argue that we have been able to attain as high reliability as possible. The interviewees were well informed about what was expected from them and an appendix with the interview guide is enclosed in the thesis, which yields higher reliability. A semi-structured interview technique also allows the respondents to give an honest answer, and therefore intentional biases have been minimized in the data collection. In relation to the interviews, we have ensured that inter-observer consistency and internal reliability have been achieved as we in fact are two authors of this thesis. Therefore, we have had the possibility to justify the interpretations we have made. Lastly, since the distribution of respondents on different manager levels was asymmetric i.e. the majority of the respondents were shopkeepers, we are aware of the effect it might impose on the reliability. However, IKEA linked most of the issues related to employee turnover costs to shopkeeper level (Fridolfsson, 2017), thus increasing the relevance of investigating this manager level.
4 Empirical findings

This chapter opens with a description of the case-background. The chapter setup is based on the theoretical framework and is treating the respondents’ thoughts regarding employee turnover costs and SP&M success factors for reducing these costs.

Case-background

The retail industry is the fourth largest industry in Sweden and employs approximately 11 percent of the total workforce (Handelsrådet, 2016). The market for Swedish retail companies has been growing for more than a decade (Business Sweden, 2015), where the retail sales increased with 2 percent to €73 billion in year 2012. In general, the retail sales have since the millennium shift increased with 51 percent and is forecasted to continue to increase with 30 percent until year 2020 (Business Sweden, 2015). The increase in demand can be explained by the strong economy as a whole, the growing population and the higher levels of disposable incomes. Along with increasing disposable incomes, 40 percent of all household consumptions were spent on retail. Research indicates that consumption has increased faster in Sweden compared to other European countries (Business Sweden, 2015).

IKEA is a Swedish multinational retail company that designs and sells home furniture and house decor. IKEA was founded by Ingvar Kamprad in 1943 and has today 391 stores located in 48 countries. Today, the company is a well-known brand recognized for providing modern architectural furniture, which are designed and constructed in an eco-friendly and simple way (IKEA, 2017). The IKEA Concept is built on the idea of offering a wide range of furnishing products to an affordable price in order to reach out to many people rather than just a small segment. The Human resource idea at IKEA is to focus on down-to-earth people and give them the opportunity to grow, both in their careers and on a personal level. By investing in the employees, IKEA believes that a strong commitment among the employees will be developed, which will help them to succeed in reaching the common goal - to create a better everyday life for themselves and their customers (IKEA, 2017).

Due to the culture-focus that IKEA has, one important part of the IKEA strategy is to put emphasis on innovative human resource management practices that will favor employee retention and lower the employee turnover rates (IKEA, 2017). According to Fridolfsson (2017), employee movements are associated with huge costs. These costs, such as recruitment costs and lost productivity, could have enormous effects on the organizational performance. Thus, much work has been performed regarding employee empowerment, where IKEA today is a preferred employer within the retail sector and has a turnover ratio that is almost half of the industry amounting to seven percent (IKEA,
Even though IKEA has reached these results, Fridolfsson (2017) highlights the importance of further advancing their work to become even better at retaining and developing great people within the company. One method that IKEA uses to develop these practices is SP&M.

Within IKEA, the goal of SP&M is to develop a long-term talent pipeline with the employees. Here, SP&M can help the company identifying and preparing leaders to enter future managerial and key positions, which will help IKEA to fulfil its business goals. The main focus is to find talents from within the company, where each unit builds its local SP&M plan. On the contrary, a lack of or poor execution of SP&M is considered to slow down the company’s growth (IKEA, 2017).

4.1 Employee turnover costs

4.1.1 Tangible employee turnover costs

Figure 5 illustrates the tangible costs (in SEK) associated with manager turnover at IKEA, which amount to SEK -15 788. The cost of SEK -15 788 indicates that IKEA, based on solely tangible costs, saves money when a manager resigns. The greatest costs appear under the title “Vacancy costs” where “Cost of additional overtime” amounts to SEK 70 800 and “Cost of additional temporary help” is equal to SEK 47 200. The greatest saving is also found under the title “Vacancy costs”, where the subtitle “Wages and benefits saved due to vacancy” amounts to SEK -195 880.

---

Note that the calculation of “Cost of additional overtime”, “Cost of additional temporary help” and “Wages and benefits saved due to vacancy” and “Performance differential” are based on a four months time span since a vacant managerial position usually is unfilled during approximately four months (Fridolfsson, 2017). All other costs are considered to be non-recurring costs that occurs when a manager resigns.

The tangible costs are summarized as a lump cost based on three managerial levels and various departments within the Bäckebol IKEA warehouse.
**Figure 5: Tangible employee turnover costs, adjusted from the Pinkovitz et al. (1997) model**

<table>
<thead>
<tr>
<th>COSTS</th>
<th>Hours</th>
<th>Salary SEK</th>
<th>Fixed cost SEK</th>
<th>Sum SEK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Separation costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of exit interviewer's</td>
<td>1</td>
<td>295</td>
<td></td>
<td>295</td>
</tr>
<tr>
<td>+ cost of administrative</td>
<td>3</td>
<td>295</td>
<td></td>
<td>885</td>
</tr>
<tr>
<td>functions related to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>termination</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vacancy costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of additional overtime</td>
<td>240</td>
<td>295</td>
<td></td>
<td>70 800</td>
</tr>
<tr>
<td>(Calc per 4 month)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ cost of additional</td>
<td>160</td>
<td>295</td>
<td></td>
<td>47 200</td>
</tr>
<tr>
<td>temporary help (4 months)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- wages and benefits saved</td>
<td>664</td>
<td>295</td>
<td></td>
<td>-195 880</td>
</tr>
<tr>
<td>due to vacancy (4 months)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Replacement costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-employment administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Meeting regarding staff</td>
<td>20</td>
<td>295</td>
<td></td>
<td>5 900</td>
</tr>
<tr>
<td>planning of manager position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Advertisement design</td>
<td>1</td>
<td>295 + 285</td>
<td></td>
<td>580</td>
</tr>
<tr>
<td>▪ Cost of attracting applicants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Internal advertising</td>
<td>1</td>
<td>295</td>
<td>1 515</td>
<td>1 810</td>
</tr>
<tr>
<td>▪ External advertising</td>
<td></td>
<td></td>
<td>2 100</td>
<td>2 100</td>
</tr>
<tr>
<td>▪ Recruitment package</td>
<td></td>
<td></td>
<td>4 965</td>
<td>4 965</td>
</tr>
<tr>
<td>▪ Other advertising costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Respond to questions</td>
<td>2</td>
<td>295</td>
<td></td>
<td>590</td>
</tr>
<tr>
<td>concerning the position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Screening applications</td>
<td>12</td>
<td>295 + 285</td>
<td></td>
<td>6 960</td>
</tr>
<tr>
<td>▪ Phone interesting candidates</td>
<td>1.5</td>
<td>285</td>
<td></td>
<td>428</td>
</tr>
<tr>
<td>▪ Respond to not interesting</td>
<td>2</td>
<td>285</td>
<td></td>
<td>570</td>
</tr>
<tr>
<td>candidates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Cost of entrance interviews</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Interview</td>
<td>15 + 10 + 10</td>
<td>295 + 390 + 225</td>
<td>10 575</td>
<td></td>
</tr>
<tr>
<td>▪ Meeting with professional</td>
<td>1 + 1 + 1</td>
<td>295 + 390 + 225</td>
<td>910</td>
<td></td>
</tr>
<tr>
<td>superior</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Testing costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Personality test including</td>
<td>5</td>
<td>285</td>
<td></td>
<td>1 425</td>
</tr>
<tr>
<td>analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Staff costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Event</td>
<td>Cost (€)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting for selection</td>
<td>1+1+5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reference gathering</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting regarding employment and salary negotiation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract preparation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal conversations regarding rejections</td>
<td>1+5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External notification regarding rejections</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postemployment information gathering &amp; dissemination costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working clothes</td>
<td>800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of informational literature</td>
<td>500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ formal training costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction day 1 and 2</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction day 3</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First month (B J K, environmental education, etc)</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ informal training costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mentor education</td>
<td>5+5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconciliation between manager and mentor (first three months)</td>
<td>3+3+1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL TANGIBLE TURNOVER COSTS PER EMPLOYEE</td>
<td>2 110</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4.1.2 Intangible employee turnover costs

#### 4.1.2.1 Rework

A cost related to employee turnover is, according to Respondents 2, 3 and 9, the cost of doing rework. They claim that new or inappropriate employees that do not possess the required skills often make more and greater mistakes, leading to increased rework. Respondent 2 says that errors committed by new employees could be costly; they could for example imply increased frustration, be time consuming to rectify and lead to lost productivity and lost sales. Further, since several departments are interconnected and many managers are dependent on each other, Respondent 5 says that her mistakes do not only affect herself but also her surroundings.
"...if I make a mistake others will be affected and more rework has to be done."

Respondent 5

Respondents 5 and 8 experience that the same mistakes concerning finding, developing and retaining talents are repeated. Respondent 8 explains that mistakes are poorly documented and communicated, leading to repeated mistakes and rework.

4.1.2.2 Lost knowledge
Among all respondents there is a common agreement that lost knowledge is a major intangible cost associated with employee turnover. Respondent 1, 3, 4, 6 and 9 state that if they would leave their positions, a successor would most likely lack appropriate knowledge to perform equal or superior in their roles, thereby affecting the productivity negatively. They say that new people at IKEA often lack industry specific knowledge, such as trends in sales and seasonal variations in demands, which often leads to expenses related to fill the performance gap between the former manager and the successor. The majority of the respondents explain that it would take time for a new and inexperienced person to acquire the same or superior level of knowledge. They claim that an experienced and knowledgeable individual will require less time and effort to get accustomed to the role, consequently reaching efficiency faster. Respondent 2 says that wasted knowledge should be considered as lost knowledge. That is, if an employee possessing valuable knowledge is positioned in a role where he/she cannot make use of it, knowledge is wasted.

4.1.2.3 Stress and lost morale
The majority of the employees argue that the stress level increases among the employees when a manager exits his or her position, mostly due to the augmented workload that affects the remaining employees. According to Respondents 1, 4, 7, 8, 11 and 12, the added workload is mainly created by the gaps emerging when a vacancy is not filled immediately.

"...a greater responsibility is put on the remaining managers, whose workload is already full and knowledge about the departing manager’s work is incomplete. This in turn affects the employees, since they receive insufficient support from their manager."

Respondent 4
Several respondents express that an overly high level of stress could result in increased costs in terms of, for instance, a negative work atmosphere and poorer decisions due to a lack of knowledge. Also, stress could result in a raised number of sick leaves and lower productivity and efficiency, or in the worst case managers resigning. According to Respondent 8, gaps can result in positive effects since they allow both employees and managers to challenge themselves, leading to higher employee engagement and morale. Furthermore, she explains that costs could be reduced if the remaining employees are motivated and capable to perform equal or superior.

4.1.2.4 Performance differential / Lost productivity / Lost sales

Figure 6: Intangible employee turnover costs

<table>
<thead>
<tr>
<th>Performance differential/Lost productivity/Lost sales</th>
<th>Fixed cost SEK</th>
<th>Sum SEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differential in performance costs/benefits (4 months)</td>
<td>3 266 667</td>
<td>3 266 667</td>
</tr>
<tr>
<td>TOTAL INTANGIBLE TURNOVER COSTS PER EMPLOYEE</td>
<td></td>
<td>3 266 667</td>
</tr>
</tbody>
</table>

Figure 6 shows the intangible costs that come with a manager’s resignation, namely the difference in performance between the manager who leaves and the replacement. It is assumed that an IKEA department decreases its sales with five to seven percent when a manager position is unfilled (Fridolfsson, 2017; Blomqvist, 2017). By examining lost sales when a manager resigns in different departments, the company has found that five to seven percent loss in sales is a legitimate interval. The loss in sales has been validated by sales managers, country sales responsible and business navigators within IKEA and is based on historical internal corporate data. The performance differential amounts to SEK 3 266 667, when calculating with a seven percent decrease in sales per month during four months. Based on the historical internal data from IKEA, there are few signs of any savings related to manager resignations. From previous sections, it is claimed by the respondents that rework, lost knowledge and stress and lost morale all lead to a performance differential, in this case, meaning losses in productivity and sales.

