A Link Between Employee Turnover Strategies And Organizational Performance: A Critical Theoretical Review And A Research Agenda

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Abstract: The importance of human resources as the most important resources in an organization has been underscored by many researchers and managers. Indeed any organization without human resources is nothing. Employees’ turnover poses a recurrent challenge to most organizations globally and recent studies point to the fact that we no longer have permanent job. Virtually, no organization is immune to turnover, whether small size or big size organizations, all of them are exposed to employees’ turnover. For organizations to be able to achieve their objectives, they must be able to recruit valuable employees from the job market, developing their competencies, motivating them to give their best and maintain them within the organization. Acquiring and maintaining competent employees in the organization is of utmost importance to all organizations. For an organization to be able to maintaining its employees, it should be able to provide a conducive working environment so that employees’ commitment to the organization can be enhanced. Although it may always not be feasible for any organization to fully eliminate employees’ turnover due to several factors, nevertheless it could be minimized. Most of the prior studies mainly focused on causes of employees’ turnover without considering the remedies. One major objectives of any Human Resource department in an organization is to retain all those employees whose performance will lead to the realization of organizational goals while releasing those whose performance is unsatisfactory. Every organization must therefore come to the realization that human resources are of great value to the organization compared to other resources. Excellent management of human resources can be of great help to the organization as this will lead to proper utilization of all the other resources in the organization. The duration that an employee spends working in an organization has continued to fall substantially in the recent years. The reasons that make employees leave their organizations have constituted an interesting topic of research to organizations.

Keywords: Employee turnover strategies, organizational performance, employee retention.

I. INTRODUCTION

Employees’ turnover has become a challenge to all organizations in the recent years due to negative consequences organizations face (Kreimer 2008). Every employee in an organization is ideally expected to continuously render productive service to the organization and remain in that organization until retirement. However, in reality, this is not so. This leads to the concept of employees’ turnover. Loquercio et al. (2006) opines that employees’ turnover is mainly number of employees quitting an organization in certain duration before the actual time their contract is scheduled to end. According to Fascio (2013), employees’ turnover involves the rate at which employees working in an organization change during a specified period of time. Cole (2002) opined that employees’ turnover is viewed in terms of the employees quitting from an organization against those new ones that are getting employed in the organization. Armstrong (2007) defined employees’ turnover as the movement into and out of the organization of employees.

There have been previous studies in employee’s turnover from as early as the beginning of the 20th century. These studies led to the discovery of various factors that influence employees’ turnover, such as better salaries, training and
development opportunities and better job opportunities. Organizations operate in a very dynamic environment and because of globalization, there is a lot of pressure for organizations to employ and retain talented or competent employees. This has a nightmare for many organizations. Contemporary economies are putting great emphasis on human capital management. Organizations are therefore forced to look into measures that will enhance employee retention thereby help in minimizing employee turnover (Markova & Ford 2011).

Organizations worldwide are faced with the challenges of minimizing employees’ turnover. Every organization has put in place great efforts to control employees’ with minimal success and no permanent solution being attained. Increased levels of employees’ turnover can have serious consequences for any organization experiencing it. It has high cost implications, reduces productivity to the lowest levels, lowers morale of employees and may tend to cause a lot of damage to the organization if it is not checked in time (Derek et al 2008). In every organization, there are employees who have a high human capital value (Zhang et al., 2006). Such employee can cause a serious loss to the organization if their turnover is high.

Employee turnover will most times have negative impact on organizations. This is because it may lead to a loss of skills, knowledge, productivity and profits. Since organizations do not operate in a vacuum, employees’ turnover in one organization can affect other organizations that it is interacting with within a given environment (Hom&Griffith, 2001). This is because maintaining an interaction with an organization experiencing high employee turnover can be difficult. Effectively communication with such an organization during the period of high employee turnover can also be difficult. The loss of any staff involved in staff to staff communication affects the way the organizations interact (Ongori 2007).

