

THE EFFECTS OF EMPLOYEE HIGH TURNOVER WITHIN
ORGANIZATIONS

A Project Presented to the Faculty
of
California State University Stanislaus

In Partial Fulfillment
of the Requirements for the Degree
of Master of Business Administration

By
Shamiran Sarhadi
November 2017

CERTIFICATION OF APPROVAL

THE EFFECTS OF EMPLOYEE HIGH TURNOVER WITHIN ORGANIZATIONS

by
Shamiran Sarhadi

Signed Certification of Approval page
is on file with the University Library

Dr. Xun Xu
Faculty Advisor, Professor of Operations Management

Date

Dr. Sophie Zong
Project Coordinator, Professor of Finance

Date

Ms. Katrina Kidd
Director of MBA Program

Date

Dr. Tomas Gomez-Arias
Dean of College of Business Administration

Date

© 2017

Shamiran Sarhadi
ALL RIGHTS RESERVED

DEDICATION

To all employees who have been challenged with high turnover within their respective organizations.

ACKNOWLEDGEMENTS

First, I would like to thank God for all His help. Without God, this program and project would not have been possible. There are a number of people without whom this project may not have been written and to whom I am greatly indebted and thankful. To my children Jonathan Edward Sarhadi and Jeremy Nicholas Sarhadi for their unwavering support and encouragement even when mom did not have time to cook or be available for many occasions. I am very grateful to God for giving me two beautiful children who are strong and hardworking gentlemen. To my husband, Edward Sarhadi, who continues to support my education with a big heart. Edward was actively supportive of my determination to find and realize my potential even when I was ready to give up. Edward's encouragements and positive energy led me to where I am today. Very special thanks for all of your knowledge and wisdom throughout my life. To my mother, Ougil Netnil, and my father, Anderious Netnil, who have been a source of encouragement and inspiration to me throughout my life and stayed actively engaged with my struggles. I am very grateful for your practical and emotional support as I added the roles of wife and then mother to the competing demands of business, work, study, and personal development. I would like to thank all of the academic staff of California State University Stanislaus who have helped me in one way or the other and a special appreciation to my advisor Dr. Xun Xu for his hard work to make sure I was on the right track with my thesis. A special thanks to Professor Katrina Kidd for her guidance and patience throughout the entire program. A special thanks to all my EMBA team for their patience and understanding and all my family and friends for all their support.

TABLE OF CONTENTS

	PAGE
Dedication	iv
Acknowledgements	v
List of Tables	vii
List of Figures	viii
Abstract	ix
CHAPTER	
I. Introduction	1
II. Literature Review	5
III. Data Collection and Data Analysis	12
IV. Discussion of Findings	26
V. Theoretical and Managerial Implications	30
VI. Conclusion	35
References	37

LIST OF TABLES

TABLE	PAGE
1. Involuntary Employee Turnover.....	6
2. Voluntary Employee Turnover	7
3. Negative Effects.....	8
4. Positive Effects	8

LIST OF FIGURES

FIGURE	PAGE
1. Turnover Core Causes.....	14
2. Turnover Core Effects.....	19
3. Turnover Solutions.....	22

ABSTRACT

The main purpose of the study is to determine the effects of employee high turnover of many organizations. The overall purpose of this study is to find out the effect of employee turnover on organizations with sustainable growth. This project specifically points out the main causes and realities of the problem of employee turnover. This study focuses on the measures for analysis of employee turnover, workload, substandard management and salary. Job correlation and tests are used for research studies in order to analyze the relationship among independent and dependent variables. The results from the analysis confirm that the performance of management and organizations are positively associated with employee turnover. The study provides insight into how the level of turnover affects performance and the major variables that may address these issues. The effect of high employee turnover is mitigated by the nature of management and compensation and many other variables.

CHAPTER I

INTRODUCTION

This project seeks to determine the causative reasons behind the exceptionally high employee turnover rates in organizations. For a significant time now, many organizations have been characterized by high numbers of employees opting to desert their jobs, “2013 employee turnover rates for the average of all Industries is 15.1%; Healthcare is 16.8%; and Hospitality is 29.3%. The ideal employee turnover rate is 10%” (Gallant A, 2013). This translates negatively on the various organizations in this crucial industry as they continuously have to spend significant amounts of resources on hiring new employees to replace the ones who have left the company. This is a very costly process that is consuming potential profits for these companies. This project will identify the main reasons as to why more employees are voluntarily or involuntary leaving their jobs. Most organizations incur a certain percentage of turnovers, which influences the goals and objectives of the organization. Whether the turnover occurs on the front lines or in the executive ranks, the effects of the high turnover in an organization can be extremely burdensome on the organizations ability to maximize performance and profitability (Butali, Wesang'ula, & Mamuli, 2013). The focus of this research is to examine the causes of employee turnover, the effects of employee turnover in an organization, and provide insight into potential recommendations and solutions to reduce employee turnover rates in an organization and improve retention rates.

High Employee Turnover is defined as “a high employee turnover rate implies that a company's employees leave their jobs at a relatively high rate”. Employee turnover rates can increase for a variety of reasons, and turnover includes both employees who resign from their jobs and those who are asked to leave. Average employee turnover rates differ among industries; for example, in 2006, average turnover rates in the United States varied between around 15 percent annually for durable goods manufacturing employees to as high as 56 percent for the restaurant and hospitality industry, according to Nobscot Corporation (Ingram 2009).

Organizations with significant employee turnover are affected in overall performance, employee morale, organizational stability, and bottom line profitability. A successful organization that effectively recruits and retains their employees benefits as an organization from the standpoint of consistency and contingency within the ranks of the organization. An organization that incurs high rates of turnover tends to be unproductive, inefficient, and minimizes its potential profitability.