4 As discussed in section 3.4.2.2 Secondary data treatment, performance differential, lost productivity and lost sales are in this research illustrated through one number.
5 The performance differential is a lump cost based on three managerial levels and various departments within the Bäckebol IKEA warehouse.
6 See section 3.4.2.2 Secondary data treatment sales for information about treatment of Performance differential/lost productivity/lost sales.
According to many respondents, a new manager will be less productive than the former manager. Here, Respondents 4 and 5 say that it takes approximately one year for a person to acclimatize and learn a new role, that is to build relations with employees and customers, to understand the role specific tasks and to grasp the company context. This is, according to the respondents, considered to impose negative effects on performance differential, productivity and sales since it takes time for a new manager to perform equal or superior to an experienced manager.

The total employee turnover costs, i.e. adding tangible employee turnover costs to intangible turnover costs, amount to SEK 3 250 879. Intangible employee turnover costs are displayed through one number and include rework, lost knowledge, stress and lost morale and performance differential/lost productivity/lost sales\(^7\). See Figure 7 for an illustration and calculation in SEK.

**Figure 7: Total tangible employee turnover costs**

\[
\begin{align*}
\text{Tangible Employee Turnover Costs} & \quad \text{SEK -15 788} \\
\text{Intangible Employee Turnover Costs} & \quad \text{SEK 3 266 667} \\
\text{Total Employee Turnover Costs} & \quad \text{SEK 3 250 879}
\end{align*}
\]

4.3 SP&M as a solution to reduce employee turnover costs

4.3.1 Resignations

It is hard to reach a steady level of continuity when managers retire or resign, which is highlighted by Respondents 2 and 6. If key individuals leave, relationships become broken and the process of building new relations has to start over leading to increased costs. According to Respondents 3 and 5, managers should use SP&M to put more faith in their potential successors and make thorough plans for them. It is about identifying promising individuals, to map the needs and to engage in their future development plan before they leave. Respondent 3 expresses that managers are too fearful today, where there is an underlying anxiety of letting a candidate advancing too early. Respondent 12 says

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\(^7\) As discussed in section 3.4.2.2 Secondary data treatment, performance differential, lost productivity and lost sales are in this research illustrated through one number.
that managers must finally promote their promising candidates through SP&M, otherwise there is a risk of losing them leading to increased costs. Respondents 6 and 9 argue that they rather hold their employees a bit longer in order to avoid a too comprehensive workload and area of responsibility in a new position.

According to Respondent 1, there are situations and changes in life that are not foreseeable or not able to manage in advance, for example; changing family circumstances, new job opportunities and illness. He says that these situations are hard to cope with, especially if there are tight budget restrictions hindering the company from having replacements. To survive resignations, and handle the situations mentioned above, Respondent 11 proposes the use of SP&M to secure a steady inflow of potential candidates even in bad times. This would allow the warehouse to have full manpower at all times, and more people to fill the pipelines contributing to reduced employee turnover costs in the future.

4.3.2 Competition for skilled employees and the need to retain corporate knowledge

Several respondents mention that collaboration between departments, warehouses and countries is important when it comes to the work of SP&M. Respondents 2, 6, 7 and 11 indicate that the departments and warehouses sometimes compete over skilled employees, resulting in many managers trying to keep their talents for themselves. According to the respondents, the competition over talented candidates can also lead to conflicts regarding where this individual should work which is time consuming and costly.

“We have to share information about talented candidates. Consequently, we would become able to help each other to find suitable candidates to positions throughout the entire warehouse. Today there is competition for skilled employees, rather than collaboration.”

Respondent 6

Most the respondents say that communication and collaboration between departments, warehouses and countries are vital to retain corporate knowledge. Here, Respondent 2 and 6 argue that by using SP&M better planning and collaboration between departments and warehouses could help managers to map talents’ competencies and company needs. This could help them finding the most suitable solution for both the talent and company. This, according to the respondents, would reduce the employee turnover costs.
Respondent 4 explains that he had a successor ready to take over his manager position. This individual went to another warehouse in the Gothenburg region. Respondent 4 continues by saying that he now has to identify a new successor to be educated and prepared to enter his position in the future, but sees sharing a talented candidate as a nice gesture where he has helped another part of the company. Respondent 9 is positive towards sharing talented employees between departments and warehouses, since she enjoys seeing people grow and wants to contribute to the overall success of the company. The respondents say that sharing employees through SP&M will save the company costs related to employee turnover.

### 4.3.3 A lack of career development leads to lower employee engagement

All respondents say that career development is an important factor to stay within a company and increases the employee commitment, hence relevant in order to decrease costs associated with resignations. To ensure career development opportunities, the so called MUP activities (mål- och utvecklingsplan), containing scheduled meetings with a manager regarding career aspirations and development plans for everyone, are performed as a part of the SP&M work. Also during these occasions, individuals’ strengths and weaknesses are mapped and a thorough plan is being set on how employees can develop themselves and reach their career goals. Based on these conversations, individuals with leadership potential are identified and developed on a continuous basis. Respondent 12 states that he, through these meetings and dialogues, is aware of that his department consists of several employees willing to take on leadership positions. He says that due to too few developing activities through SP&M, he is afraid of losing the talents as they may become unmotivated and restless leading to increased employee turnover costs. Respondent 9 says that she has never experienced that there is a surplus of candidates to any role. If a situation like that would occur, she claims that there would be no problem to find various suitable positions. Some respondents mention the Ilead-program as a part of the SP&M work, focusing on strengthening the participant’s leadership skills. According to Respondent 12, using SP&M to create clear career development plans and successful promotions could lead to higher levels of employee engagements and result in fewer costs.

Respondents 6 and 10 think that managers should stay within one position for at least 3-5 years in order to fully understand their roles and reach continuity. The respondents argue that there are no benefits with high turnover rates, conversely, the developed relationship between manager and employee is easily destroyed when a new manager is entering a position. This, according to the respondents, would impose huge costs as the relationship between manager and employee affects...
work motivation. By using SP&M and reaching a higher level of continuity they argue that costs could be reduced. Respondent 4 states that a higher employee turnover rate would push IKEA and the managers to put more emphasis on and make more investments in SP&M. He also says that if the intention was to have one manager on the same position for 2 years rather than 3-5 years, this manager would probably work 110% during this time and later advance within the company. The underlying explanation, he says, is that people who are willing to develop get more motivated by knowing that promotion awaits in the near future, which would result in reduced costs.

### 4.3.4 Poor succession plans result in poor transitions

Today, the warehouse does not have any vacant key positions. According to many respondents, the company has earlier suffered from having vacant key positions and these positions have recently been filled by new managers. The respondents explain that empty key positions have huge implications on the performance, the customer relationships and the corporate culture surrounding the employees. As a solution to vacancies, according to Respondent 1, IKEA has started to recruit general shopkeepers who are ready to enter various vacant positions quickly which is a part of their SP&M developments. According to Respondent 4, the gaps are due to poor planning where he argues that IKEA must enhance its planning processes and communication to employees by using SP&M. Some respondents state that these gaps could have been avoided by for instance taking a more proactive approach regarding publication of known future vacancies, leading to reduced costs.

All respondents are actively working with SP&M by identifying and preparing potential candidates to enter their positions in the future, through having MUP-conversations. According to Respondent 5, managers should use SP&M to identify and prepare a group of candidates to future managerial positions in order to secure the leadership pipeline and achieve a seamless transition, thereby aiming to lower the costs. Respondent 10 argues that the SP&M process rather should focus on one candidate since the distribution of responsibility otherwise would be confusing.

None of the respondents have no ready successors to their positions today. According to most of the respondents, the main problem is the lack of employees aspiring to advance or enter a leadership position. Respondents 9 and 10 express the shortage of leadership potential among some employees as another reason behind a poor leadership pipeline. All respondents experience that a lack of a leadership pipeline obstructs the possibility to have seamless transitions, leading to vacancies and increased costs.
4.3.5 External vs Internal succession through SP&M

Most of the respondents argue that external expertise and new ways of thinking are crucial for a company’s development and long-term survival; a lack of external influences could lead to company stagnation and higher costs. Respondent 5, who was externally recruited, mentions that she had to prove herself right in many situations when she was new regardless of her previous experiences. Further, she implies that due to the extensive amount of time it takes to understand the company it might be hard to enter the company from outside.

All respondents argue that applying internal succession through SP&M is cost beneficial since the employees already are familiar with the corporate values, culture and business itself. In line with Respondents 9 and 11, internal employees often better understand why and how certain actions and decisions are taken. According to the majority of the respondents, an internal successor would require less time and effort to get accustomed to the role, consequently reaching efficiency faster and saving the company costs. According to Respondent 2, there is a lack of internal applications to open positions. Today, many respondents say that there exists an underlying anxiety of letting talented employees advance within IKEA, where many managers are looking for fully ready candidates. This could, in accordance with several respondents, leave the company with higher employee turnover costs.

4.4 SP&M success factors to reduce employee turnover costs at IKEA

4.4.1 Focus on development

Respondents 1, 4, 9, 10 and 12 say that more emphasis must be put on development. In other words, focus should lie on improving the entire SP&M process including talent retention, preparation and training. Related to manager resignation, the respondents argue that a more proactive approach of developing SP&M could reduce the number of vacancies and thereby save costs related to separation, vacancy and performance differential. By being more proactive in the SP&M routines, the respondents say that IKEA could be more foreseeable and adaptable regarding future needs in manpower and competences. From this, they could ensure that the right expertise is developed or obtained at the right place and time, and thereby reducing the number and length of costly gaps and losses in productivity between the new and resigning managers. Also, the respondents imply that focus on development could reduce separation and replacement costs; if IKEA succeeds to retain their managers, no costs related to exit interviews or job interviews would appear. Consequently, retention of employees would lower training costs since fewer people would need introductory
training. Respondents 1 and 3 state that a clear focus on SP&M related processes has historically reduced the gaps and costs related to employee turnover at IKEA by having ready and suitable successors. According to Respondents 5, 7, 8, 10 and 11, spending time on activities such as making plans on how the company should invest in SP&M as well as mapping candidate competencies against future needs is important. Further, the expectations and instructions on how the SP&M work should be performed and developed must be clear. Respondent 5 says that the process is often made more complicated than necessary, which results in a lack of interest and effort from the managers. According to many respondents, IKEA has to provide their managers with allocated time where SP&M activities are prioritized.

“We talk about SP&M all the time and the SP&M goals are stated in the business plan. The question is though - what can we actually do in reality? We feel pressure from several directions, where cost restrictions and lack of time are some of them. Consequently, I cannot engage in SP&M processes as much as I would like to.”

Respondent 4

Respondents 6 and 10 claim that SP&M engagement is a question about priority. They explain that there is no time to complete all intended plans or activities, rather it is about prioritizing. Respondent 7 recommends IKEA to extend the leadership modules to not only include topics as work environment issues, recruitment activities or labor legislation, but to also comprise the area of SP&M. She says that the SP&M module, for example, could contain workshops or seminars regarding strategic plans for SP&M procedures and should ideally be performed collaboratively between different departments and warehouses. She argues that more resources and time could perhaps increase employee motivation and senior management commitment, and thereby save costs associated with fewer gaps as a better SP&M work could be achieved. Respondents 8 and 12 suggest that the employees could be assigned to small in-house projects in order to practice on taking responsibility and ownership, which they argue would contribute to a proactive and long-term approach and secure future successions.

