

The Impact of Turnover and Inflation on Business Owners

9 min read



It's no secret that right now is a difficult time to be in business.

Key Takeaways

- **The Impact of the Great Resignation and High Turnover on Businesses:** In January 2022, 4.25 million Americans quit their jobs compared to 3.3 million in January of the previous year. Comparatively, 4.4 million workers left their jobs in April 2022 and 4 million in...
- **The Current Impact of Inflation on Businesses:** In May 2022, the U.S. inflation rate reached 8.6% which is the highest it has been since 1981...
- **Address the Reasons Why People Quit Their Jobs:** According to Work Institute's 2020 Retention Report, 75% of turnover could have been prevented...

The pandemic through the entire world into economic chaos with shutdowns, supply chain problems, and overall economic uncertainty. It also had a slightly unforeseen effect of spurring the Great Resignation with waves of employees choosing to quit their jobs in pursuit of more fulfilling opportunities in unprecedented numbers. Now, we're facing high inflation rates, the likes of which haven't been seen since the Great Inflation in the early 1980s.

Despite this perfect storm of economic woes and only 43% of small business owners reporting excellent or even good business conditions in their regions, optimism is still strong. A whopping 90% of small business owners feel confident that they expect to be in business in the next six months, according to a survey of 1,200 small businesses in the United States. [1]

So, how serious are the implications of the Great Resignation and high inflation rates for small businesses? Unfortunately, the implications could be significantly negative – especially, if small business leaders fail to take action to combat the effects of employee turnover and inflation.

Are the frustrations from managing your business's financials keep you up at night?

Speak To A Service Business Performance Specialist.

The Impact of the Great Resignation and High Turnover on Businesses

According to the U.S. Bureau of Labor and Statistics, in January 2022, 4.25 million Americans quit their jobs compared to 3.3 million in January of the previous year. Comparatively, 4.4 million workers left their jobs in April 2022 and 4 million in April 2021. [2] While April's numbers might represent a slow-down in the rate at which resignations are increasing, resignations are still on the rise compared to previous years.

Despite these numbers, 76% of small business owners feel confident they will fill all of their open positions within the next six months, according to the Capital One study of small businesses. Although filling open positions is necessary, and the ability to fill them is positive, the confidence does not account for the challenges that high turnover rates present to businesses.

Read More: [More Than You Think: The Cost of Employee Turnover](#)

High employee turnover is costly – more costly than you might realize. Employee turnover results in expenses to fill positions, lagging productivity costs, lost knowledge and experience, and the lost investment of dollars and time that were put into the employee who quit. Plus, you have to factor in the cost and lagging productivity that occurs during the time it takes to bring a new employee up to speed and the time required of other employees to provide training.

Additionally, high employee turnover takes a major toll on workplace culture and employee morale. Among other factors, workplace culture depends greatly on the creation of a coherent team within the workplace, when team members start leaving – especially at high rates – it breaks the existing team apart, resulting in lost workplace friendships, additional

workload and burden on remaining employees, and a significant deterioration in employee happiness.

Double Whammy: The Current Impact of Inflation on Businesses

In May 2022, the U.S. inflation rate reached 8.6% which is the highest it has been since 1981. [3] Despite the 75-basis-point rate hike by the Federal Reserve [4], there are still plenty of factors (such as ongoing supply chain issues and increasing oil prices) that are contributing to inflation.

In the Capital One survey, 48% of small business owners reported that inflation posed the biggest challenge of the year, and more than 71% of the small business owners surveyed said that, over the previous three months, inflation had had a negative impact on their businesses.

Seventy-seven percent are worried about the future impact inflation will continue to have.

These business owners are right to be concerned. Inflation – the reduced purchasing power of currency – has a multifaceted, negative impact on businesses. Inflation means higher costs, reduced consumer spending power, and also a reduction in the value of the salary paid out to employees.

What Can You Do? 6 Inflation and Turnover Best Practices for Business

To combat both the Great Resignation and high inflation rates, small business leaders need to take a proactive approach to shoring up both their workplace culture and their financial management.

1. Improve Workplace Culture

Improving workplace culture will help to keep your turnover rates under control while also increasing employee satisfaction, engagement, and productivity to maximize your ROI on labor costs. There are many ways to improve company culture, and the strategies you choose will depend largely on your company's values and the type of culture you want to promote.