Within the causes and effects of turnover rates in organizations, there are clear distinctions between the organizations with low turnover rates and high turnover rates. These distinctions are apparent in the organization's culture and fostered by their management consistently throughout the organization. In the research studies documented to date, a high percentage of employee turnover is related to management and its short-sightedness in listening to and understanding employees' concerns; whether those concerns are related to skills, compensation deficiencies,

lack of advancement opportunities, poor communication, lack of positive recognition, or just poor management due to improper training of managers.

The research studies provide significant data on the causes of employee turnover, the negative and positive effects of employee turnover, and recommendations based on their findings to improve employee retention and potential solutions for managers to improve employee turnover. Most of the research studies demonstrate a correlation between the psychological factors involved in employee turnover, which presents a high percentage of relative factors involved in the reasons for employee turnover. With the psychological factors, the monetary and promotional factors encompass the overlying causes of employee turnover. Thus, the research studies identify the major role management plays in an organization's employee turnover whereby the corrective actions mainly rely on the improvement of management within the organization.

Although high employee turnover is an ongoing issue for many organizations, there is a need for creative solutions because there are so many different factors that lead to high employee turnover. In order to reduce total costs for companies that have high employee turnover, the idea of compensating employees through various means will improve employee productivity and increase company profits simultaneously.

This study is intended to focus on the effects of employee turnover and to present reasonable, long-term solutions for organizations to sustain employee retention rates at a higher level. The study will examine the core causes and effects of employee turnover and offer employee retention solutions from a human equation

standpoint, which is the development of the human equation in the workplace based on positive management practices, increased employee motivation through positive recognition, reasonable and sustainable compensation programs, and strategic advancement policies (Zhang, 2016).

CHAPTER II

LITERATURE REVIEW

The literature identifies three fundamental foci of employee turnover in organizations. The three fundamental foci are core causes of employee turnover, core effects of employee turnover upon organizations, and recommendations and potential solutions to reduce employee turnover while maintaining adequate retention rates.

In review of the studies available in the literature, the fundamental core causes involving high employee turnover rates and its negative impacts are related to the organization' failure to properly select potential employees; failure to properly train, motivate, and develop new employees; failure to compensate employees appropriately; and failure to provide significant advancement opportunities.

Although there is a percentage of employees who fail on their own accord, the main findings in the literature clearly outlines organizational deficiencies in recruiting, handling of employees by supervision and management; human resources failing to provide a competitive compensation program; and organizations' failing to create promotional opportunities through the organization.

In many of the research studies, involuntary employee turnover is directly related to new employee miss-alignment, substandard management of employees, lack of recognition, poor communication, and lack of training during initial months of employment (Holtom, Michell, Lee, & Eberly, 2008). See table 1 below.

For voluntary employee turnover, as illustrated in table 2 below, the main fundamental core causes for high employee turnover are substandard management, compensation, and lack of advancement opportunities. The empirical information presented in the research studies literature acknowledges that a high percentage of employees leave organizations due to poor management, lack of recognition, perceived devaluation in compensation, and a lack of promotional opportunities (Lewis, T. E. 2015).

Table 1

Involuntary Employee Turnover

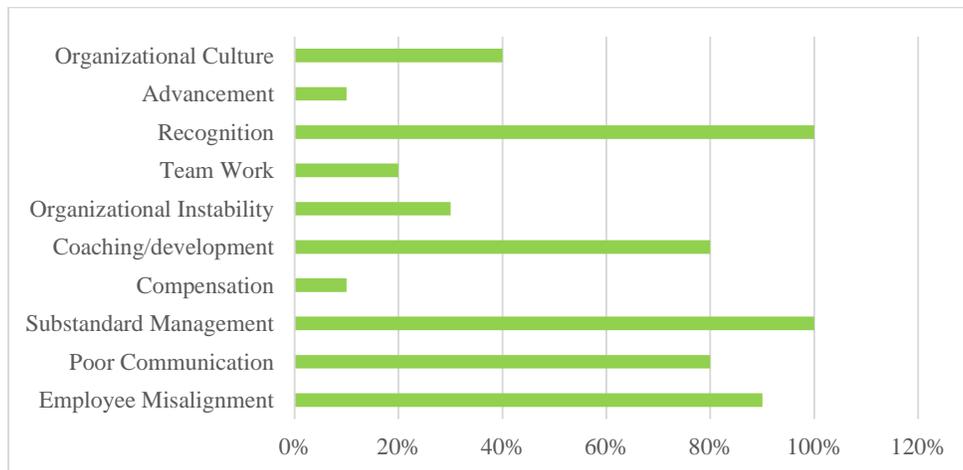
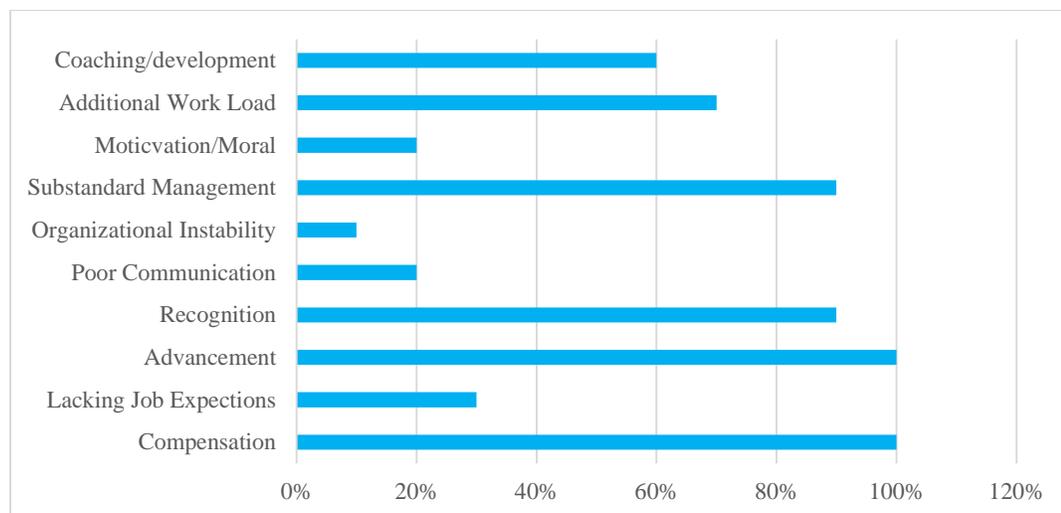


Table 2

Voluntary Employee Turnover

In all the research studies available in the literature, employee turnover created negative effects within organizations including increased financial costs, reduced productivity, product quality issues, decreased customer service, and lower motivation and morale within the organization. In all the research studies, a significant negative financial effect upon organizations was identified by all the research studies. See table 3 below.