Respondents 1, 3, 4 and 6 argue that SP&M processes must be seen as long-term investments, where many respondents say that cost consciousness can result in the opposite. Respondents 2 and 4 mean that the heavy focus on costs harms the process of identifying, preparing and developing candidates, since these procedures are not given priority during poor times. One practical example, according to Respondents 1, 5 and 8, is the short or non-existent introduction for newly recruited managers. They
argue that since it takes time to acclimatize and learn a new role, a lack of solid introduction increases the level and length of performance differential between the leaving manager and the replacement, leading to increased costs. According to Respondent 4, the company should accept a poor result and invest in training and education that will pay off in the future. Here, Respondents 4, 5 and 7, say that seeing education as an investment rather than a cost could increase the employee motivation. They argue that training would reduce the costs related to lost sales as the new manager would be able to learn his or her role faster. There is a common agreement among all respondents that SP&M development is needed and decisive for reducing employee turnover costs, in terms of for example separation and vacancy costs, at IKEA.

4.4.2 Identify talents and key positions on different managerial levels
Respondents 2, 4, 5, 9 and 11 claim that there is a need to identify potential talents early, to provide these individuals with adequate support, guidance and tools and thereby prepare these persons for future management roles. The respondents argue that this could reduce the number, length and costs of vacancy gaps, leading to fewer costs related to stress and lost moral that are due to work overload. Consequently, this could also decrease the costs of lost sales. Many respondents explain that candidates should work where they are able to progress the most and outperform.

Respondent 3 stresses that an early belief in potential talents can help IKEA developing more people that can succeed within the company. She expresses that it is important to find a good match between candidate skills and the required expertise for the position in order to reduce the risk of employees making mistakes and thereby reducing the costs. In this process, all respondents claim that managers should recruit talents possessing values that correspond with the corporate values of IKEA. Respondents 6, 10 and 11 highlight the importance of recruiting talents that are willing to stay and grow within the company for a long time, which in turn would save huge costs in terms of for example separation, vacancy, replacement, training and lost knowledge. They further say that the employee turnover rate would become lower and fruitful successions easier to achieve.

“...we have to identify and highlight talents in an early stage, preferably already in recruitment, in order to develop engagement and clear expectations as well as save costs. Creating a distinct and long-term plan is key.”

Respondent 3
Respondents 2, 7 and 11 mention that a candidate’s leadership potential should be highly valued when a leadership position is to be filled. This is based on their assumption that the processes are fairly easy to learn, while it is hard to become a good leader if the person does not possess the aptitude or interest for leading people. This, they argue, would reduce the costs of lost knowledge and lost productivity, as the new manager would have appropriate skills for his/her role.

“...the processes are quite easy to learn, but the main challenge is related to understanding and leading all employees on a personal and professional level.”

Respondent 6

4.4.3 Transparency and communication

According to many respondents, a holistic and transparent view on SP&M is a vital success factor to reduce employee turnover costs at IKEA. Since many warehouse departments are interconnected, several parties are affected by employee turnover. Respondent 1 expresses that the collaboration between departments would become negatively affected if a key manager resigned. Respondents 2, 3, 6, 7 and 11 say that they should foster a collaborative mindset where different departments and warehouses could help each other identifying talents. Respondents 7, 8, 10 and 11 claim that transparent and clear communication between different departments is key to reduce costly mistakes and redundant work, which most certainly would result in lower costs. Respondents 1, 6 and 11 say that the work on SP&M differs across departments. Today, Respondents 7 and 11 are not informed about identified talents in other departments.

“We are like different islands. We have great opportunities to collaborate, yet there is currently a lack of cooperation.”

Respondent 8

Many respondents express that the relationship between colleagues is vital and is seen as a cost source if not apparent. The notions of honesty and clarity were brought up by several respondents. Respondents 2 and 4 state that negative notifications regarding promotion should not appear as a surprise to candidates. Here, Respondents 3 and 4 say that it is a part of the manager’s role to provide candidates with an explanation to why they are not selected to enter a leadership role and what areas that need to be improved in order for them to be ready in the future. It is also important to map other potential career path alternatives for the persons through SP&M, which could help increase the
employee motivation and performance. This could, for example, according to the respondents reduce costs in terms of separation, vacancy and lost productivity.

The importance of trust is highlighted by the respondents. According to Respondent 6, who got rushed into his new position with absence of a rigorous introduction phase, poor relations and insufficient time to build trust with employees could result in employees resigning. In turn, he argues that a transparent and trust building communication between the new manager and the employees could save cost in terms of enhanced employee development, productivity and even incitements to stay at the company. Additionally, Respondents 1 and 12 stress that a high level of employee turnover often affects the trust between employees and managers due to the lack of continuity. Respondents 3, 6 and 8 argue that strong relationships between employees and managers often increase the employee's motivation to put more effort into the work being performed and could be achieved through SP&M, thus yielding a higher performance level while saving costs in terms of inefficient work, poor working morale and lost sales.

4.4.4 Continuous assessment

Many of the respondents agree on that SP&M activities require thorough planning and monitoring processes that are not apparent today. Respondent 2 claims that management training has been used as a part of the SP&M practices, but due to the lack of means to measure the outcome he cannot derive or calculate the results of it. He further states that a rigorous toolkit, containing instructions and tools related to SP&M, needs to be developed and followed by everyone. Also, he insists that a dedicated manager who leads the work on SP&M could help managing SP&M on a strategic level and secure that the process is continuously scrutinized.

Respondent 1, 6 and 8 explain that the process must be evaluated on a regular basis in order to develop the procedures and foster congruence between departments and warehouses.

“...we have to be updated and work with SP&M continuously. If we can detect talents and develop these before we have a vacancy, then we can become efficient in the long-run. Therefore, we need to evaluate people and processes regularly.”

Respondent 3

Many respondents argue that continuous assessments could help IKEA preparing a steady inflow of candidates possessing relevant skills by evaluating the needs of manpower and competencies leading
to fewer vacancies and decreased vacancy costs. According to Respondents 1, 5 and 9, a more proactive approach is needed, where regular evaluations of future competence and skills requirements by using SP&M could reduce unnecessary rework and stress among the employees.

Many respondents say that costs of doing mistakes can be lowered if processes and people skills are continuously assessed in SP&M, as problems often can be identified and handled in time. Regular evaluation would also, according to the respondents, reduce the cost of lost knowledge and low productivity since the firm could foresee and prepare the needs prior to the resignation.

4.4.5 Flexibility
According to Respondents 2 and 9, the organization must be flexible in its daily SP&M procedures to cope with a changing environment. Respondents 5 and 11 say that IKEA should focus on developing a group of talents to secure the leadership pipeline. They argue that being flexible in terms of having several candidates possessing various valuable skills, could reduce costs related to vacancy and stress as gaps could be filled instantly. Consequently, the performance differential between the new and old manager will be smaller since the new manager is already trained and prepared through SP&M to enter the new role.

Today, Respondent 2 argues that it is hard to reverse predetermined plans and there is a common agreement among several respondents that various working procedures are fairly fixed. This, according to Respondent 2, entails obstacles in the SP&M process:

“...I had a challenging project available for an internal talented employee. However, I was not allowed to offer this opportunity to the employee since he, according to his manager, had to fill a vacancy during the summer. We would probably have saved costs in terms of wasted knowledge and lost productivity from being flexible in that situation.”

Respondent 2

Many respondents say that being flexible in SP&M and sharing talents within the company will reduce the costs of external recruitment, such as advertising and interviews, and also lead to more efficient solutions as internal succession is easier.
5 Discussion/Analysis

In the following chapter, the empirics and the theoretical framework are compared and discussed. Further, patterns are identified and analyzed between the two in order to draw conclusions.

5.1 Employee turnover costs

5.1.1 Tangible employee turnover costs

From the internal corporate data on tangible employee turnover costs it is evident that IKEA saves money when a vacancy occurs. Two titles in the adjusted Pinkovitz et al. (1997) model, Figure 5, are more interesting than the others; namely “Vacancy costs” and “Total tangible turnover costs per employee”. The “Vacancy costs”, or the subtitles “Cost of additional over time (4 months)” and “Cost of additional temporary help (4 months)” in particular, are interesting since they have a huge effect on the total turnover cost amounting to SEK 70 800 and SEK 47 200. Depending on how long the vacancy period is, the costs will be greater with a longer vacancy period (Richardson, 1999). In the case of IKEA, the company expects a four months long vacancy when a manager resigns (Fridolfsson, 2017), which according to Richardson (1999) is a relatively long period since he refers the vacancy period to be approximately one to four months. If IKEA manages to decrease the length of the vacancy period huge savings could be made (Richardson, 1999).

The title “Total tangible turnover costs per employee” amounts to SEK -15 788, and is interesting since it surprisingly indicates a saving when a manager resigns. From Figure 5, it is seen that the reason why “Total tangible turnover costs per employee” indicates a saving is the post “-wages and benefits saved due to vacancy (4 months)”. Accordingly, IKEA saves SEK 195 880 when having a vacancy since salaries and employment benefits are not paid to the resigning manager. Nevertheless, the “Total tangible turnover costs per employee” could be misleading since it only accounts for the tangible costs of employee turnover. In line with Richardson (1999), tangible employee turnover costs should be treated with care, as these costs often explain only a small part of the total employee turnover costs. For example, if the title “Vacancy Costs” is examined in detail it becomes clear that only looking at these tangible costs IKEA saves money on a resignation. However, from the interviews it is evident that vacancies impose huge intangible costs in terms of, for example, stress and lost productivity. Hence, it is inaccurate to see “Vacancy Costs” as a saving since not all costs are considered when only looking at this post.
5.1.2 Intangible employee turnover costs

5.1.2.1 Rework
Respondents 2, 3 and 9 confirm, in accordance with Schloss et al. (2009) and Vilet (2012), that rework is a prominent intangible cost associated with employee turnover. They have seen that the number of mistakes is linked with the manager’s level of experience; meaning that the lower level of experience, the higher number of mistakes (De Long, 2002; Hillmer et al., 2004; Vilet, 2012). According to Baldwin et al. (1998), it is important to acknowledge the inexperienced manager and hand over responsibility in order to let him/her make mistakes and gain experience. This would, according to the authors, lead to reduced rework in the future. Respondent 5 adds that the costs would be substantial if she makes a mistake since her work is highly interconnected with her colleagues’ work, thus her mistakes could force her colleagues to do rework. This strengthens the argument by Vilet (2012) and Herrmann (2017), saying that good communication between all involved parties is crucial to avoid huge costs related to rework and mistakes.

According to Respondents 5 and 8 there exists a tendency to reinvent the wheel, meaning that mistakes are repeated and more rework has to be done. It could therefore be argued with support from Respondent 8 that the process of learning from mistakes have to be improved, including for instance better communication and documentation, which is also in line with Vilet (2012) and Herrmann (2017).

5.1.2.2 Lost knowledge
In accordance with De Long (2002), Hillmer et al. (2004) and Ghere & York-Barr (2007) all respondents claim that lost knowledge is a major intangible cost resulting from employee turnover. In line with De Long (2002) and Ghere & York-Barr (2007), Respondents 1, 3, 4, 6 and 9 say that their positions would be difficult to fill since the successors most likely lack knowledge regarding the roles, the company context and the corporate culture to perform equal or superior. In other words, if an experienced manager would resign valuable knowledge could be lost and affect the organization negatively (Thompson, 2015). Since an experienced manager often is familiar with the role, the company context and the corporate culture, many respondents argue that an experienced manager would perform better in his/her role compared to a new manager which is supported by De Long (2002). Moreover, the respondents explain that an experienced and knowledgeable manager will reach efficiency quicker as he/she requires less time and effort to learn the role, which also corresponds with the thoughts by De Long (2002) and Ghere & York-Barr (2007). Further,
Respondent 2 says that wasted knowledge should be considered as lost knowledge. This is in line with the discussion provided by Ferenhof et al. (2016) saying that lost knowledge could emerge as a result of underutilized people; knowledge waste. Therefore, it could be assumed that IKEA should focus on knowledge retention to not lose valuable competences affecting the results negatively.