Organizations that retain their employees for longer periods of time have some advantages. Employees who stay longer in organizations have higher productivity and improved efficiency as opposed to newer employees in the organization (Armstrong, 2009). Loyal employees within the organization can also be used to train new employees and they will avoid talking ill about the organizations that they work for (Cole 2002).

Organizational performance involves the analysis of how an organization performs compared to its goals and objectives (Pires 2006). It involves measuring the achieved output of an organization against the intended outputs as enshrined in the organizational goals and objectives. There are basically three primary outcomes that are analyzed in organizations. They include financial performance of the organization, market performance and shareholder performance.

An assessment of any organization involves getting the actual performance of the organization and the considering all those factors that influence its performance (Armstrong 2007). An understanding of what organizations should do in order change or improve their performance involves conducting an organizational assessment. This assessment will assist organizations in acquiring vital information regarding their performance, identifying important factors may help or hinder their achievement of objectives hence gaining competitive advantage (Meyer, 2001).

II. THEORETICAL REVIEW

The study focused on theories which explain the various factors which influence employee turnover in work place. Employee motivation theories involves an understanding what motivates people perform at work. Motivational theories are key to good organizational performance. Managers must employ different approaches to motivation depending on various situations that they encounter and kind of individuals that work in the organization. Employees’ motivations do help in increasing the productivity of employees as well as their loyalty to the organization. Failure by organizations to utilize various motivation theories may enhance employees’ turnover. The following theories buttress the study on employees’ turnover.

A. SOCIAL EXCHANGE THEORY

This theory was advanced by Blau in 1964. This theory is widely accepted and used in the research on employee engagement (Redmond 2010). It states that perception on costs and mutual benefits help in the determination of individual’s social decisions. According to the theory, fair and balanced system of exchange will motivate employees to engage in their jobs. The major variables of the theory include rewards, costs and profit or maximizing utility. Simple social exchange models assume that rewards and costs drive relationship decisions. The worth of a relationship influences its outcome or whether people will continue with a relationship or terminate it. The social exchange theory determines the degree to which an employee may choose to engage on their work.

B. HERZBERG’S TWO FACTOR THEORY

The proponent of this theory was Herzberg et al. (1959). It explains what satisfies or dissatisfies employees and this forms the foundation of employee retention. The proponents of the theory argued that there are certain factors relating to a job that may result in satisfaction of an employee while other factors relating to a job may cause dissatisfaction.

According to Sincero (2008), in 1959, Herzberg conducted a study from which he came up with a two-factor approach to help in the understanding of what motivates employee in organizations. This theory is concerned about two sets of factors that help determine how well an employee is satisfied or motivated at his or her work (Dessler, 2015). The two sets of factors are called motivator or hygiene factors. Hygiene factors should not result into employee’s unpleasant feelings and experiences in the work place and must therefore be addressed by the organization (Sincero, 2008). Employees will be motivated in their work as a result of satisfaction of hygiene factors that include are working conditions, salaries, organizational policies, interpersonal relations among the employees and job security.

Motivator factors on the other hand relates to those factors that address an individual’s need to attain greater...
personal growth. Effective motivator factors will therefore result in both better job performance and job satisfaction.

C. HIERARCHY OF NEEDS

This theory was put forward by Abraham Maslow in 1959. Maslow placed the needs of employees into five categories that progressed from the lowest which are the basic physical needs to the needs of employees’ growth and career advancement (Loiseau 2011). Employers must therefore work towards meeting employees' needs at each level so that they are able to give their full potential to the organization. If employees’ needs are not met at any level in the hierarchy of needs, they will not be able to commit to the organization. This will make them to look out for an organization that will be able to fulfill their needs and provide them with better opportunities (Saleemi 2005).