In some of the research studies, as illustrated in table 4 below, there were positive effects from employee turnover noted as improved employee diversity, creativity, skill level in an organization, and replacement of poor performers (Ampomah & Cudjor, 2015). Although the positive effects were noted, the negative effects upon organizations were more impactful and costly to an organization due to the increase in human resource costs, reduced productivity, and significant lack of

continuity and overall reduction of morale within the organization (Von Wobeser & Escamilla, 2013).

Table 3

Negative Effects

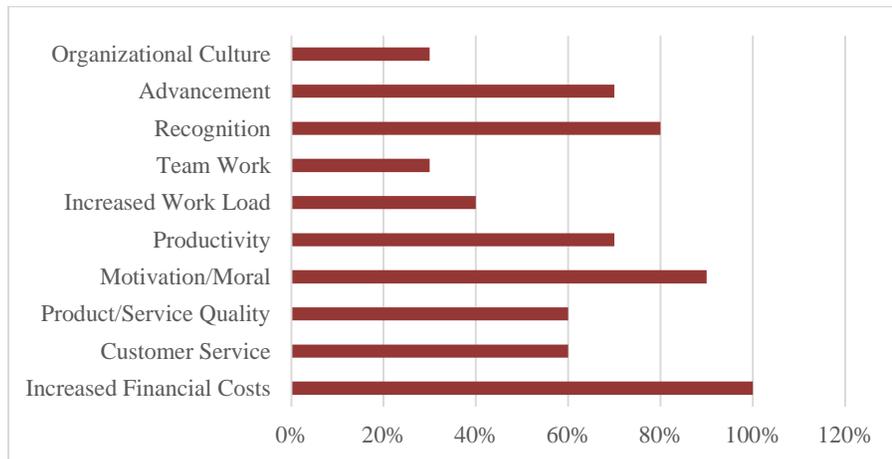
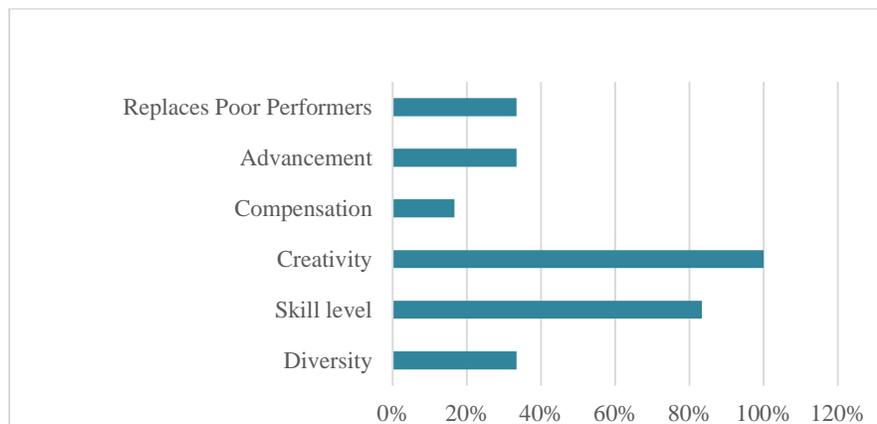


Table 4

Positive Effects



In all the research studies, there were variable degrees of recommendation for potential solutions noted by the authors. In all cases of employee turnover, whether involuntary or voluntary, 100% of the research studies indicate a significant solution

to employee turnover is to address the deficiencies in compensation programs, employee recognition, and advancement opportunities. In 90% of the research studies, positive management and employee development by organizations was needed to improve retention rates. Positive management was defined by effective training, strategic employee development, positive reinforcement and recognition leading to increased productivity, motivation, and morale (Butali, 2013). In addition, there are other recommended solutions that were identified by 20% to 60% of the research studies. Effective communication, job appreciation, goal alignment, and organizational stability are solutions identified by 60% of the studies. Organizational culture and timely new hires are solutions recommended by 50% of the studies. Management coaching and replacement of poor performers are solutions identified by 20% of the studies. As noted, adequate compensation and improved workplace environment is key to high retention rates (Ongori, 2007).

In relationship to this study, the literature validates the fundamental issues and challenges associated with the effects of employee turnover in organizations. The core causes for employee turnover is well defined in the research studies. The effects upon an organization are well-documented, and the recommendations and potential solutions are equally considerable to this study as also found in the research studies.

This study is relevant to the continuous challenge in the business sector where organizations are burdened with employee turnover and declining retention rates. The research studies to date continue to focus on the same fundamental issues and challenges from the last 40 years. Organizations tend to adjust to the employee

turnover rates and fall back into lower retention rates when turnover solutions are eased and compensation programs are trimmed to meet profitability standards.

The research literature indicates fundamental areas of deficiencies of organizations to reach their optimal employee retention rates. The main categories of deficiencies are contributed to lack of effective management within the organization. In my study of the research literature and my observations of several organizations, there is a significant connection between lack of effective management and high employee turnover rates.

When I review the research literature, a high percentage of the literature identified the significant effect of the lack of effective management in the industry with higher employee turnover rates. As noted, the healthcare industry has a significantly high level of employee turnover rate over 16% compared to the ideal rate of 10%, and the research indicated the employee turnover rate was due to the lack of effective leadership within the organization. Leadership is defined as adequate training, effective communication, positive recognition, and providing development for advancement opportunities.