5.1.2.3 Stress and lost morale

Hillmer et al. (2004) explain that an increased level of stress is common when a manager exits his or her position. In the case of IKEA this is confirmed by Respondents 1, 4, 7, 8, 11 and 12, who argue that a manager’s resignation often results in augmented workload for the remaining managers and employees. This is also in line with the theories provided by Thompson (2015) who states that manager resignations often lead to stress caused by work overload. This augmented workload is, according to many of the respondents, considered to affect the organization negatively in terms of an irritated work atmosphere and poorer decisions due to a lack of knowledge. Hillmer et al. (2004) is supporting this by stating that a stressed individual is more likely to make costly mistakes and act carelessly. Also, Respondent 9 explains that a stressful work environment would lead to augmented costs in terms of for example an increased number of sick leaves and lower productivity, which is supported by McHugh (1993).

However, Respondent 8 claims that opportunities appear when a manager resigns. She believes that employee turnover could develop the remaining employees in terms of new challenging and motivating work tasks. This is strengthened by Barnett and Davis (2008) who say that new or challenging assignments that extend an employee's responsibility area are the best way for an individual to learn and become prepared to enter future leadership positions. Shaw et al. (2005) and Handelsrådet (2016) further highlight that fresh ideas and innovative mindsets are some benefits of employee turnover that new employees can bring. Consequently, the organization could avoid stagnation by having some degree of employee turnover (Shaw et al., 2005; Handelsrådet, 2016). Furthermore, Respondent 8 argues that the increased responsibility that comes with manager resignations could yield higher employee morale and engagement since it gives the employee the opportunity to develop. In contrast, Contino (2002) states that resignations often result in work overload without compensation for the remaining employees. This, according to the author, would rather decrease employee morale and engagement. However, since only one out of twelve respondents connected manager resignations to higher employee morale and engagement, we will not put too much emphasis on this.
5.1.2.4 Performance differential / Lost productivity / Lost sales

Richardson (1999) and Tracey & Hinkin (2008) claim that the intangible costs of employee turnover often are the greatest costs. From the interviews, a pattern is shown where the respondents claim that the intangible costs rework, lost knowledge and stress and lost morale are all affecting the performance differential. Here, from a previous section, the respondents say that rework could increase when an appropriate manager resigns, since new and inexperienced persons often make more mistakes (De Long, 2002; Hillmer et al., 2004; Vilet, 2012), leading to a loss in productivity (Pinkovitz et al., 1997). Also, from earlier paragraphs, the respondents argue that when an appropriate manager resigns, the company might lose valuable knowledge (De Long, 2002; Hillmer et al., 2004; Ghere & York-Barr, 2007), hence affecting the productivity negatively (Pinkovitz et al., 1997). In accordance with Tracey & Hinkin (2008), many respondents say that a new manager will be less productive than the former manager. According to Respondents 4 and 5, this can be explained since it takes about one year for new persons to learn their new roles and perform superior to the resigning manager at IKEA. Some respondents also implied that manager resignations could increase the level of stress among the employees since it imposes augmented workload on the remaining workers (Thompson, 2015), leading to a reduced level of productivity (Pinkovitz et al., 1997). The pattern identified by the respondents, i.e. that the intangible costs rework, lost knowledge and stress and lost morale are all affecting the performance differential, is confirmed by looking at the title “Performance differential” in the adjusted Pinkovitz et al. (1997) model from the results (Figure 6), showing a decrease in sales with as much as SEK 3 266 667. Here, it is evident that the intangible costs of employee turnover are immense and are far greater than the tangible costs, which corresponds with the findings by Richardson (1999) and Tracey & Hinkin (2008). Consequently, based on historical corporate data from IKEA, the performance differential results in a cost and not a saving which is in line with Tracey & Hinkin (2008).

Considering the calculation of the total employee turnover costs, amounting to SEK 3 250 879 (Figure 7), it is apparent that tangible and intangible costs have different effects on the outcome. Consequently, it is important to take both tangible and intangible costs into consideration before drawing any conclusions (Richardson, 1999). With regards to the total employee turnover costs of SEK 3 250 879, IKEA suffers from huge costs related to a manager’s resignation.

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8 See the relationship between rework, lost knowledge, stress and lost morale and performance differential in section 3.4.2.2 Secondary data treatment.
5.2 SP&M as a solution to reduce employee turnover costs

5.2.1 Resignations

IKEA is experiencing challenges and problems related to manager turnover, which is much in line with Aon Hewitt (2013). Respondents 2 and 6 state that lack of continuity is one problem when managers resign as relationships become broken and must be rebuilt, creating costs. Berger (2016) says that the new generation of managers will be changing jobs more frequently, which indicates that the lack of continuity will become an even greater problem in the future for the company. According to Respondents 3 and 12, there exists a concern in letting people advancing too early, which is increasing the risk of losing talented employees resulting in increased costs. They say that a proper use of SP&M could help the managers to promote their candidates before losing them. Respondents 6 and 9 say that they try to hold their employees in the same position until they are completely ready to advance. However, Respondent 3 and 5 state that SP&M activities should be used to ensure that talented employees are acknowledged, otherwise there is a risk that they decide to leave the company. This is strengthened by Zimmerman (2016), who argues that young professionals are more demanding and willing to change job. To this, Barnett & Davis (2008) highlight that the Millennials and Gen. X employees are becoming ever more important, demonstrating together with previous arguments that the work with SP&M is decisive for future success. In fact, The Ken Blanchard companies (2009) say that the increased job-hopping will lead to augmented employee turnover costs. In line with Rothwell (2001), Levitz (2008) and Hills (2009), companies must put their SP&M emphasis in two directions, namely; finding the best talents and retaining and motivating existing employees. From the interviews a pattern is shown, where it is utterly important to find a good balance between continuity and advancements through the SP&M work.

In accordance with Respondent 1, things happen in life and it is impossible to plan for all various situations. He further implies that it is difficult to handle those situations since the budget plan is already full. To this, Aon Hewitt (2013) argues that organizations are soon forced to commit to strategic planning as the vitality of retaining and finding potential candidates is growing. For IKEA it is not only about filling up the leadership pipeline, but also to be able to cover unforeseen events. Respondent 11 adds that a solution to the problem related to resigning or leaving people is to use SP&M to ensure a constant inflow of new employees. She argues that this solution would pay off in the future and result in reduced costs in the long run. This is related to Rothwell’s (2001) discussions describing that organizations must assess their people and skills requirement. By observing how many managers and what skills IKEA requires, the argument by Respondent 11 seems valid.
Currently at IKEA it could be assumed that securing leadership positions is essential, before managers start to move elsewhere.

5.2.2 Competition for skilled employees and the need to retain corporate knowledge

In line with several respondents, competition over talented candidates can appear not only between different companies but also between departments and warehouses within IKEA. This is in congruence with the theories provided by Kuptsch & Pang (2006) who state that the shortage of and competition around competent employees are big issues that companies face today. Competition for skilled employees, regardless of if it is internal or external, means that the company might encounter great losses in both skills and corporate knowledge (Grant, 2013). Further, according to Respondents 2, 6, 7 and 11, this would most likely lead to increased employee turnover costs which is supported by Hillmer et al. (2004).

To cope with these issues, the majority of the respondents argue that the work on SP&M requires communication and collaboration between departments, warehouses and countries. Here, Respondents 2 and 6 argue that SP&M activities focusing on collaboration rather than competition could help IKEA finding suitable candidates throughout the entire warehouse. This is in line with Kesler (2002) who states that finding and mapping talents should be a process characterized by collaboration rather than managers favoring their own potentials and hiding information about them that could make other managers interested. This could, according to Respondents 2 and 6, help the company to better map talents’ competencies and company needs and thus mitigate the competition around skilled employees, thereby reducing costs (Kesler, 2002). These arguments are supported by PwC (2013) and Rothwell (2001), who say that SP&M is considered to be one of the most important actions to retain qualified skilled employees. However, not all respondents agree on that competition is present. Rather, Respondent 4 and 9 are happy to share their talented employees through the use of SP&M with other departments and warehouses and argue that it would reduce employee turnover costs in the long-run. According to Rothwell (2001), a SP&M process including knowledge sharing and transferring is beneficial. As a result, it could be argued that sharing talents between departments and warehouses at IKEA could reduce employee turnover costs. Conclusively, there are mixed opinions on whether there exists internal competition around talented employees. What becomes evident though is that sharing talents and competences is vital and it is important that SP&M activities are performed collaboratively between departments, warehouses and countries to mitigate the problems around internal competition and reduce the associated costs.
5.2.3 A lack of career development leads to lower employee engagement

Among all respondents, career development opportunities are highly valued. To inform, engage and motivate the employees at IKEA, the respondents mention that the so called MUP activities (mål- och utvecklingsplan) are performed and that the Ilead-program exists as a part of the SP&M work. These development activities correspond with the thoughts by Rothwell (2001) regarding SP&M and could be seen as valid techniques, which according to Favaro et al. (2015) could reduce costs. In line with Bernthal & Wellins (2006) and Groves (2007), the respondents express that these activities are contributing to increase the level of engagement among the employees. According to all respondents, by performing these activities the managers can identify and develop potential leadership candidates on a regular basis and reduce employee turnover costs.

Respondent 12 further argues that too few development opportunities exist within IKEA, since he cannot find enough challenges for his employees. He is thus afraid of losing his talents due to poor working moral, leading to increased costs. This is strengthened by Corporate Leadership Council (2005), Groves (2007) and Barnett & Davis (2008) saying that career development opportunities are key to achieve employee engagement and loyalty. An appropriate use of SP&M could mitigate the problems of unmotivated employees and the associated costs (Barnett & Davis, 2008). However, Respondent 9 says that a surplus of candidates has never existed and that she could easily find new opportunities if needed. Subsequently, there are diverse opinions regarding if development opportunities exist within IKEA. What is evident though is that the company must engage in SP&M to provide challenging and meaningful work to their employees, otherwise there is a risk of losing them leading to increased employee turnover costs.

Furthermore, Respondent 12 argues that successful promotions, which could be assumed to be an outcome of fruitful career development plans, motivate employees to advance. Hence, in the case of IKEA, promotions are important since unmotivated and unobserved employees will put less effort in their job and show lower loyalty, which might lead to manager resignation (Groves, 2007). However, all respondents say with support from Parrino (1997), that committed and loyal employees will reduce employee turnover costs, which could be achieved by SP&M (Rothwell, 2001). Therefore, it is concluded that IKEA could save costs related to unmotivated employees through having solid career development plans for their employees by using SP&M.

In line with Respondents 6 and 10, a manager should stick to one position for at least 3-5 years, otherwise relationships between managers and employees could be negatively affected. According to
Ton & Huckman (2008), firms focusing on retaining employees can reach a higher degree of firm-specific knowledge, where employees can get accustomed to their role and build relationships with colleagues, thus supporting the arguments provided by Respondents 6 and 10. According to Respondents 6 and 10, an appropriate use of SP&M systems could reduce costs that come with employee turnover. Nevertheless, a too strong focus on retaining employees could lead to company stagnation since the need of external inputs and deviant behavior are key to future development (Shaw et al., 2005; Handelsrådet, 2016). Linked to this, Respondent 4 states that a shorter time period in the same position could motivate the individual to perform at maximum until promotion. Also, he says that SP&M would acquire more attention from the organization if the period in the same position was shorter, since a need for working with SP&M would be created. In his opinion, this approach would result in decreased employee turnover costs. However, the discussion by Allen (2008) does not agree with Respondent 4. Rather Allen (2008) states that a lower employee turnover will lead to increased employee engagement and work morale, which is more in line with Respondents 6 and 10. Conclusively, there exists diverse opinions on whether an individual should stay within the same position for a shorter or longer time. What is important is to use SP&M to find which factors that motivate each individual to advance and maximize his or her performance.

