

Effects of employee turnover on organization



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1. 1 Background of the employee turnover study

The human workforce is the key to the success of a coordinated and well-planned work. The success of an organization is determined by its resources, which include men, money, materials, and machinery. These resources cannot fulfill their objectives by themselves, though. They must be collected together. Considering the human resource, this collection that brings people together within an organization, seeks to explain how this research's major focus on recruitment, selection, and turnover affects the overall performance that an organization can achieve. Performance is measured by collecting, analyzing and reporting information about the performance of an individual, group or organization (Aggarwal, 2014, p. 2). Service industries are categorized to be mostly dependent on human labor for their success. The greatly affected category being the food and beverage industry especially restaurant outlets.

1. 2 Statement of the human resources turnover problem

Cases of high turnover rates among employees in have been on the rise. It is noted that this has been motivated by the wrong decisions made when an organization engages in recruitment and selection of its employees. The rate at which the growth and expansion of F&B industries especially restaurants has been on the declining end is alarming. Singapore is reporting more closures of these enterprises, a phenomenal that warrants a closer look. A survey conducted by Euromonitor international states that the Food and beverage industry in Singapore is valued at \$6. 1 billion. However, the <https://assignbuster.com/effects-of-employee-turnover-on-organization/>

industry has been hit by recent labor crunch. DBS Business Class found out that the biggest obstacles faced by the industry are the lack of manpower and rising labor costs (Singapore Today, 2015, p. 1). Some restaurants have taken measures to increase salaries at least so that they can retain experienced staff. However, understaffing has still prevailed leading to low service standards (Incorporation, 2014).

1. 3 Scope of the human resource turnover study

Essentially, the current study will limit its investigation to the Food and Beverage industries of Singapore by focusing on a case study of organization D which deals in F&B products and services. As such, the focus of the study will be on company D's staffing practices in regards to if F&B products or businesses. Further, the study will limit its participants to ground staff crew prospective employees as well as middle level managers who are involved in the recruitment process as the D F&B company. In that esteem, the study will only seek to evaluate the prospective employee's attitudes, feelings and juxtapositions or opinions on turnover in the industry. The same will also be done when the study evaluates the stance of recruiting managers on the same concerns. Ultimately, the evaluation of the employee's stance on the issue will then help in the generation of proper recommendations in line with the objectives of the research presented earlier on.

1. 4 Aim of the staff turnover research

To offer a lasting solution to the problem of staff turnover and come up with best practices for recruitment and selection of workers. As such, the research methods will seek to investigate reasons behind staff turnover and present recommendations for recruitment managers that would end in a

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lasting solution for sustainable staff retention. Ultimately, opinions of ground level staff will reveal weaknesses in the organization's capability and capacity to retain staff. On the other hand, evaluation of opinions of recruiting staff will reveal shortcomings among prospective employees in meeting standard qualifications for recruitment.

1. 5 Objectives of the turnover study

1. To assess the importance of recruiting staff in food and beverage industries.
2. To investigate the effects of turnover in organizations.
3. Critically investigate the cause of employee turnover in the organizations.
4. To provide practical recommendations for the organizations in improving recruitment and selection and staff turnover.

1. 5 Turnover rate research questions

1. Does following correct procedures in recruitment and selection exercises reduce turnover rates?
2. What factors contribute to the high turnover rates in the organization?
3. What are the best practices of recruitment and selection process that would help the organization to reduce turnover?
4. Does motivation of workers contribute to reduced turnover in an organization?

5. Can there be a possibility that turnover benefits an organization in any way?

EMPLOYEE TURNOVER LITERATURE REVIEW

The success of an enterprise is linked directly to the performance of those who work for it (Ufoma, et al., 2015, p. 23). Food and beverage enterprises are currently facing serious labor woes. A study conducted by Accounting and Corporate Regulatory Authority shows that 511 restaurants closed in 2014, a higher number than 469 in 2013 (Lim, 2015, p. 1). Singapore may be viewed as an oasis of food, but any restaurant owner will frankly tell how the F&B industry is starving for workers (Lim, 2015, p. 1). A recruitment process that is effective can ensure that the candidates recruited in an organization are best for the jobs or roles (Kayemba & Iwu, 2015, p. 177). The main factor that drives satisfaction of managers with services provided by the human resource is the quality of the recruitment process (Human Resource Guide, 2011).