All of the research literature has significant contributions to effects of high employee turnover. The research literature identifies the core causes of employee high turnover, the core effects of high employee turnover and the potential recommendations and solutions to high employee turnover. Some of the literature research are industry specific which is important to the specific impact of their fields

and some the research literature is empirical data that has relevant to high employee turnover and its core causes and effects.

The information and data provided by the research literature has contributed specifically and defined the area of potential improvements to address the high employee turnover rates. In my opinion, the research literature establishes the main concept associated with high employee turnover rate which is the lack of effective management within some organizations. The research literature provided statistic data which clearly identified supervisory, managerial, and executive decision making as a significant factor in an organization's retention rate.

From a standpoint of positive impact of employee turnover rates, a small percentage of the research literature thoroughly identified positive effects of employee turnover. In my opinion, I would have expected more positive effects and implications of employee turnover presented by the authors. Although the negative effects of high employee turnover outweighs the positive effects, one would expect to identify the benefits of new ideas, and increased productivity when low-producers are replaced with introductions of improved skill sets that it would present a higher degree of positive effects associated with high employee turnover rates.

CHAPTER III

DATA COLLECTION AND DATA ANALYSIS

Data collection was conducted using various search methods via the internet and the California State University Stanislaus Library. In addition to the ten studies discussed in the literature review, there were several journal articles related to the causes and effects of employee turnover in organizations (Shamsuzzoha, & Shumon, 2007). To clearly represent the effects of employee turnover, the additional research information covered the financial impact of employee turnover, social and organizational culture effects of employee turnover, additional work load and the effects of that burden on employees, the negative impact on customer service, and its influence on an organization's profitability, and the potential solutions and recommendations to improve employee retention and improve turnover rates.

For the data analysis, this study analyzed the causes of involuntary and voluntary employee turnover, the effects of employee turnover on organizations, and the recommendations and solutions suggested by the 10 research studies available in the literature. The 10 studies establish a broad range of employee turnover studies with empirical data based on the literature, employee surveys, employee questionnaires, exit interviews with employees, and organizational observations (Khan, A. H., & Aleem, M. 2014).

From a data analysis standpoint, the 10 research studies were analyzed to identify the specific categories related to the causes of employee turnover, the effects of employee turnover upon an organization, and the recommendations and solutions derived from the empirical research data. From the research data associated with the 10 research studies, an empirical analysis is presented using the three main foci related to employee turnover and its effects;

- a. core causes of employee turnover,
- b. core effects of employee turnover, and
- c. recommendations and solutions for improved employee retention.

First, an evaluation and analysis of the core causes for employee turnover was compiled from the empirical data presented in the ten research studies. There are many specific detailed causes of turnover related to specific industries; this analysis will exam the specific detailed causes into specific core causes presented by the 10 research studies. By analyzing the main core causes presented in the 10 studies, the empirical data focuses the causes of turnover into main categories that can be rated by importance as noted in the 10 studies. This provides a starting point for organizations to identify and understand employee turnover before establishing the priorities to address employee turnover rates in their organization.

Figure 1 is a matrix of the core causes of employee turnover derived from the 10 research studies. The studies are numbered one through 10 on the below matrix.

	Study 1	Study 2	Study 3	Study 4	Study 5	Study 6	Study 7	Study 8	Study 9	Study 10	%
Involuntary:											
Employee Misalignment	X	X	X	X	X	X	X	X		X	90%
Poor Communication	X	X		X	X	X	X	X		X	80%
Substandard Management	X	X	X	X	X	X	X	X	X	X	100%
Compensation									X		10%
Coaching/development	X			X	X	X	X	X	X	X	80%
Organizational Instability	X			X			X				30%
Team Work									X	X	20%
Recognition	X	X	X	X	X	X	X	X	X	X	100%
Advancement									X		10%
Organizational Culture	X			X	X			X			40%
RESULTS	70%	30%	30%	60%	60%	50%	50%	50%	60%	50%	
Voluntary:											
Compensation	X	X	X	X	X	X	X	X	X	X	100%
Lacking Job Expectations	X				X		X				30%
Advancement	X	X	X	X	X	X	X	X	X	X	100%
Recognition	X	X	X	X	X	X	X		X	X	90%
Poor Communication	X									X	20%
Organizational Instability								X			10%
Substandard Management	X	X	X	X	X	X	X		X	X	90%
Motivation/Moral		X	X								20%
Additional Work Load		X	X		X	X		X	X	X	70%
Coaching/development	X			X	X		X	X		X	60%
RESULTS (%)	70%	60%	60%	50%	70%	50%	60%	50%	50%	70%	

Figure 1. Turnover core causes

The matrix represents the core causes of employee turnover in two categories, which are involuntary and voluntary. Involuntary employee turnover is defined as an employee discharged by the organization.

The 10 core causes of involuntary employee turnover are identified in the research literature.

- Employee misalignment - occurs when an employee's skills do not match the requirements of the position.
- Poor communication - involves a lack of communication and feedback from management and supervision to the employee.
- Substandard management - involves poor management practices such as inadequate direction by supervision and management.

- Inadequate compensation - involves a lack of adequate pay, bonuses, and financial incentives to retain employees.
- Ineffective coaching/development - involves a lack of coaching, training, and development by management and/or a lack of assimilating to the practicing norms of the organization on the part of the employee.
- Organizational instability - includes poor decision making by management, weak or inadequate organizational structure, and questionable solvency.
- Lack of team work – occurs when employees are not working towards common goals.
- Lack of or inadequate recognition - occurs when employees do not receive positive reinforcement and acknowledgement from supervisors.
- Lack of advancement - occurs when there is a dearth of promotional and inter-organizational transfer opportunities. Negative organizational culture - occurs when the working environment of an organization is unfavorable and counterproductive to productivity.

The 10 core causes of voluntary employee turnover are identified in the research literature.

- Inadequate compensation - involves a lack of adequate pay, bonuses, and financial incentives to retain employees.
- Lack of team work – occurs when employees are not working towards common goals.