5.2.4 Poor succession plans result in poor transitions

According to many of the respondents, IKEA has earlier suffered from having vacant key positions that today have been filled. They argue that having empty key positions affects the business results, customer relationships and corporate culture negatively, which is supported by Ropella (2013). They, however, mention that they have, as a part of their SP&M activities, started to recruit general shopkeepers who are ready to enter various vacant positions quickly. This action is a solution to the problem provided by Parrino (1997) implying that a poor transition, where the successor does not possess relevant human capital for the specific position, would increase the risk of making costly mistakes. Respondent 4 further says that a smooth transition requires good communication and well-developed planning processes through the use of SP&M, which is supported by Rothwell (2001), Bernthal & Wellins (2006) and Ropella (2013). Also, some respondents advocate that the gaps could be avoided by for example taking a more proactive approach regarding publication of known future vacancies, which means engaging in SP&M (Rothwell, 2001).

To enable seamless transitions, all respondents are actively working with SP&M in terms of finding and educating talents to enter their positions in the future, for example by having MUP conversations. This is supported by Parrino (1997), who says that succession planning activities
motivate employees to make investments in firm-specific human capital, which in turn can help the company reducing costly errors. When developing talents, Respondent 10 believes that SP&M should be used to identify one candidate, since the distribution of responsibility otherwise would be confusing. This is related to the traditional approach of SP&M where Mehrabani & Mohamad (2011) explain that the major focus was put on only one candidate. However, Respondent 5 does not agree on this. Rather, she thinks that managers should use SP&M to secure the leadership pipeline and achieve a seamless transition by focusing on identifying and preparing a group of candidates to future managerial positions. Supporting this is Rothwell (2001), who says that the focus of SP&M has shifted to find a group of candidates rather than just one or two. In this discussion it could be assumed, with support from recent research, that IKEA should put a lot more energy into filling the leadership pipeline with numerous potential candidates (Rothwell, 2001; Bernthal & Wellins, 2006; Ropella, 2013).

In the case of IKEA, none of the respondents have no ready successors to their positions today. Rothwell (2001) states that solid plans and strategies for succession will lead to fewer vacancies, thereby enabling seamless transitions. According to the majority of the respondents, the vacancies occur because they have few employees aspiring to advance into a leadership position. To this, Respondents 9 and 10 add that IKEA faces a shortage of leadership potential among some employees. These essential facts are not taken into consideration in previous literature regarding SP&M, which rather sees leadership potential and aspiration as a prerequisite for successful SP&M. From the interviews, it becomes clear that IKEA faces challenges related to finding and retaining leadership candidates who are willing and have the skills to take over managerial roles. If they do not manage to find suitable candidates, the company will continue to suffer from great costs related to employee turnover (Parrino, 1997; Ropella, 2013).

5.2.5 External vs Internal succession through SP&M

External successors are said by most respondents to have positive components. They argue, in correspondence with Lauterbach et al. (1999), that an external successor would bring new and fresh ideas and is utmost important for corporate development. As mentioned earlier, there seems to be a lack of internal applications to vacant positions. In line with Lauterbach et al. (1999), an external successor could be the only solution to fill those positions. However, Respondent 5 explains that she was questioned as an externally employed individual. In this context it could be implied that internal succession is very much favored at IKEA, and whether or not he/she is internally or externally employed could have impact on individual progression.
The majority of the respondents explain that an internal successor would reach efficiency faster, and Respondents 9 and 11 argue that internal successors often have a better understanding of why and how actions and decisions are taken. This is supported by Grant (2013) who says that a company could earn returns by employing internal successors possessing firm-specific human capital, since they often learn their roles faster. In accordance with Russell (2008), the majority of the respondents state that it would save the company costs to hire an internal successor and thereby be seen as a lower risk. This is supported by Miles (2009), who says that it most often takes more time for an external successor to get accustomed to the role and acquire the needed skills compared to an internal successor. Especially at IKEA, all respondents express that an internal successor is most appropriate since he/she already is familiar with the corporate values, culture and business itself. This approach is supported by Parrino (1997), Naveen (2000), Rothwell (2001), Russell (2008) and Hills (2009). However, Respondent 2 explains that there is often a lack of internal applications to vacant positions. Linked to this, many respondents say that managers have a tendency to look for what Garman & Glawe (2004) and Sims (2014) call just-in-time or ready-now candidates. However, the authors claim that there are no fully ready candidates. According to many respondents, there rests a challenge in the process of letting talented employees advance. This could be one explanation to the lack of internal applications as the employees might not be sufficiently encouraged by their managers to seek and apply for new opportunities, resulting in augmented costs. Though, related to this issue, IKEA should counterbalance the advantages versus disadvantages with external and internal succession respectively (Hills, 2009). A summary of SP&M as a solution to reduce employee turnover costs is displayed in Table 5.
Table 5: Summary of SP&M as a solution to reduce employee turnover costs

<table>
<thead>
<tr>
<th>Resignations</th>
<th>Competition for skilled employees &amp; the need to retain corporate knowledge</th>
<th>A lack of career development leads to lower employee engagement</th>
<th>Poor succession plans result in poor transitions</th>
<th>External vs Internal succession planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>IKEA faces challenges related to resignations due to, for example, retirements, sick-leaves and parental leave, leading to increased costs. Using SP&amp;M can help IKEA finding the best talents as well as retaining and motivating existing employees. This will help them preparing and securing the leadership pipeline before managers start to move elsewhere, hence reducing costs.</td>
<td>IKEA experiences problems related to competition for skilled employees, both externally and internally. SP&amp;M activities focusing on collaboration could help IKEA finding suitable candidates throughout the entire warehouse. This could help them to better map talents’ competencies and company needs, thus mitigating the competition and costs around skilled employees.</td>
<td>Career development is important for the employees at IKEA, consequently a lack of career development would increase the costs related to employee turnover. An appropriate use of SP&amp;M could generate committed and loyal employees, which would reduce employee turnover costs.</td>
<td>Poor transitions create costs since vacancies appear. To create smooth transitions, good communication and well-developed planning processes using SP&amp;M are important. Here, the goal is to develop a leadership pipeline with numerous potential candidates to avoid costly gaps.</td>
<td>Using internal succession is cost-beneficial since an internal successor already is familiar with the corporate values, culture and business itself. Hence, an internal successor would reach efficiency faster and have often a better understanding of why and how certain actions and decisions are taken.</td>
</tr>
</tbody>
</table>

5.3 SP&M success factors to reduce turnover costs at IKEA

From the interviews it can be stated that equal success factors are valid for both implementing and executing SP&M, as previous literature has explored, and for reducing manager turnover costs. However, in this research where SP&M success factors for reducing manager turnover costs are examined, a different perspective on the success factors appeared showing that these factors could be expressed with nuances that are valid for reducing manager turnover costs.

5.3.1 Focus on development

The reasoning provided by Respondents 1, 4, 9, 10 and 12 corresponds with the discussion by Conger & Fulmer (2003), who all claim that a company must focus on development. That is, emphasis should be put on advancing the entire SP&M process including talent retention, preparation and training on a strategic level (Becker et al., 2001; Levitz, 2008; Kim, 2010; Aon Hewitt, 2013). Respondents 1 and 3 have evidence on gap and cost reductions when SP&M processes have been employed. This is in line with Rothwell (2001), Aberdeen Group (2006) and Kiessling & Harvey.
(2006) who say that companies could achieve higher long-term performance when SP&M is utilized to find and train people to secure key positions in the future. As a part of the development work, Respondents 5, 7, 8, 10 and 11 highlight the importance of prioritizing discussions regarding how IKEA should invest in SP&M and allocate time for mapping candidate competencies against needs. These proposals are in congruence with Rothwell (2001) and Conger & Fulmer (2003) who say that good work planning are essential parts of SP&M processes. Many respondents also state that expectations and instructions regarding how the SP&M work should be performed must be clearly informed, which also is supported by Barnett and Davis (2008).

From the interviews it is clear that all respondents think that SP&M should be used to reduce employee turnover costs. According to Respondents 1, 4, 9, 10 and 12, focusing on developing SP&M processes can help the company to reduce the number of vacancies (Rothwell, 2001) and reduce costs that are due to fluctuations in performance between the leaving manager and the successor i.e. the performance differential (Parrino, 1997). In line with the respondents, this can be explained since the number of vacancies will be fewer and the vacancy period will be shorter when the firm manages to either retain the employees or prepare and train them to enter future vacant positions (Richardson, 1999). As can be seen in Figure 5, the subtitles “Costs of additional overtime” (SEK 70 800) and “Cost of additional temporary help” (SEK 47 200) that both appear when a vacancy occurs are huge when calculating on a four month long vacancy period. It is evident, with support from the respondents and Richardson (1999), that IKEA could save vast amounts if shortening the length of their vacancy periods. The respondents further say that focusing on development also could decrease separation and replacement costs; if IKEA succeeds to retain the managers, no exit interviews, administrative costs, advertising costs nor interview costs related to resignation and recruitment will occur (Pinkovitz et al., 1997; Abbasi & Hollman, 2000). Lastly, to retain the employees would reduce training costs since fewer people would need introductory training (Pinkovitz et al., 1997).

As mentioned earlier, none of the respondents have no ready successors which makes it legitimate to question whether SP&M activities actually are prioritized. Respondent 5 mentions that SP&M practices often are made more complicated than necessary, leading to decreased motivation to engage in SP&M activities among the managers. However, Respondents 6 and 10 say that the work with SP&M is a question about priority which is supported by the Aberdeen Group (2006) and Grant (2013), who claim that focusing on the most valuable asset, the employees, is crucial to have potential successors ready for future positions. Respondent 7 says that the leadership modules that
IKEA performs must include SP&M, which means that SP&M should acquire similar attention as other modules. She argues that this could perhaps save costs related to fewer vacancies, since more efforts, time and other resources would be provided and put on SP&M. This is strengthened by previous literature, saying that the whole process of SP&M must be seen as a top priority for senior management and be given time in order to secure the leadership pipeline (Kesler, 2002; Garman & Glawe, 2004; Groves, 2007; Aon Hewitt Report, 2013). This could in turn reduce separation costs, vacancy costs and performance differential (Parrino, 1997; Pinkovitz et al., 1997; Rothwell, 2001; Richardson 1999). Accordingly, Respondents 7, 8 and 12 pursue equal reflections to previous literature saying that IKEA could save costs in the long run with a greater focus on and allocated time to SP&M from both participants and senior management (Rothwell, 2001; Kesler, 2002; Groves, 2007; Barnett & Davis, 2008; Richards, 2009).

Respondents 1, 5 and 8 explain that introduction, education and training should be seen as long-term investments, which means that IKEA has to maintain its focus on development at all times (Barnett & Davis, 2008). This is strengthened by Respondents 1, 3, 4 and 6 who say that SP&M processes must be seen as long-term investments. Respondent 4 also stresses that the company cannot withdraw energy nor efforts from SP&M in tough times, rather IKEA must accept a poorer result. Keeping a strong focus on development will, according to the respondent, benefit the organization in the future. Currently, many respondents claim that the difference in productivity is too great between a leaving manager and his/her replacement since there is a lack of proper introduction, education and training, leading to increased costs (Pinkovitz et al., 1997; Rothwell, 2001; Johanson & Johréin, 2007). Instead of coping with the problems of employee turnover when the turnover occurs, Respondents 8 and 12 suggest that the SP&M process should be proactive in developing talents to reduce employee turnover costs, which is also advocated by Rothwell (2001).