Generally, you can improve workplace culture by creating open channels of communication, participating in team-building activities, connecting with your employees on a personal level, and providing desirable incentives in rewards and recognition for good work and positive ideas while also being careful not to punish failures but to view them as learning experiences, instead.

2. Outsource Non-Core Business Functions

You can save money and also mitigate risks associated with turnover in certain areas of your business by outsourcing departments that are not essential to your core business function, such as marketing, bookkeeping and accounting, and legal (unless you are a marketing, accounting, or law firm).

Outsourcing questions? This guide has answers.

Download [The Guide To Outsourcing](#) to see the benefits & challenges of outsourcing, assess if your business is ready to outsource, and how to choose the right partner.

3. Combat Employee Burnout to Increase Employee Engagement

According to the above-mentioned survey of small businesses from Capital One, the burnout risk is not isolated to employees alone. In fact, the survey found that 42% of small business owners had experienced burnout during the previous month, and 24% said they were currently suffering from burnout.

To combat burnout, consider offering more flexible work scheduling, a hybrid office structure, and paid time off for mental health days.

Additionally, you can help to combat burnout by encouraging and/or facilitating opportunities for relaxation, meditation, and physical activity during the workday.

4. Optimize Your Prices

As your costs increase as a result of inflation, do not neglect your prices. Be sure you are pricing your products and/or services for the profit margins you desire. As your costs go up, your prices likely will need to rise to the occasion as well.

Read More: [Don't Be a Pricing Coward! Get This Under Control...](#)

5. Address the Reasons Why People Quit Their Jobs

You can prevent employees from leaving your business. In fact, according to Work Institute's 2020 Retention Report [5], 75% of turnover could have been prevented. The report also looked at why employees decided to leave their jobs, and identified the following top reasons for employee turnover:

- 18% Career concerns - Not enough opportunities for advancement, growth, development, achievement, and/or security

- 10.5% Work-life balance issues - Preferring remote work, flexibility, scheduling problems, and commuting problems
- 10% Job problems - Enjoyment working, unmanageable workloads, and ability to take ownership in work
- 7.8% Manager issues - Wanted more productive relationships with management
- 7.7% Environment - Dissatisfaction with physical surroundings and cultural environment
- 7% Rewards - Dissatisfaction with compensation in addition to benefits or rewards that were offered and/or received

When you understand the most common reasons why employees quit their jobs, you can take preventative action to ensure your employees are satisfied, engaged, and happy working for you.

Read More: [Why Do Employees Quit?](#)

If you aren't sure where you stand, don't be afraid to ask your employees through an anonymous survey how they feel about working for your company.

6. Maximize ROI With Unit Economics

As inflation and turnover costs squeeze your small business's budget, you need to maximize the ROI on every dollar you spend. Use time-driven, activity-based job costing (unit economics) to generate profit and loss statements on every aspect of your business to determine your profit margins and ROI on these investments.

With unit economics, you can look at the profitability of your customers, job types, products, departments, and employees. Focus on promoting and replicating those that are performing best while either fixing or nixing those that are underperforming.

Management Accounting: Here to Help Your Business in Tough and Even Tougher Times

Running a business is never easy, but sometimes, such as under the pressure of the Great Resignation and inflationary times, it can be even more challenging than normal. While it's always important for business leaders to know their numbers, having a strong back office to support you through the current challenges is more important than ever. When the economy and general outlook on employee loyalty and engagement are constantly in flux, as they now are, business leaders need to keep a close watch on their turnover rates, expenses, budgets, cash flow, cash flow forecast, prices, profit margins, and ROI.

In order to have timely, accurate, and reliable data, it's essential to have a strong back office with the people and technology in place to automate data collection, recording, and reporting. This allows you to have your numbers available at the click of a button.

While this kind of bookkeeping and accounting department can be complicated and expensive for a small business to set up on its own, help from a professional outsourced accounting service provider is well within reach. With virtual accounting services, small business leaders can access the full power of an in-house accounting department – teams, tools, technology, and insights – at a fraction of the cost. This can help you shore up your finances against the current high inflation rates while also pinpointing human capital management strategies to reduce your employee turnover rate, improve employee engagement and satisfaction, and increase productivity.



Frustration from inaccurate financials ends
HERE.

[SPEAK TO AN EXPERT](#)