- Lack of or inadequate recognition - occurs when employees do not receive positive reinforcement and acknowledgement from supervisors..
- Poor communication - involves a lack of communication and feedback from management and supervision to the employee.
- Organizational instability - includes poor decision making by management, weak or inadequate organizational structure, and questionable solvency.
- Substandard management - involves poor management practices such as inadequate direction by supervision and management.
- Ineffective coaching/development - involves a lack of coaching, training, and development by management and/or a lack of assimilating to the practicing norms of the organization on the part of the employee.
- Lacking Job Expectation – when the job is not challenging enough for employee.
- Motivation and Moral involve a lacking of motivation and or poor moral due to working environment.
- Additional Work Load involves the extra work extended to personnel due to employee turnover.

As the matrix illustrates, substandard management and lack of recognition represents 100% of the research studies, 90% of the research studies identified misalignment of the job as a core cause of turnover, and 80% of the research studies noted poor communication and ineffective coaching/development as a core causes.

These four core causes point to failure on the part of voluntary employee turnover and reflect poor management practices.

Negative organizational culture, poor communication, and organizational instability ranged from 40% to 30% of the core causes for involuntary turnover, which illustrates the mid-range of the core causes for employee turnover. Lack of team work, inadequate compensation, and lack of advancement ranged in the bottom percentile of the core causes respectively mainly due to the insignificant relationship to the core causes related to the mismanagement of employees in an organization.

From a voluntary employee turnover standpoint, there is converse comparison for core causes to the core causes for involuntary turnover. Lack of compensation and advancement were 100% represented in the 10 research studies for voluntary employee turnover compared to the 10% representation for involuntary employee turnover. Substandard management was similar in both categories for employee turnover and rated 90% for voluntary versus 100% for involuntary. Additional work load as a negative by-product of employee turnover was 70% of the voluntary employee turnover reflecting the feedback of the exit interviews in most of the research studies. Sixty percent of the voluntary turnover was attributed to ineffective coaching and development by the management team. Lack of job expectations (30%), poor communication (20%), motivation and moral (20%), and organizational instability (10%) represented the least identified core causes for voluntary employee turnover. Surprisingly, organizational instability ranked only 10% for voluntary employee turnover in the analysis, which one would reason it to be in the higher

percentile of the research studies (Mitchell, T. R., Holtom, B. C., Lee, T. W., Sablinski, C. J., & Erez, M. (2001).

With the analysis of the core causes of employee turnover, the 10 research studies identified core effects of employee turnover. As for the core causes of employee turnover, the core effects of employee turnover for an organization are also presented in a table. The 10 research studies noted that there are negative and positive effects from employee turnover in an organization.

For the negative effects, the 10 research studies identified 10 negative effects.

- Increased financial costs
- Customer service
- Product/service quality
- Motivation/moral issues
- Productivity
- Increased work load
- Team work
- Recognition
- Advancement
- Organizational culture

Increased financial cost involves the additional human resources costs such as training, recruiting, processing, decreased profitability due to losses in productivity, and increased burden on over-time costs. Customer service involves the decrease in customers' intention and increased product defective rates. Product/service quality

involves decreases in quality of products and services afforded by experienced personnel. Motivation and moral involves the effects of personnel with poor performers and increases in work load levels due to turnover levels. Productivity involves the decrease in production efficiencies due to inexperienced personnel or lack of personnel. Team work involves the synergies an organization creates with the personnel working together to a common goal. Recognition involves positive reinforcement for employees. Advancement involves promotional and inter-organizational transfers to improve employees' employment status. Organizational culture involves the working environment of the organization as favorable or unfavorable due to many factors. Figure 2 is a matrix of the core effects of employee turnover derived from the 10 research studies.

	Study 1	Study 2	Study 3	Study 4	Study 5	Study 6	Study 7	Study 8	Study 9	Study 10	%
Negative Impacts:											
Increased Financial Costs	X	X	X	X	X	X	X	X	X	X	100%
Customer Service	X	X	X		X	X		X			60%
Product/Service Quality	X			X	X		X	X		X	60%
Motivation/Moral	X	X	X		X	X	X	X	X	X	90%
Productivity	X	X		X	X	X	X			X	70%
Increased Work Load		X	X		X		X				40%
Team Work	X	X							X		30%
Recognition	X		X		X	X	X	X	X	X	80%
Advancement	X				X	X	X	X	X	X	70%
Organizational Culture					X			X	X		30%
RESULTS	80%	60%	50%	30%	90%	60%	70%	70%	60%	60%	
Positive Impacts:											
Diversity	X				X						33%
Skill level	X		X		X	X	X				83%
Creativity	X	X	X		X	X	X				100%
Compensation	X										17%
Advancement			X		X						33%
Replaces Poor Performers			X		X						33%
RESULTS (%)	67%	17%	67%	N/A	83%	33%	33%	N/A	N/A	N/A	

Figure 2. Turnover core effects

In the matrix, the negative effects of employee turnover are illustrated by the high range of frequency of the core effects identified in the 10 research studies. All 10 research studies identified increased financial costs as an absolute effect of employee turnover. In the range of 90% to 70%, motivation/moral, recognition, advancement, and productivity were identified respectively as significant effects of employee turnover. In the mid-range, customer service, product/service quality, and increased work load were identified as core effects. And the least identified core effect at 30% was team work and organizational culture. For an organization, the increased financial costs are a significant burden upon any organization, and the additional decreases in productivity affects the profitability of an organization. Moreover, the influences of lower motivation and decreased moral impact the organization. When productivity and efficiencies decrease, the ability to manufacture or provide services diminish, and in turn, product quality suffers and customer service is compromised resulting in decreased profitability for an organization.

Conversely, in the 10 research studies there are positive effects identified. The positive effects are increases in diversity in the workplace; improved skill levels for some new employees; increases in creativity due to the influx of new personnel; improved compensation; in some cases, with highly paid employees departing; improved advancement opportunities with departure of employees; and increases in productivity when poor performers are replaced with productive personnel.