Taking the discussion above into consideration, Respondents 4, 5 and 7 argue that IKEA would attain a more motivated and skilled workforce if more time and effort are put on for example training and education (Kesler, 2002; Barnett & Davis, 2008). This would, on the one hand, result in increased short-term training and education costs but would on the other hand increase the probability of a smaller performance differential between the resigning and new manager and thereby lead to long-term benefits (Pinkovitz et al., 1997; Richardson, 1999). As can be seen in Figure 7, the intangible costs (SEK 3 266 667) are far greater than the tangible costs (SEK -15 788); making the investment in training and education motivated. Performance differential and lost sales are in this research, as mentioned earlier, highly connected which means that the decreased gap in performance
between the resigning and succeeding manager will also result in less costs as the drop in sales would not be as dramatic. The performance of the new manager could even be superior to the resigning manager, thereby resulting in increased sales or performance benefits (Pinkovitz et al., 1997).

### 5.3.2 Identify talents and key positions on different managerial levels

There is a common agreement among Respondents 2, 4, 5, 9 and 11 that identifying talents in an early stage and providing these with adequate qualifications are important, which is in line with Kesler (2002) and Conger & Fulmer (2003). According to Conger & Fulmer (2003), this will contribute to build career paths that are smoother and easier to predict and fulfill. Here, in line with Respondents 2, 4, 5, 9 and 11, it could be assumed that vacancy costs will decrease as smaller gaps will occur due to smoother transitions. Also, the respondents argue that the level of stress will be lowered since there would be less work overload when a manager resigns and thereby decrease the costs related to stress (Thompson, 2015). The probability of employees losing morale is then argued by the respondents to decrease as they would not have to work overtime to the same extent (Hillmer et al., 2004). As a direct effect they imply that a shorter vacancy period and a lower level of stress and lost morale would result in reduced costs related to lost sales (McHugh, 1993; Pinkovitz et al., 1997).

Related to early identification of talents, all respondents say that IKEA should recruit people that possess values that correspond with the corporate values of IKEA. However, Leibman et al. (1996) argue that managers often pick candidates that are alike themselves, which sometimes could be unfavorable since a homogenous group do not always challenge each other’s mindset. In line with Leibman et al. (1996) and Bernthal & Wellins (2006), IKEA should perhaps try to identify candidates with diverse backgrounds, creating a group of people with not only mixed values but also mixed skills. This could, according to the authors, increase the chance of finding the perfect match between manpower and the firm’s needs. By ensuring that competences are accurately matched with the skills required in the particular position, Respondent 3 says that huge costs related to mistakes and rework can be decreased as people possessing relevant skills for the role often make fewer mistakes (De Long, 2002; Hillmer, 2004; Vilet, 2012).

Respondent 3 advocates that IKEA must have right competencies on the right positions, which is much in line with the discussions by Johanson & Jorén (2007). Strengthening this is Ferenhof et al. (2016) who say that knowledge is wasted if not used in an appropriate way. Respondents 6, 10 and 11 say that recruiting talents who are willing to stay and grow within the organization is important to
reduce employee turnover costs. Here, it is evident that separation costs could be saved as IKEA would have employees who stay at the company and thereby few resignations. As a result, there will be fewer gaps and reduced costs related to vacancies (Pinkovitz et al., 1997). The respondents further argue that this could reduce training costs if talents possessing relevant skills are already identified prior to the recruitment as right individuals for the role could be matched with the right positions (Conger & Fulmer, 2003). Linked to long-term employments is a reduction in lost knowledge as the knowledge will stay in the company (De Long, 2002; Ton & Huckman, 2008). Here it could be argued, though, that the same knowledge could result in stagnation and lower productivity as the inflow of new ideas would be low (Shaw et al., 2005; Handelsrådet, 2016). Therefore, it is important to counterbalance the inflow and outflow of knowledge.

Related to this is also the explanations by Respondents 2, 7 and 11, which concern a candidate’s aptitude and interest for leadership positions. As they mention, the costs related to lost knowledge and productivity would be reduced if the succeeding manager has leadership capabilities. That is, if the new manager is equally knowledgeable in leadership as the leaving manager, no knowledge regarding leadership will be lost. Moreover, as no knowledge is lost, there is a minor probability that there would be a change in performance differential concerning leadership (Pinkovitz et al., 1997). According to Tracey & Hinkin (2008) a new manager will be less productive regardless of prior circumstances. However, as Respondent 6 mentions, the tasks at IKEA are often easy to learn; leading people is harder. Therefore, it could be argued that the level of productivity relies very much on whether the new manager has appropriate leadership skills. When the leadership pipeline is thin, it becomes utterly important for IKEA to identify people who have strong leadership potential and to observe key leadership positions that have to be replaced (Conger & Fulmer, 2003).

5.3.3 Transparency and communication

Today, according to Respondents 7 and 11, information regarding SP&M, such as mapping of potential candidates, is communicated within each department but does not reach other departments or warehouses. Also, Respondents 1, 6 and 11 say that the SP&M work differs across departments. However, in line with Respondents 2, 3, 6, 7 and 11, IKEA should foster a collaborative mindset within the warehouse or even between warehouses, meaning that transparency and communication should be improved. This is supported by Richards (2009), saying that SP&M strategies must be transparent and well communicated to all employees in order for the processes to be successful. Additionally, Respondents 7, 8, 10 and 11 say that transparency and communication is vital to reduce
costs related to mistakes and rework, which is supported by Vilet (2012) and Herrmann (2017) saying that better communication and documentation of previous mistakes will reduce rework costs.

The arguments by Conger & Fulmer (2003) and Richards (2009) regarding a transparent and communicative SP&M process is supported by Respondents 2, 3 and 4. Many respondents argue that not only is a transparent and communicative process important to succeed with SP&M but also, according to many respondents, to reduce costs related to employee turnover. Respondents 2, 3 and 4 further argue that negative notifications should not come as a surprise to the employees, where it is the manager’s role to provide candidates with feedback on why they are not selected to enter a leadership role and what areas that need to be improved in order for them to be ready in the future. Respondents 3 and 4 further say that other potential career paths for candidates that are not selected to enter a leadership position should be identified to reduce costs associated with poor working morale or lost productivity. This is supported by Conger & Fulmer (2003) and Barnett & Davis (2008) who suggest that if people know what they are working towards they will perform better, thus reduce costs related to lost productivity (Pinkovitz et al., 1997). Further, several respondents say that clear development plans through SP&M could help the company saving huge costs by retaining talented people who otherwise would move, leading to reduced costs in terms of, for example, separation, vacancy and lost productivity (Pinkovitz et al., 1997).

The notion of trust was mentioned by several respondents to be an important component of communication and transparency. Respondents 3, 6 and 8 argue that strong relationships between employees and managers often increase the employee's motivation to put more effort into the work being performed, hence yielding a higher performance level while saving costs in terms of inefficient work, poor working morale and lost productivity. This is in line with Conger & Fulmer (2003) and Barnett & Davis (2008), who entail that employees will become more engaged in the process when SP&M activities are well communicated and transparent. Respondents 1 and 12 highlight that a high employee turnover rate affects the trust negatively in terms of lack of continuity. From this there seems to be a problem with new managers and their relationship with the remaining employees at IKEA. Huang (2001), supports these arguments by stating that higher degree of manager involvement, reviews and feedback affect the employee performance positively. Therefore, transparency and communication through SP&M become crucial in order to reduce costs related to employee turnover costs.
5.3.4 Continuous assessment

In line with Rothwell (2001) and Bernthal & Wellins (2006), many respondents support the need to measure and evaluate the SP&M process regularly. Here, Respondent 2 says that even though he has used SP&M in certain occasions, he has problems with seeing the results as he lacks tools to measure the outcome. Respondent 2 further proposes that an empowered manager should lead the work on SP&M to ensure that the processes are continuously assessed (Van de Ven et al., 1999). Respondent 3 states that continuous assessment is important not only to improve processes but also to improve people. This is also strengthened by Rothwell (2001), Groves (2007) and Richards (2009) and who claim that the talent knowledge, behavior and outcomes must be scrutinized on an everyday basis.

Moreover, in agreement with Barnett & Davis (2008) and Mehrabani & Mohamad (2011) continuous assessment would most probably shift the focus from replacement to development as it allows IKEA to be more prepared for employee turnover. This is further supported by Friedman (1984), who says that SP&M should be viewed as a continuous process and a system rather than a single event. This would, according to Respondents 1, 6 and 8 also foster congruence between departments and warehouses.

By continuously measuring and evaluating the SP&M processes the costs related to short-term solutions could be decreased (Tracey and Hinkin, 2008). According to many respondents, vacancies can be avoided through continuously monitoring the needs of manpower and competencies which could help IKEA avoid a too thin leadership pipeline (Conger & Fulmer, 2003). Further, in accordance with the authors, continuously assessing the SP&M processes can help firms ensuring that talented employees have enough options to develop, preventing them from becoming unmotivated and leaving the company (Conger & Fulmer, 2003). Subsequently, the respondents argue that regular evaluations would most certainly decrease the vacancy costs (Pinkovitz et al., 1997; Rothwell, 2001; Conger & Fulmer, 2003). By being familiar with the future needs of manpower and competencies, Respondents 1, 5 and 9 argue that IKEA would save costs related to stressed employees as the vacancy period would be shorter and the work overload becomes minor (Thompson, 2015). Also, according to many respondents and in line with Vilet (2012) and Herrmann (2017), costs of doing rework can be reduced by evaluating certain processes since problems can be detected and managed before damaging the firm too much. Further, both the respondents and the authors claim that the cost of lost knowledge and the negative impact on productivity would decrease since the organization would have a good understanding of the needs prior to the resignation (Vilet, 2012; Herrmann, 2017). Thereby, the firm could ensure that the right competences are developed and secured within the company (Conger & Fulmer, 2003) and be ready to succeed key positions.


5.3.5 Flexibility

Respondents 2 and 9 say that IKEA must be flexible in its daily SP&M processes, including identifying, developing and retaining talents, which is in line with previous literature (Conger & Fulmer, 2003; Barnett & Davis, 2008). Here, Respondents 5 and 11 propose that IKEA should have a group of candidates in the leadership pipeline, which is supported by Leibman et al. (1996) who says that companies being flexible in terms of having a pool of leadership candidates with mixed skills can help becoming more agile to future events. From this perspective, Respondents 5 and 11 say that costs related to vacancies could be reduced as the gaps could be filled directly when they occur (Rothwell, 2001). Also, the level of stress will decrease with reduced vacancies, leading to less work overload and less costs related to stress (Thompson, 2015). Further, the performance differential will be minor as the new manager, from the pool of leadership candidates, already is trained and possesses the required skills for the position (Pinkovitz et al., 1997).

Respondent 2 implies that IKEA is somewhat static in its SP&M processes, which became apparent when Respondent 2 had a challenging project for a talented employee that never got the chance to engage in the new role since he had to fill another vacancy during the summer. Consequently, Respondent 2 argues that the employee possessed valuable qualities but due to inflexibility in the SP&M processes he could not use these qualities where they would benefit the most, creating costs in terms of wasted knowledge (Ferenhof et al., 2016). Instead, Bernthal & Wellins (2006) and Ferenhof et al. (2016) advocate that talents should not be stuck to a certain manager or position, but rather work where they can maximize their personal and professional performance, thus preventing waste of knowledge. By practicing agile systems, IKEA could improve its SP&M processes based on manager and participant feedback (Conger & Fulmer, 2003), which in the case of IKEA would be to better match talents’ strengths with key positions. To alter the SP&M processes based on the company specific context and needs is according to Becker et al. (2001) important, hence it seems reasonable for IKEA to focus on finding a suitable and flexible way to better match talents’ strengths with key positions since this is argued to be a problem.

According to many respondents, being flexible and share talents over functions could ultimately help the company to develop and gain new knowledge without seeking external resources (Barnett and Davis, 2008). Sharing talents between functions, i.e. performing internal recruitment, could enable the firm to reduce the replacement costs since there would be less costs related to advertising, interviews and reference taking. This is argued since the firm already knows the employee (Parrino, 1997; Naveen, 2000; Rothwell, 2001; Hills, 2009). Also many respondents claim, in line with Miles
(2009) and Grant (2013), that training costs could be lower since an internal candidate already is familiar with the company culture and internal procedures. Also, if the firm manages to make appropriate use of internal knowledge, meaning that the talent possessing the knowledge is placed where he/she can maximize the performance, there will be reduced costs related to lost knowledge (Ferenhof et al., 2016). As a consequence, if the succeeding manager possesses necessary skills related to the new role the performance differential would be minor or even result in a benefit (Pinkovitz et al., 1997; Richardson, 1999).