D. FIRM SPECIFIC HUMAN CAPITAL (FSHC) THEORY

This theory was advanced by Becker (1975). According to the theory, if the organization provides training to its employees, then they will tend to remain in the organization. If the firm specific and general training are intact, employees will have low quitting rates (Cascio, 2013). High employee turnover will lead to low productivity in the organization. There will be low output in the organization as a result of the gap that will be left by loss of human capital resulting from the employees who quit the organization because of one reason or the other. The resources that are used in the recruitment process of new employees into the organization could be invested in production or utilized elsewhere in the organization. High employees’ turnover can also interfere with morale of employees in the organization.

III. EMPIRICAL REVIEW

Most of the early research focused on job satisfaction as the main aspect that affect employee’s behaviours like work performance and employees’ turnover (Locke, 1976). It later emerged that organizational commitment was a key predictor of employee’s intentions and behaviour and intentions (Mowday et al., 1982). The relationship between job satisfaction and turnover has become a major topic of research in the recent past (Derek, 2008). It has been clearly found out that dissatisfied employees will readily quit an organization as opposed to those who are highly satisfied. Studies on turnover have shown that turnover in organizations will make them incur both direct and indirect costs. The cost incurred as a result of employees leaving that include recruitment cost up to the level placement and subsequent training costs constitute direct cost (Cascio, 2006). Indirect costs on the other hand include loss of talent and expertise of an employee (Shaw, 2005).

Employee turnover leads to loss in productivity. This is because each employee that exits the organization creates a vacant position and also takes away some contribution to the organization. Turnover therefore has an impact on the productive capacity of an organization and this will ultimately inhibit its overall performance (Heavey, Holwerda, & Hausknecht, 2013). Factors that make employees quit their work should be of great interest to organizations so that voluntary turnover can be reduced.

Employers must be able to evaluate the rates of labour turnover within their organizations and establish how this may impact on organization’s effectiveness. Such an understanding will help the employers develop a comprehensive retention strategy (Pearce & Mawsons, 2009). Various factors such as salaries, motivation, career advancement opportunities, rewards and benefits can lead to employee turnover (Beam, 2009).

Retention of valuable workforce or functional workforce is of vital importance to the future of any organization (Bogdanowicz & Bailey, 2002). Mak and Sockel (2001) have pointed out that retaining talented, productive and committed employees is of utmost importance to maintaining a competitive advantage. Talented employees comprise organization’s core human capital (Armstrong, 2009). Many researchers and practitioners have been inspired to determine effective talent retention and enhancement of organization performance (Lee et al., 2004).

Scholars have also researched to what constitute the relationship between job involvement and organization commitment with employee turnover (Freund, 2005). High levels of job involvement show that the employees identify with and care about their jobs. Such employees will have a positive feeling about the organization they work for and will want to stay for a long time (John 2000).

Studies on the nature of relationship between job satisfaction and employee turnover has attracted the interest of researchers. It is argued that employees who are satisfied with their work will always stay in an organization and contribute to enhanced performance and productivity (Wright &Bonett, 2007). Within the turnover model which is grounded in expectancy theory, job satisfaction will likely mediate organizational performance and employee turnover relationship. The expectancy theory states that employees will always receive high greater rewards (both extrinsic and intrinsic) based on high performance and this in turn increases job satisfaction (Turner 2010).

Some of the most important causes of employees’ turnover include.

A. WORK ENVIRONMENT

According to ShamsuzzoohandShumon (2010) argue that a work environment that id deficient of crucial amenities will discourage employees and this will ultimately lead to employees’ turnover.

B. POOR REMUNERATION PACKAGES

This constitutes a leading factor that causes of high rates of labour turnover in organizations. Shukla and Sinha (2013) have observed employee who are paid low wages with inadequate benefits lack the motivation to continue working in the organization. Thus, low-wage jobs usually record a higher rate of employees’ turnover; although, it cost less for employers to replace employees in this category when
compared to those in a high-wage positions (Handelsman, 2009). Employees whose wages fall short of the current market rate will feel cheated in their present employment. They will therefore opt to look for employers who will be willing to offer them better pay (Firth et al., 2007). Hisston (2009) asserts that the topmost factor that causes high labour turnover rate is salary structure since employees are rational and will often prefer employment that has comparable salary structure in place. Therefore, poor remuneration remains a major cause of high employees’ turnover (Rampur, 2009).