In the matrix, of the 10 research studies, only six of the studies noted positive effects of employee turnover. In the other research studies, the positive effects were

not applicable. For the six research studies that identified positive effects, creativity was identified by 100% of the positive core effects. Increased skill level was identified at 83% and is a significant positive effect in the studies. There were no mid-range positive effects identified in the six research studies. Diversity, advancement, and replacement of poor performers were identified by 33% of the studies. The least identified positive effect was compensation at 17%.

With the core causes and effects for organizations presented, the 10 research studies identified 13 recommendations and solutions to employee turnover that were derived from the empirical data compiled in the research studies. The recommendations and solutions are compensation, management coaching, effective communication, positive management, employee development, job appreciation, recognition, advancement, organizational culture, organizational stability, timely new hires, goal alignment, and replacement of poor performers.

Compensation involves appropriate pay for the position including benefits, bonuses, and commissions. Management coaching involves effective coaching and development of employees in their current position, cross training, and potential advancement considerations. Effective communication involves timely and positive feedback, clear directions, and transparency throughout the organization. Job appreciation involves an employee enjoying their job and providing added value to the organization. Recognition involves a sincere, positive acknowledgement for an employee's effort rather than a verbal acknowledgement in front of the team or a monetary gesture. Advancement involves a strategic advancement plan that identifies

potential candidates and develops employees. Organizational culture involves a positive, productive workplace environment fostered by experienced and positive management striving for synergies through team work. Organization stability involves a proven and successful organization with aligned goals and strategies to maximize the human resources and human equation. Timely new hires involve replacing departing employees within a reasonable timeframe to relieve the burden of additional work load. Goal alignment involves a structured, transparent communication of an organization's goals and strategies whereby all employees understand their part in the success of the organization. Replacement of poor performers involves the systematic replacement of poor performers to improve overall organizational performance and increase the synergies of the organization. Figure 3 is a matrix of the recommendations and solutions for employee turnover derived from the 10 research studies.

	Study 1	Study 2	Study 3	Study 4	Study 5	Study 6	Study 7	Study 8	Study 9	Study 10	%
Compensation	X	X	X	X	X	X	X	X	X	X	100%
Management Coaching				X				X			20%
Effective Communication	X	X				X		X	X	X	60%
Positive Management	X	X	X	X	X		X	X	X	X	90%
Employee Development	X		X	X	X	X	X	X	X	X	90%
Job Appreciation	X			X	X	X			X	X	60%
Recognition	X	X	X	X	X	X	X	X	X	X	100%
Advancement	X	X	X	X	X	X	X	X	X	X	100%
Organizational Culture					X	X		X	X	X	50%
Organizational Stability	X		X	X	X			X		X	60%
Timely New Hires		X	X	X		X	X				50%
Goal Alignment	X				X	X		X	X	X	60%
Replace Poor Performers				X			X				20%
RESULTS (%)	69%	46%	54%	77%	69%	69%	54%	77%	69%	77%	

Figure 3. Turnover solutions

In the matrix, there are three recommendations and solutions identified in all 10 research studies and they are compensation, recognition, and advancement. Clearly, the research identified the most important solutions to improving retention is adequate compensation, positive recognition, and advancement. Organizations that focus on awarding proper compensation, promoting recognition, and creating opportunities for advancement will reduce their employee turnover rate and increase their bottom line profitability. Nine studies identified positive management and employee development were also identified as solutions. Substandard management ranked high as a leading cause for employee turnover. An organization needs to focus on their management team to provide solid, positive, and effective management to their employees. The research studies found direct correlations between positive management and productivity and profitability versus poor management with correlating high employee turnover within an organization. In the mid-range from 60% to 50%, effective communication, organizational stability, goal alignment, job appreciation, timely new hires, and organizational culture were identified as recommendations for reduction of employee turnover. The least identified recommendations are management coaching and replacement of poor performers, both recommended in 20% of the 10 research studies.

The empirical data derived from the 10 research studies represent significant results of the causes of employee turnover, the effects of employee turnover upon organizations and the recommendations and solutions identified in these research

studies. In addition to the 10 research studies, there is more empirical data from academic journals that is presented in the remainder of this chapter.

Causes and reasons for high turnover rates in organizations are identified by several main reasons that include poor organizational culture, lack of motivation, substandard compensation, poor management, lack of advancement opportunities, and organizational instability. An organization with a toxic culture will create unproductive and destructive employees throughout the organization. Poor organizational culture consists of unskilled managers who usually micromanage their employees. These unskilled managers fail to create a productive and successful working environment. As a result, employees are undervalued, under-coached, and underdeveloped, under-compensated and over-worked. Employee creativity is stifled through over-bearing management. Potential solutions to improve employee turnover is to redefine and reinvent the organizational culture, remove the poor management throughout the organization, establish positive and productive management that promotes employee development, implement a cross-training program, recognize employee contributions, compensate competitively and equally, prioritize the treatment of people with respect, promote synergies within the organization, and build confidence and encourage internal advancement.

It is recommended for an organization to identify factors leading to employee turnover such as a lack of consistent strategic synergy throughout the organization. Organizations tend to have an overall strategy, yet there is a lack of continuity throughout the organization. Not all departments within an organization are focused

on the same goal, and, in most cases, they can become myopic and centered on only the goals within the department while losing sight of the goals of the organization. Some employees become competitive to the point where it creates tension and discontent between certain departments. The research studies recommend for potential solutions to establish a singular strategic goal designed to create success through consistent execution of the strategic plan. All departments should be aligned with the strategic plan and build cross-departmental synergies designed to promote productive interaction between managers and subordinates. Quarterly meetings should be conducted to review the strategic goal and acknowledge successes and milestones associated with the strategic goal, as well as to continue to promote and encourage internal growth for employees focusing on achieving the singular goal. In addition, organization should align its vision, mission and goals, to organizational values that lead the management team on their journey and provide key themes for how to train employees, discipline, create expectations and provide guidance.