Table 6 summarizes the key findings of the SP&M success factors to reduce employee turnover costs.
Table 6: Summary of SP&M success factors to reduce employee turnover costs

Focus on development

- **Separation:** Improving the entire SP&M process (talent retention, preparation and training), would reduce the separation costs, as more people would stay at the company. Hence, no exit interviews nor administrative costs related to resignations will occur.
- **Vacancy:** Prioritizing and allocating time to SP&M would reduce vacancy costs as the number of vacancies will be fewer and the vacancy period will be shorter when the firm manages to either retain the employees or prepare and train them to enter future vacant positions.
- **Replacement:** Enhancing the entire SP&M process including talent retention, preparation and training on a strategic level, would reduce the replacement cost as fewer recruitments are necessary due to fewer resignations. Consequently, no advertising costs nor interview costs related to recruitment will occur.
- **Training:** Improving the SP&M process would reduce the training costs since more employees would stay within the company hence less costs associated with introductions. Training costs should, on the other hand, be long-term investments that will pay off in the future. Hence, increased short-term training and education costs could exist.
- **Stress/morale:** IKEA could achieve a more motivated and skilled workforce if more time and efforts are put on for example training and education, thus reducing costs that come with unmotivated and stressed employees.
- **Perf diff/Lost productivity/Lost sales:** Enhancing the training process would reduce costs that are due to

Identify key talents and positions

- **Separation:** Recruiting talents who are willing to stay and grow within the organization can reduce separation costs.
- **Vacancy:** Identifying talents in an early stage and providing these with adequate qualifications will contribute to build career paths that are smoother and easier to predict and fulfill. This will lower the vacancy costs as smaller gaps will occur. Fewer vacancies will occur due to a long-term employment focus.
- **Rework:** Right competences and values on the right position can reduce costs related to mistakes and rework.
- **Lost knowledge:** Right competences on key positions can lower costs associated with knowledge waste. Linked to long-term employments is a reduction in lost knowledge as the knowledge will stay in the company.
- **Stress/Lost morale:** The level of stress and its associated costs will be reduced since there would be less work overload due to fewer vacancies. Less overtime would also decrease the risk of employees losing their working morale.
- **Perf diff/Lost productivity/Lost sales:** A shorter vacancy period and a lower level of stress and lost morale that comes with identification of talents and key positions would result in reduced costs related to lost sales. Identifying talents possessing relevant skills for the position would reduce costs related to lost productivity as the succeeding manager already has the right competence. A long-term employment focus would retain knowledge within the company, resulting in a minor probability that there would be a change in performance differential.
Table 6 cont.

### Transparency and communication

- **Separation:** Clear development plans could make more people stay within the company, leading to lower separation costs
- **Vacancy:** Clear development plans could motivate people to stay within the company, resulting in fewer gaps and lower vacancy costs
- **Rework:** A transparent and communicative SP&M process could reduce costs related to mistakes and rework
- **Stress/Lost morale:** Providing candidates with clear feedback, promotion opportunities and acknowledge the employees could reduce costs related to poor working morale since the employees receive clear information on where they are heading, hence reducing costs related to poor employee motivation.
  - Trust, i.e. strong relationships between employees and managers can increase the employees’ motivation and reduce associated costs
- **Perf diff/Lost productivity/Lost sales:** Feedback and clear career plans communicated to employees could enhance the employees’ productivity level leading to reduced costs in terms of lost productivity Consequently, lost sales would be minor or even result in a benefit when the succession takes place. Trustworthy relationships between employees and managers can increase the employees’ level of engagement, leading to reduced costs

### Continuous assessment

- **Vacancy:** Vacancy costs could be avoided through continuously monitoring the needs of manpower and competencies
- **Rework:** Costs of doing rework can be reduced by evaluating certain processes
- **Lost knowledge:** The cost of lost knowledge would decrease since the organization would have a good understanding of the needs prior to the resignation and be able to prepare accordingly
- **Stress/Lost morale:** Measuring and evaluating the SP&M process regularly could help IKEA save costs related to stressed employees as the vacancy period would be shorter and the work overload becomes minor
- **Perf diff/Lost productivity/Lost sales:** The cost of lost productivity would decrease since the organization would have a good understanding of the needs prior to the resignation and be able to prepare accordingly

### Flexibility

- **Vacancy:** To have a group of candidates in the leadership pipeline can reduce the costs related to vacancies as the gaps could be filled immediately
- **Replacement:** Sharing talents across departments, i.e. perform internal recruitments, could reduce replacement costs since there would be less costs related to advertising, performance of interviews and reference taking since the firm already knows the employee
- **Training:** Sharing talents across departments, i.e. perform internal recruitments could reduce training costs, since an internal candidate already is familiar with the company culture and internal procedures.
- **Stress/Lost morale:** Also, the costs of stress will decrease with the reduced vacancies due to reduced workload
- **Perf diff/Lost productivity/Lost sales:** The performance differential will be minor as the new manager, from the pool of leadership candidates, already is trained and possesses the required skills for the position. Making appropriate use of internal knowledge, meaning that the talent possessing the knowledge is placed where he/she can maximize the performance, there will be reduced costs related to lost knowledge and a smaller performance differential
6 Conclusion

This chapter reconnects to the purpose and research questions of the thesis. A brief conclusion regarding IKEA’s employee turnover costs and SP&M success factors to reduce these costs are presented. Also, a brief discussion on why SP&M should be used is illustrated. Through the conclusions we can answer the research questions and fulfill the purpose of the thesis. The chapter closes with recommendations and further research proposals.

The main purpose of this research was to investigate the costs associated with employee turnover, manager turnover to be specific, and identify SP&M success factors to reduce these costs. To fulfil this purpose, the following research questions were developed for the thesis:

1. What are the costs related to manager turnover in a Swedish retail warehouse?
2. What are SP&M success factors for reducing manager turnover costs?
   a. Why should SP&M be used to reduce manager turnover cost?

6.1 What are the costs related to manager turnover in a Swedish retail warehouse?

To answer the first research question, both tangible and intangible employee turnover costs were identified. Starting with the tangible employee turnover costs, the adjusted Pinkovitz et al. (1997) model\(^9\), Figure 5, identifies different cost categories, namely; separation costs, vacancy costs, replacement costs and training costs which also are apparent costs at IKEA. In the case of IKEA, the title “Vacancy costs” in the adjusted Pinkovitz et al. (1997) model, or the subtitles “Cost of additional over time (4 months)” (SEK 70 800) and “Cost of additional temporary help (4 months)” (SEK 47 200) in particular, appeared to have an immense effect on the total employee turnover cost. This could be due to a relatively long vacancy period of four months, which is in line with the findings by Richardson (1999). “Total tangible turnover costs per employee” surprisingly amounts to SEK -15 788, thus showing a saving when a manager resigns. This is explained by the subtitle “-wages and benefits saved due to vacancy (4 months)”, where IKEA saves SEK 195 880 when a vacancy is present since salaries and employment benefits are not paid to the resigning manager during this period. However, the number on “Total tangible turnover costs per employee” could be misleading since it only accounts for the tangible costs of employee turnover which often only show a small fraction of the total employee turnover costs (Richardson, 1999).

\(^9\) See detailed information about the model in section 4.1.1 Tangible employee turnover costs
According to previous literature, intangible costs are hard to measure yet there is a great interest in identifying and calculating these costs as they have huge impacts on firms’ financial performance (Pinkovitz et al., 1997; Hillmer et al., 2004). The respondents mentioned rework, lost knowledge, stress and lost moral and performance differential/lost productivity/lost sales as prominent intangible costs related to employee turnover, which are strengthened by Hillmer et al. (2004) and Tracey & Hinkin (2008). Since performance differential/lost productivity/lost sales are highly interconnected (Richardson, 1999; Allen, 2008), these are illustrated through one number in this thesis.\(^\text{10}\) The results from the adjusted Pinkovitz et al. (1997) model indicate a decrease in sales by SEK 3 266 667, when calculating with a seven percent decrease in sales in one department during four months when a manager resigns. This huge sum could be explained since the respondents argue that all the intangible costs are affecting the performance differential/lost productivity/lost sales. It is evident that the intangible costs of employee turnover are immense and are far greater than the tangible costs. These findings are strengthened by the findings by Richardson (1999) and Tracey & Hinkin (2008) who claim that the intangible costs are many times the greatest part of the total employee turnover costs.

Taking both the tangible and intangible employee turnover costs into account, the total turnover costs per employee amounts to SEK 3 250 879 in the case of IKEA.

### 6.2 Why should SP&M be used to reduce manager turnover cost?

To answer the second research question, a sub question was used to enable a holistic view. Since the new generation of employees is more mobile and has higher demands on their employer regarding for example development opportunities (Barret & Beeson, 2002), there is a risk of increased resignations as employees for instance grow tired in their positions and become willing to move elsewhere (Zimmerman, 2016). The results showed that IKEA should use SP&M to acknowledge and promote their talents before losing them, where it is important to find a balance between continuity and advancements. Hence, an appropriate use of SP&M could reduce the numbers of resignation and its associated costs (Rothwell, 2001; Levitz, 2008; Hills, 2009). Currently, there exists competition for skilled employees where IKEA loses people to other companies, but also struggles with internal rivalry when it comes to talented candidates. Many respondents argue that SP&M activities could help sharing potential leaders between departments and warehouses, which

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\(^{10}\) See the relationship between rework, lost knowledge, stress and lost morale and performance differential in section 3.4.2.2 Secondary data treatment.
would benefit the organization from a cost perspective. This is in accordance with Bernthal & Wellins (2006) who say that talents should be placed wherever they could maximize their personal and professional performance, otherwise there is a risk of knowledge waste (Ferenhof et al., 2016). Moreover, the results reveal that career development opportunities and promotions are vital for employees to stay within the company. The respondents express that SP&M should acquire more time and resources to find challenging and meaningful work for the employees. Here, SP&M could reduce the risk of people becoming unmotivated and disengaged which otherwise would result in huge costs (Parrino, 1997; Groves, 2007).

Today, none of the managers have no ready successor to their position. This means that the employee turnover costs could become immense if a manager resigns (Parrino, 1997; Ropella, 2013). To enable seamless transition, there exists diverse opinions among the respondents on whether the focus should lie on identifying and training one potential successor or several candidates. What seems to be important is to find suitable candidates and train them through SP&M before the resignation in order to reduce the gap and costs that appear when a manager departs, which is supported by previous literature (Parrino, 1997; Rothwell, 2001; Bernthal & Wellins, 2006; Ropella, 2013). The respondents and literature agree on that great benefits come with building own talents; meaning that internal succession is favored (e.g. Parrino, 1997; Naveen, 2000; Rothwell, 2001). Since the corporate culture is strong within IKEA, many respondents argue that a new manager would benefit from knowing the business and company. This would, according to the respondents, also lead to more efficient recruitments and higher degree of flexibility and thereby reduced employee turnover costs.

6.3 What are the SP&M success factors for reducing manager turnover costs?

Equal success factors are valid for both implementing and executing SP&M, as previous literature has explored, and for reducing manager turnover costs. However, in this research where SP&M success factors for reducing manager turnover costs were examined, a different perspective on the success factors appeared showing that these factors could be expressed with nuances that are valid for reducing manager turnover costs.