C. POOR INTERRELATIONSHIP BETWEEN EMPLOYEES AND MANAGEMENT

The nature of interpersonal relations between employees and management of an organization may constitute another factor leading to employees’ turnover. Poor interpersonal relations between employees and the management will lead to employee turnover (Shukla&amp;Sinha, 2013). On the other hand, if the employees are happy and having good interpersonal relationship they are not likely to quit.

D. LACK OF CAREER PROGRESSION

An organization with no career prospects for employees will lead to high turnover. All employees desire to advance in their careers. Employees also prefer employment where they will have the opportunity for higher position and higher remuneration packages (Rampur, 2009). 3.2.5 Costs and Consequences of Employees’ Turnover

High rates of employees’ turnover are very costly in terms of resources involved for all organizations (Amour, 2011). The costs may include direct and indirect costs. The generally noticeable costs in connection with employee turnover are the direct cost incurred on advertisement of the vacant positions, interview, recruitment and training of new employees and loss of productivity. According to Amour (2011) there are some other hidden costs which relate to employees’ turnover. Instead of an organization expending substantial amount of money and time trying to find replacements for disengaged employees; it could have dedicated such resources and energy in productive activities that will contribute towards moving the organization in achieving its objectives. This hidden cost of turnover is one that frequently gets ignored when considering approaches geared towards reducing employees’ turnover. Organizations that spend fewer amounts of time and financial resources on solving employees’ turnover problems could actually focus on increasing productivity and improving customer satisfaction. This will culminates in higher long-term profitability and improved quality of service (Amour, 2011).

Organization can employ various strategies to address the problem of employees’ turnover. These measures will assist in will reducing employee turnover to the barest minimum (Ngethe, Iravo&amp;Namusonge, 2012).

a. PROVISION OF QUALITY LEADERSHIP

Good leadership within the organization can help create an atmosphere of mutual respect between managers and their staff (Shamsuzzoha&amp;Shumon, 2010). This will ultimately reduce employees’ turnover. An Employee who is treated well by the managers will stay longer in the organization.

b. CREATING CONducive WORK ENVIRONMENT

Another strategy which can be utilized in addressing employees’ turnover is through the creation of conducive work environment for employees (Ngethe, et al., 2012). The physical conditions at work should help motivate employees to do their best. Employers should create working environment that is comfortable.

c. ENHANCED REMUNERATION PACKAGES

Attractive remuneration package is one of the extremely essential factors of reducing employees’ turnover since through its employees’ financial and physical needs can be met. Employees will always compare what they are being offered in their current job against what is being offered by other organization in the same industry. If what they are being offered is low, then they are likely to quit.

d. PROVISION OF CAREER PROGRESSION OPPORTUNITIES

Opportunities for career progression will help in reducing employees’ turnover. Organizations must ensure that they offer opportunities for growth and promotion of employees (Rampur, 2009). Employees are always looking for organizations that offer to them opportunities to advance in their career by being promoted to new higher and more challenging grades or posts (Dockel, 2003). Employees will be motivated to stay in an organization if they feel that they are progressing in their positions and career.

e. TRAINING AND DEVELOPMENT OPPORTUNITIES

The provision of good and enhanced training and development chances in an organization can help in reducing employees’ turnover. Dockel (2003) observes that most employees especially the young will most likely stay in an organization that offers them opportunities for training and development.

IV. CONCLUSIONS AND RECOMMENDATIONS

Employees’ turnover poses a recurrent challenge to most organizations globally. There is virtually no organization that is immune to employees’ turnover, be it small size or big size organizations, they are all exposed employees’ turnover. Employee retention in any organization looks at all factors that would make an employee want to work in a given organization for a maximum period of time. Recruiting talented employees with the right skills and knowledge for a particular job very important for an employer, but retaining such employees is the most difficult part (Beam 2009). Talented people keep on switching from one organization to
the other. Organizations must strive to keep their employees glued to the organization.