CHAPTER IV

DISCUSSION OF FINDINGS

Potential solutions for employee turnover rates in organizations consist of improving the organizational culture, promoting a motivated workforce, developing a competitive compensation program, promoting good management practices, developing employees for advancement opportunities, and establishing consistent stability within the organization.

The potential solutions for employee turnover mostly involve the improvement in management style within an organization. As the empirical research data indicates, the effect of management style is directly related to the employee turnover rates. Management style is a main focal point of the recommendations and potential solutions for improving employee turnover. When an organization focuses on improving the management “factor” of its organizational culture whereby positive advancements in the everyday training and supervision of employees is effectively implemented and maintained by the executive branch of the organization.

An organization is encouraged to build and foster a positive and self-fulfilling culture and establish consistent communication to promote interaction between departments, which enhances synergies within the organization. Organizations need to be transparent throughout the departmental levels and encourage transparency throughout all levels of management. Transparency is a fundamental challenge within most organizations. Due to the myopic mindset of some departments within

an organization, transparency within a department, and in some cases throughout the organization, tends to succumb to “what is good for my area”, thus minimizing synergies throughout the organization and diminishing team work and organizational productivity.

Successful organizations teach and instill motivational techniques and skills in the management and supervision ranks. In addition, successful organizations create positive reinforcement with employees and promote constructive cross-training programs to challenge and increase exposure to different departments in the organization. Managers should promote recognition for good work and promote acknowledgment for successes among their employees. Successful organizations with high retention rates have implemented training programs for their managers and supervisors that provide instruction on how to manage and supervise employees properly and effectively. These programs are based on potential new hire recruitment strategies to align the employees’ skill sets with jobs, provide effective orientation and training of new hires based on departmental production standards, and creates time efficiencies for selected tasks, promotes recognition programs that reward employees for exceeding production/service standards, and develops employees for potential advancement opportunities.

An organization needs to be competitive with compensation and take the time to fully explain the total compensation each employee receives through annual compensation summary. Organizations that are consistent with pay for all employees throughout the organization retain employees consistently. Organizations should

offer incentive bonus programs to promote value-added to the organization based on measurable standards and goals. The human element in an organization is its most important asset, and when the compensation program is failing to reward employees, especially key employees, employees will seek compensation with other organizations. Although compensation is not the most often identified core cause of involuntary turnover, compensation ranks as a major factor for core causes associated with employee turnover. Organizations should have a continuous strategy for employee compensation based on a progressive and effective compensation program.

Successful organizations promote consistent high-quality management throughout the organization. Executive level management should evaluate managers' effectiveness. Departments with above normal turnover should be closely evaluated for mismanagement. Annual training and coaching classes need to be conducted to build upon managers' skills. Managers and supervisors should be encouraged to promote interaction and feedback from subordinates. Effective organizations have been noted to provide effective training of their supervisory and managerial personnel to improve their skills as supervisors and managers. Outside training courses are effective in developing supervisors and managers' skill sets. Organizations utilizing developmental programs for their management team build train-the-trainer skills, encourage cohesive team environment, and promote transparency throughout the organization.

Lastly, organizations need to implement programs to promote advancement opportunities through employee developmental programs, and these programs need to

be part of the organization's growth strategy. Employees at all levels should be developed to their full potential. All departments should have a succession plan identifying and outlining developmental plans for employees. Cross-training, personal growth training and further education should be common place within the organization.

Successful organizations promote confidence within its employees. Financial and cultural stability within an organization draws solid employees and promotes internal growth of its employees. Organizations should promote their organizational success through quarterly state of the organization meetings as well as road shows by executives describing organizational achievements and milestones.

CHAPTER V

THEORETICAL AND MANAGERIAL IMPLICATIONS

The theoretical implication of high employee turnover is the loss of productivity affected by the employee turnover rate. The higher the employee turnover rate, the more significant decrease in productivity and profitability. The closer an organization is to the optimal employee turnover rate, the more productivity is increased and the more profit is maximized.

In the research studies, the optimal employee turnover rate defined by the expenditures associated with Human Resource's cost and maximum productivity. Ideally, employee turnover rate of 10% is noted to be the ideal rate (Gallant A, 2013), yet an organization's optimal employee rate could be as low as 3%. The optimal employee turnover rate has a significant impact to the contiguity and overall effectiveness of the organization based on the gains in productivity based on the employee's knowledge and execution of their assigned tasks. (Harris, Tang & Tseng, 2002).

Throughout the research studies, the theoretical implication of the significant impact of the higher percentage rate of employee turnover adversely affects the productivity and profitability of the business. Conversely, the more an organization moves toward their optimal employee turnover rate, it maximizes productivity and profitability for the organization. The maximization of the optimal employee turnover rate is achieved through the organization focusing on training, aligning

employees' skills with tasks, developing skills, effective communication, and positive reinforcement and recognition.

The managerial implications associated with employee turnover are evident in the 10 research studies. The overall findings point to the degree of positive involvement by managers with their subordinates. From hiring and throughout the employee's tenure at an organization, the supervising manager has a significant impact on the degree of development and success of their subordinate. In a high majority of the research studies, the ability for a manager to train, clearly communicate and direct a subordinate, develop an employee's skill levels, acknowledge productive work, fairly treat an employee, create a positive work environment, adequately compensate an employee, and promote advancement opportunities will foster an efficient and productive work force and improve the retention level of the organization.

When examining the causes of employee turnover, most of the data analyzed clearly involves the significant impact of the manager's interactions with their subordinates. A high majority of the causes for voluntary employee turnover were associated with substandard management. Substandard management had a higher frequency compared to lack of compensation and advancement in the research studies. Most of the individuals involved in the surveys and questionnaires indicated that poor managerial practices leads to a lack of motivation, poor morale within the organization, lack of productivity, decreased efficiency, and an unfavorable working environment. With the involuntary employee turnover, there are indications that

substandard management has a significant degree of influence for employees who are discharged. From the hiring practices to the training of the new hires to the everyday interaction by management with their subordinates, there is established data from the literature that demonstrates the relationship between substandard management to levels of employee turnover, whether it is poor recruiting practices, inadequate training, lack of employee development, misalignment of an employee to a job, lack of clear direction, poor communication, lack of recognition, or improper treatment by the manager. Management plays an important part in employee retention, and an organization needs to acknowledge the impact of their management upon the work force and the ultimate success of the organization.