According to Markovich (2016), the constant need to hire and train new employees may easily cause failure to achieve an organization's mission and vision. Retained employees can provide a workforce of a higher caliber, one that will impact positively on the organization's success (Markovich, 2016). High turnover rates impact negatively on revenue and profitability of the organization. For instance, the " Organization Science" magazine estimated the cost of a lost employee earning \$8 per hour to be \$3, 500 to \$25, 000. The aspects that are contributing comprising hiring expenses, training labor, lost sales and productivity. At the workplace, work morale contributes greatly to the productivity of workers. Morale gets lowered when the

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turnover rate tends to rise. Employees may get overworked due to increased workloads and responsibilities. New employees also get victimized by low morale as they struggle to learn new jobs. The organization may also face a reduction in Market Return on Investment when customers get lost due to inexperienced staff (Markovich, 2016). Therefore, in order to become competitive in the global business environment, organizations must consider factors that will affect job satisfaction and morale of their workers (Karimi, et al., 2013, p. 1150).

Recruitment is a process of generating a pool of capable people to apply employment to an organization. Selection, for its part, is the process by which managers and others use specific instruments to choose from a pool of applicants a person or persons more likely to succeed in the job(s), given administration goals and legal requirement. Turnover is, however, the organization's employees plan to leave their jobs or to fire their employees (Saeed, et al., 2014, p. 243). Kumari, (2012, p. 36) explains that there exists a number of processes that can be used in the recruitment and selection process. However, an accurate job and/or person specification must be arrived at to assist recruiters in whichever process used.

To that extent, recruitment has three types of needs as follows: First is Planned needs. Planned needs are those that arise from the changes that occur in an organization as well as the retirement policy creating vacancies for new jobs. The second one is Anticipated needs. These refer to the movements of personnel that the organization is able to predict by studying trends in the external and internal environment. The last type is Unexpected

needs that may arise due various reasons like deaths, accidents, illness or relocation (Kumari, 2012, p. 36).

According to Saddam & Mansor (2015, p. 350) workers who provide better interaction with customers usually, tend to be satisfied with the firms they work for. This now calls for active and efficient recruitment and selection of these workers, so that the organization not to end up with a high turnover rate. Turnover is costly to the organization; it impacts two types of costs: visible and invisible costs (Alkahtani & Jeddah, 2015, p. 152). Some examples of visible turnover costs include leave capitalization, recruitment costs, reference checks, temporary workers costs, relocation costs, format, training costs, induction expenses, and security clearance. Invisible expenses, on the other hand, comprise enlarged human resource and payroll administration, loss of productivity and informal training (Alkahtani & Jeddah, 2015, p. 152). Researchers have found it challenging to come up with a solid argument about turnover and its impact on organizational performance. This is due to the existence of two conflicting hypothetical analysis. One suggests that turnover naturally affects performance. Supporting arguments claim that those who leave are often experienced and it takes the time to replace them. A second theory argues that a high rate of turnover becomes beneficial to an organization since they never get a chance to build experience and connections required to suffer the effects of staff loss. The final theory claims turnover can benefit an organization by weeding out poor performers and bringing in new ideas from outside. However, this third theory relies on the turnover rate being relatively low (Gaskell, 2014). A meta-study that has recently been concluded found out that employee

turnover has negative effects on performance with an increase of turnover by one standard deviation leading to a 0.15 drop in performance (Gaskell, 2014). An argument by Ashish Lodher (2015) states that labor turnover will always exist due to reasons that are personal and unavoidable. She further explains that a 3% to 5% turnover rate need not cause much anxiety (Lodha, 2015). A low labor turnover among senior employees in an organization may not be good since lower employees will have few promotion possibilities and therefore leave (Assar, 2015). Every organization has expectations to have a particular level of turnover that is considered normal to it (Matters, 2016).