A. RESEARCH GAPS

Contextual gap was identified because most research studies on employees’ turnover and retention have been conducted in the context of business organizations. More research work should be carried out in the context of other organizations such as non-profit organizations (Welsh and Pendleton 2006). Employee turnover and retention is equally greater in the non-profit sector such as humanitarian agencies.

Most studies have focused on predicting employee turnover intentions (Rampur 2009). A useful extension of future researches should examine the actual turnover and how various factors influence actual turnover rates.

Many of prior studies only focused on the causes of employees’ turnover without considering the remedies. In bridging this gap, many more future studies should examine the causes, consequences and prevention of employees’ turnover. They should further provide theoretical foundation underpinning employees’ turnover.

From the reviewed studies, there are still questions regarding the nature of the relationship and the influence that employee turnover has on organizational performance (Fascio 2013). First, what are the moderating variables on employee turnover and organizational performance? Two possibilities that warrant future study are characteristics of the environment characteristics and of the individual. Several person-based characteristics may act as moderating variables in the relationship between supervisor ratings of job performance and turnover intentions.

B. PROPOSED CONCEPTUAL FRAMEWORK

Conceptual framework constitutes various ideas and principles that will enhance the development of awareness and understanding of the research concepts (Derek et al, 2008). The main variables identified in the study include working conditions, work remuneration, opportunities for career progression and reward and recognition.

![Conceptual Framework](image)

**Figure 4.1: Conceptual Framework**

C. HYPOTHESES

- **H1**: Working conditions will influence organizational performance.
- **H2**: Career development will influence organizational performance.
- **H3**: Compensation packages will influence organizational performance.
- **H4**: Job satisfaction will influence organizational performance.
- **H5**: Organizational commitment will influence organizational performance.

D. PROPOSED METHODOLOGY

The study will adopt a descriptive research design. Both purposive and simple random sampling techniques will be explored in the study. The study will adopt the use of questionnaires as data collection instrument. The study will explore both primary and secondary sources of data. The study will also use documents analysis. The methods of data collection are then tested for validity and reliability (using correlation coefficient), conditions which according to Kothari, (2006) must be present in descriptive studies.

Summary of data will involve the use of descriptive and inferential statistics. Presentation of data will involve the use of tables and other graphical presentations. A multiple regression and correlation analysis will be conducted to test the influence among predictor variables.

E. CONCLUSIONS

From the reviewed studies, it can be concluded that employees’ turnover may have some negative effects on organizational performance especially the financial effects. For organizations to have a competitive advantage in the global market, managers must work. For high productivity to be sustained in an organization, talented and highly skilled employees must be retained in the organization. Although, it may not be feasible for any organization to totally eliminate employees’ turnover, nevertheless it could be reduced to the barest minimum.

Conclusively, from the reviewed studies it is apparent that lack of motivation in an organization may make employees decide to leave an organization. The other factors that lead to employee turnover include poor working conditions, poor pay and compensation mechanisms, lack of career progression and lack of training opportunities for employees.

F. RECOMMENDATIONS

Organizations should always be on the lookout for employees quitting and such employees must be replaced immediately so as to minimize the effects brought about their exit. Organizations must also adopt various retention strategies so as to minimize loss of good talents and skills from the organization.

According to Dessler (2015), some level of turnover is cannot be avoided in an organization and is always expected and seen valuable to the organization. This is because the
newly recruited employees may fresh skills, talent, innovative and fresh ways of doing things to the organization. Poor recruitment and placement procedures may also be rectified through turnover. Excessive employees' turnover is however not good for the organization.

Proper motivation strategies and good working conditions should be taken into consideration by management of various organizations so that efficiency of the organization can be attained. Opportunity for growth should also be considered by management. Proper treatment of employees is paramount for retention of talented and highly skilled employees to be achieved.

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