As the research studies identified the causes and effects of employee turnover, the research studies also presented recommendations and potential solutions for organizations to improve employee turnover. The main focus was to improve the managerial challenges within the organizations by focusing on employee feedback through visual observations, employee surveys, exit interviews, and soliciting outside evaluation of management practices. There is a significant area of opportunity for an organization to truly listen to their employees and understand the employees' perspectives of the work environment and their needs to improve as employees.

In most of the research studies, some organizations had challenges with developing an effective employee retention strategy. Some organizations failed to identify key indicators leading to employee turnover, especially involuntary employee turnover. The organizational culture plays an important role in the employee's desire

to work at an organization. If the organizational culture is affected by an ill-advised employee retention strategy, effective employees will tend to move on to other organizations. The executive team needs to develop, implement, and maintain an effective organizational culture based on positive and productive management involvement. As for selection of the executive and managerial levels in an organization, an organization needs to conduct its due diligence to select high quality members of its executive team. The executive team develops the organizational culture, maintains organizational stability, and implements strategic goals to drive the business and profitability. The executive team creates the efficiencies of the managerial levels through promotion of transparency in the organization and alignment of goals and standards within the departments to create a synergistic workplace environment. When employees are aligned with the organization's goals, the success of the organization is realized and employees are rewarded with compensation enhancements and promotional opportunities.

An organization's focus on developing the human element is paramount to its overall success. The improvement of its retention rate will build continuity within the organization which will contribute to increased production efficiencies and bottom-line profitability. Challenged organizations have been plagued with high employee turnover rates leading to decreased efficiencies, increased human resources costs, and reduction in bottom-line profitability. Management plays a major role in the success of an organization's employee retention rate. When management is well-trained and skilled at managing employees, employee retention rates are notably higher than

mismanaged employees. The key to reducing employee turnover is to develop and maintain a well-trained and skilled management team aligned with the strategic goals implemented and reinforced by the executive team.

Employee turnover presents a considerable challenge to an organization and decreases productivity and profitability. There has been significant research in many areas of industry as a whole. Within the research data, a considerable percentage of causes for employee turnover are directed at substandard management. There are direct relationships to poor management and high employee turnover rates. The majority of causes for employee turnover are related to management's inability to motivate and develop their subordinates. In organizations with higher employee retention rates, management is trained and expected to develop their subordinates to improve the productivity and profitability of the organization. The organizational culture promotes communication, employee development, goal alignment, corporate transparency, employee acknowledgement, and advancement opportunities.

CHAPTER VI

CONCLUSION

Employee turnover presents a considerable challenge to an organization and decreases productivity and profitability. There has been significant research in many areas of industry as a whole. Within the research data, a considerable percentage of causes for employee turnover are directed at substandard management. There are direct relationships to poor management and high employee turnover rates. The majority of causes for employee turnover are related to management's inability to motivate and develop their subordinates. In organizations with higher employee retention rates, management is trained and expected to develop their subordinates to improve the productivity and profitability of the organization. The organizational culture promotes communication, employee development, goal alignment, corporate transparency, employee acknowledgement, and advancement opportunities.

REFERENCES

REFERENCES

- Ampomah, P., & Cudjor, S. K. (2015). The effect of employee turnover on organizations (Case study of Electricity Company of Ghana, Cape Coast). *Asian Journal of Social Sciences and Management Studies*, 2(1), 21-24
- Butali, N. D., Wesang'ula, P. M., & Mamuli, L. C. (2013). Effects of staff turnover on the employee performance of work at Masinde Muliro University of Science and Technology. *International Journal of Human Resource Studies*, 3(1), 1
- Galant, A. The quality of notes relating sme revenues and expenditures disclosures: empirical study of Croatian financial reporting standars (cfrs) implementation, *Ekonomiska istraživanja – Economic Research Special Issue 2013*
- Holtom, B. C., Mitchell, T. R., Lee, T. W., & Eberly, M. B. (2008). 5 turnovers and retention research: A glance at the past, a closer review of the present, and a venture into the future. *Academy of Management Annals*, 2(1), 231-274
- Ingram, D. (2009) (n.d). The Definition of High Turnover Rate. Retrieved October 16, 2017, from <http://smallbusiness.chron.com/definition-high-turnover-rate-11272.html>
- Khan, A. H., & Aleem, M. (2014). Impact of job satisfaction on employee turnover: An empirical study of Autonomous Medical Institutions of Pakistan. *Journal of International Studies*, 7(1), 122-132
- Lewis, T. E. (2015). A Research Study on the Reasons for High Employee Turnover Rates in a Manufacturing Facility

- Mitchell, T. R., Holtom, B. C., Lee, T. W., Sablinski, C. J., & Erez, M. (2001). Why people stay: Using job embeddedness to predict voluntary turnover. *Academy of Management Journal*, 44(6), 1102-1121
- Ongori, H. (2007). A review of the literature on employee turnover.
- Shamsuzzoha, A. H. M., & Shumon, M. R. H. (2007). Employee Turnover- a study of its causes and effects to different industries in Bangladesh. *Manufacturing Engineering/ Vyrobné Inžinierstvo*, 6(3), 64-68
- Von Wobeser, L. H., Escamilla, G. R., & von Wobeser, I. (2013). Case study of employee turnover at ice cream deli in Mexico. *Journal of Business Case Studies*, 9(3), 193
- Zhang, Y. (2016). A review of employee turnover influence factor and countermeasure. *Journal of Human Resource and Sustainability Studies*, 4(02), 85