At IKEA, a strong and clear focus on development was stated as a success factor, meaning that emphasis should be put on developing and elaborating the entire SP&M process in order to retain talents and prepare and train them on a strategic level. This is achieved through having support from senior management, prioritizing investments in SP&M and allocating time for mapping candidate
competencies against corporate needs (Kesler, 2002; Garman & Glawe, 2004; Groves, 2007; Aon Hewitt Report, 2013). Concerning IKEA, one example of putting more effort in SP&M is to include SP&M in the leadership modules. According to the respondents, focusing on development will reduce separation costs and vacancy costs as the number of vacancies will decrease and thereby also decrease the costs related to loss in productivity that appears between the leaving manager and the replacement. These discussions are in line with the findings by e.g. Parrino (1997) and Rothwell (2001). Moreover, the results revealed that it is crucial to sustain focus on development through investing in training and education even in poor times as this would lead to long-term benefits and reflect proactiveness. As a result of more training and education, IKEA will have a more motivated and skilled workforce which is supported by Kesler (2002) and Barnett & Davis (2008). This would also increase the probability of reducing costs related to performance differential as the successor would be more prepared to enter the role (Pinkovitz et al., 1997; Richardson, 1999).

An early identification of talents and key positions is vital to reduce manager turnover costs (Conger & Fulmer, 2003). From the interviews it is evident that IKEA faces some challenges in encouraging the employees to advance, but also in finding candidates who are interested in or have the aptitude to become leaders. By finding the appropriate talent to the right position, which in the case of IKEA could be to find people who have the interest in and potential to become a future leader, IKEA would save vacancy costs as the transitions will be smoother when the successor is already identified and prepared, which is further strengthened by Conger & Fulmer (2003). Also, having the right individual in the right position will according to the results reduce the risk of having to replace this position and thereby decreasing separation and vacancy costs. As vacancies decrease, the level of stress and lost morale will decrease since there will be less work overload on remaining employees in case of manager resignation. The respondents argue that it is important to find individuals who are willing to stay within the company for a long time, which according to De Long (2002) and Ton & Huckman (2008) would for instance reduce training costs as fewer people have to participate in the introduction program. According to the results, this would also reduce the costs related to performance differential as the same knowledge will stay in the company, but perhaps accumulate in a different department or warehouse. However, the same knowledge within the company could lead to stagnation as new ideas and skills are crucial for continued growth (Shaw et al., 2005; Handelsrådet, 2016).

Several respondents argue that IKEA should foster a collaborative mindset within and between the warehouses, where transparency and communication must be improved. They say that this would
reduce the rework costs as less mistakes would be made if communication works properly and the work is transparent which is supported by Vilet (2012) and Herrmann (2017). The respondents mentioned an example on proper communication and transparency, where negative notifications should not come as a surprise to the employee but should have been clearly communicated through feedback and meetings. Related to this is the success factor of developing strong relationships and trust between the manager and employees. The respondents and previous literature agree on that having transparent and trustworthy relations with employees through SP&M would increase the employee’s motivation to put more effort into the work, which results in a higher performance level while saving costs related to inefficient work and poor work morale (Conger & Fulmer, 2003; Barnett & Davis, 2008). An important aspect related to this was claimed to be to acknowledge the employees’ endeavors in order to increase commitment and willingness to stay in the organization. The results further revealed that development plans in SP&M should be clear and open, meaning that the employee is aware of where he/she is heading and thereby separation costs, vacancy costs and costs of lost productivity could be reduced as the expectations and achievements would harmonize.

By continuously assessing the SP&M process, the respondents say that they could improve both the process and people. Here, SP&M should not be seen a single event, but as an ongoing system. With support from Conger & Fulmer (2003), the respondents claim that continuous assessment would help IKEA to avoid short-term solutions as they will understand and prepare for their future needs in terms of manpower and competencies. It would also contribute to ensure that the employees have enough options to develop, and thereby IKEA could save costs related to unmotivated and resigning employees. The respondents also, with support from previous literature, argue that regular evaluations would decrease vacancy costs (Pinkovitz et al., 1997; Rothwell, 2001; Conger & Fulmer, 2003), and thereto costs related to stress as the vacancy periods will be shorter and the work overload minor (Thompson, 2015). Also, rework costs will be reduced by learning by mistakes and monitoring the process on a continuous basis. As continuous assessment would allow IKEA to have a good understanding of the needs prior to a resignation, the cost of lost knowledge and the negative impact on productivity would decrease, which is in line with Vilet (2012) and Herrmann (2017).

The respondents argued that IKEA is somewhat static in its SP&M processes. The interviews showed that flexibility is a vital factor to achieve a successful SP&M process to reduce manager turnover costs. According to the majority of the respondents IKEA should have a group of candidates in the leadership pipeline, which would allow flexibility in the event of manager resignation. Costs related to vacancies could be reduced as the gaps could be filled directly when they occur, which is in line
with the findings by Rothwell (2001). As mentioned before, this would reduce the costs related to stress (Thompson, 2015). Bernthal & Wellins (2006) and Ferenhof et al. (2016) advocate that talents should not be stuck to a certain manager or position, but rather work where they can maximize their personal and professional performance to not suffer from knowledge waste. Sharing talents over functions could ultimately help the company to develop and gain new knowledge without seeking external resources. According to the respondents and previous literature, performing internal recruitments could reduce replacement costs since there would be less costs related to advertising, interviews and reference taking since the firm already is familiar with the employee (Parrino, 1997; Naveen, 2000; Rothwell, 2001; Hills, 2009). If more internal successions are employed, training costs will be lower as the candidate already is familiar with the company culture and internal procedures. Also, if the firm manages to make appropriate use of internal knowledge through SP&M, meaning that the talent possessing the knowledge is placed where he/she can maximize the performance, the respondents argue that there will be reduced costs related to lost knowledge and lost productivity.

6.4 Recommendations
The following recommendations are based on the findings from this research and are specifically provided to the case company. They put emphasis on the main issues that were identified in the data and have their foundation in the research questions.

• SP&M should be seen as a long-term investment where focus should lie on retention, development and education at all times, even in tough times. Costs related to rework and productivity will decrease in the future as the workforce is more knowledgeable and motivated.

• Finding key talents and positions and focus on having a strong leadership pipeline to critical positions is crucial. This will reduce costs as the talents could be matched with the right position where they could perform superior. Also, huge amounts of money could be saved with a shorter vacancy period. When the leadership pipeline is thin, it becomes utterly important for IKEA to identify people who have strong leadership potential and to observe key leadership positions that have to be replaced.

• SP&M and IKEA must be transparent and communicative, where for instance all managers should have the possibility to view all potentials and their skills. Collaboration between departments and warehouses and documentation of work procedures so that all can see what is working and what is not are vital. By ensuring that all people have the same information
collaboration will be facilitated as people know what they are doing and why they are doing it, and could therefore decrease costs where needed.

- The company should continuously evaluate the work and be proactive; what do we need in the future, how many employees and what skills? This would most likely reduce costs as knowledge regarding needs of manpower and competences is already clear prior to the resignation.
- IKEA must ensure that SP&M is applied to achieve flexibility. To secure the leadership pipeline by having a group of educated and skilled candidates could increase the flexibility and save costs. Being flexible through sharing talented employees between departments, thereby performing internal recruitments, enables gaining new knowledge without seeking external resources, leading to reduced costs.

6.5 Further research proposals

The research discusses several areas related to employee turnover costs and SP&M success factors to reduce these costs. The following perspectives are not covered within the frame of this thesis, but could be further investigated in order to receive a greater understanding of and develop the area of employee turnover costs and SP&M success factors to reduce these costs.

- Look closer into the intangible costs related to employee turnover costs. This thesis identifies several intangible costs and estimates an accumulated number symbolizing all the intangible costs together (called performance differential/lost productivity/lost sales). Future research identifying a more precise number on each intangible cost would give a better picture if there are some intangible costs that are more decisive than others (Bliss, 2004; Hillmer et al., 2004; Tracey & Hinkin, 2008). Here, performing a quantitative study focusing on finding more accurate numbers could be beneficial (Bryman & Bell, 2011).
- Investigate several warehouses. This research is based on one single IKEA warehouse, Bäckebol. A study investigating several warehouses, for example through a multiple case study (Bryman & Bell, 2011), could yield a better picture of employee turnover costs and enable a comparison between warehouses. It could generate valuable insights regarding best practices (Aon Hewitt, 2013) and help IKEA in their work on SP&M.
- Examine costs related to if an appropriate vs inappropriate manager resigns. This paper assumes that an appropriate manager possessing relevant skills and competences resigns.
However, a study that compares costs related to if an appropriate vs inappropriate manager resigns would be interesting (Johanson & Jorén, 2007).

• Perform a comparative study (Bryman & Bell, 2011). To compare several retail companies’ employee turnover costs and work on SP&M would be interesting. Hopefully, companies could learn from each other and develop further in their work on reducing employee turnover cost through using SP&M.

• Investigate another company operating in another sector. To perform a similar case study at a company operating in another industry than retail would be interesting as there probably are other costs and challenges, and proportions of the costs, compared to those found in this research (Tracey & Hinkin, 2008).
References


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Appendix

Appendix 1. Interview guide

Personlig information
1. Berätta lite om dig själv
   Exempel:
   a. Titel, Arbetsuppgifter, hur länge hen jobbat där
   b. Karriärutveckling inom företaget
   c. Karriärmål?

Q1: Kostnader relaterade till chepspersonalomsättning

1. Varför tror du att människor på din position lämnar IKEA? Potentiella anledningar:
   a. Balans mellan jobb och övrigt liv
   b. Lön
   c. Arbetsuppgifter
   d. Karriärutveckling
   e. Kultur
   f. Utvecklande/meningsfullt arbete
2. Utöver direkta kostnader såsom rekryteringskostnader, vilka andra indirekta kostnader associerar du med att du, eller någon annan, lämnar din position? Varför?
   Följfrågor:
   a. Förlorad produktivitet
   b. Förlorad försäljning
   c. Behöver göra om arbete
   d. Förlorad kunskap
   e. Sämre arbetsmoral
3. Tror du att din position skulle vara svår att fylla om du, eller någon annan, lämnar? Varför?
4. Om din position står tom, tror du att det skulle det påverka företaget? Hur?
   Följfrågor:
   a. Effektivitet
   b. Produktivitet
   c. Beslutsfattande
   d. Kultur och medarbetare
5. Vilka fler problem associerar du med att folk slutar på din position? Några fördelar?
Q2: How can SP&M reduce these costs?

SP&M refers to a structured strategic approach of finding, preparing and developing potential successors for future positions. This approach is characterized by proactiveness and continuous processing in order to ensure that the leadership pipeline is prepared and ready to enter new available positions (Rothwell, 2001; Conger & Fulmer, 2003).

Engagement in SP&M?
6. Are you aware of the work around SP&M at IKEA?
7. What do you think are the advantages/disadvantages of internal and external succession?
8. Are you actively working with SP&M regarding your position and how?
   a. Why/why not?
9. Do you think internal or external succession is the most suitable for your position?
10. Do you have any skilled candidates who could take over your role at the company?
11. Have you experienced a loss of potential candidates in your candidate pool due to internal and/or external competition?
12. Are all employees informed and aware of the succession possibilities?
13. Have alternative career paths been identified for employees who are no longer suitable for a specific position?
14. Do you feel that your career can be developed within IKEA?

Results of SP&M
16. Do you think your work around SP&M is effective?
17. Do you think SP&M can reduce costs related to people leaving your position?
   a. Why?
18. What are the important factors for SP&M to reduce costs related to people leaving your position?
   Alternative follow-up questions:
   a. Engagement from managers
   b. Identify important positions
   c. Transparent, communication
   d. Continuous measurement and evaluation
   e. Flexibility
   f. Objective
   g. Development opportunities
   h. Support culture

19. Do you think SP&M is used as a strategic tool to reduce costs related to people leaving your position?
20. Does your SP&M work reduce costs related to people leaving your position?
21. Which aspects of your SP&M work would you say are most successful?
22. How can you improve/change your SP&M work to reduce costs related to people leaving even more?