

Employees turnover: the effectiveness of an organization



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Executive Summary

Productivity or effectiveness of an organization frequently suffers as a result of high level of absenteeism and worker turnover. There is evidence that all concerned owners, contractors and workers are interested in resolving problem. This study examines the source and size of problem and recommendations to reduce it. For this purpose we have conducted interviews and literature survey in order to investigate the organization effectiveness.

This report describes an HR management tool for decreasing turnover at Dancom Communication. High employee turnover is like shrink. It cuts into the bottom line, but it can be controlled. There are many potential causes for turnover. Certainly, area economic conditions as well as other factors such as labor market conditions, effect general turnover rates.

In voluntary turnovers are difficult to directly manage however are voluntary turnover that can be managed. The purpose of this literature survey is to allocate the important variables of our existing problem i. e " How does employee's turnover affect the effectiveness of organization". With the help of these variables we a can assess the variables related to our problem for structuring theoretical framework. This survey includes the situation which had occurred in past with others companies and how those companies deal with these variable means how they solved different problems.

After completing literature survey and defining problem there is need to develop framework. In it we try to discuss the interrelationship among the variables that are deemed to be integral to the dynamics of the situation
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being investigated. Different variables can affect the effectiveness of organization we are considering all-important variables that can effect company. After the thorough study of literature survey we deduct some variables, which can become a cause that can effect the sales and keeping in mind we make schematic diagram of the theoretical framework so that the reader can see and easily comprehend the theorized relationship.

The research design, which involves a series of rational decision-making choices, the various issued involved in the research design, will be discussed here. Like Purpose of the study, Types of investigation, Extent of researcher interference, Study setting , Measurement and measures, Unit of analysis, Sampling, Time horizon and Data collection method. But the hypothesis statement, which we are going to proof, it will come under hypotheses testing study.

This study that engage in hypotheses testing usually explain the nature of certain relationships, or establish the differences among groups or the independence of two or more factor in a situation Causal type of investigation is done, when it is necessary to establish a definitive cause and effect relationship, however, if the researcher simply wants a mere identification of the important factors " associated with the problem" then a correlation study is called. Correlation type of investigation will be suitable for our research, actually our hypotheses is " effective compensation has positive impact on organizational effectiveness" That's why we select this method to identify the important factor associated with the problem.

A correlation study is conducted in the natural environment of the organization, with the researcher interfering minimally with the normal flow of work. Organizational research can be done in the natural environment where work proceeds normally (no contrived settings) or in artificial, contrived settings. As we have selected correlation investigation method with minimum interference, then automatically our study setting will be no contrived. Its mean our research will be conduct under natural environment.

What we are going to apply in our project that is ratio scale and interval scale because these scales give maximum accuracy in measuring the variable. Even though the method we have selected for investigation is correlation that provide less accuracy as compare to causal. In this project we selected" individuals and organizational" as a unit of analysis, and this selection is match with the definition of unit of analysis.. Why we chose probability sampling? Because the sample we get from probability have the quality of representatives. We have proved that there is positive relation between compensation and effectiveness.

By increasing the retention rate.

Retaining hourly employees.

Improving management retention.

Training first than promoting.

Attractive salary packages.

To motivate employees.

Management through selection.

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OBJECTIVE OF STUDY:

The main objective of our project is to apply our concept and knowledge in practical scenario. And how the organizations are getting competitive advantages through conducting business research.

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Nowadays, as we know organization can increase their profitability, customer satisfaction, and productivity by conducting business research. Because through business research we can detect the real problem and its cause.

That's why, we can say that research generates alternative to solve problems. By getting solution of the problems in time we can run our business smoothly and effectively.

BRIEF INTRODUCTION OF COMPANY

Dancom Pakistan (Pvt.) Ltd. was established in 1995 under the Company 's Ordinance 1984. Our major shareholder, Dancom Telecommunication (M) Sdn Bhd Malaysia provides total Telecom &IT solutions for the Malaysian marker and abroad as well. The group specializes in smart technology-based product applications, cellular deployments; IT related projects Digital TV, Broadband wireless and turnkey solutions related to telecommunication projects.

The Company, core strength lies in its state of the art telecom systems deployment, dedicated expertise to manage and operate the core network, and an effective after sales support network of over 6 offices al over Pakistan with over 800 personnel. Dancom established the telecom services with a mission to provide easy and manageable access to the workforce of general consumers.

Since 1997, Dancom 's team has made consistent efforts to establish its services all over Pakistan including the remotest parts such as AJK, Northern Areas and the other far-flung remote areas of the four provinces of the country.

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To meet the requirement of the corporate sector for its online networking all over Pakistan, Dancom has successfully deployed and tested the system, which is capable of providing wire line and wireless connectivity. Dancom also provides managed Internet access service for Corporate/SME/SOHO and also offers turnkey solutions including LAN & WAN support.

THE RESEARCH PROCESS:

In this section we will discuss each and every step of research process that is:

Problem Statement

Broad Problem Area

Preliminary data gathering

Theoretical frame work

Generation of hypothesis

Research design

Data analysis

Data interpretation

Conclusion / Deduction

Recommendation to Management

Problem Statement:

" How does employee's turnover affect the effectiveness of organization"?

Broad Problem Area:

Employee's turnover is a serious problem in organization and warrants attention. Poor supervision, unproductive relationships with boss, poor planning, non-attractive packages, non-motivation and generally poor management are the prime reasons for turnover. Lower turnover offers a broad range of productivity gains. As the turn over lies in all the organizations but we have selected one organization (Dancom Company). In order to implement our concept and knowledge regarding employee's turnover. What are the causes of employee turnover? How it causes the ineffectiveness of organizations, How to reduce it?

In broad problem area our focus is on these three things:

Background information of the organization

Company polices

Perception behavior responses of organization members

In background information in the organization we have origin and history of the company when it came into being business is in ownership and control, Size in terms of employees, assets purpose and ideology. Background detail of the company we obtained from published records website of the company.

Employee's turnover is broad area, which includes skilled and unskilled workers but we are focusing on skilled workers. Unskilled workers turnovers are immaterial with assumption of 100% of labor availability in Pakistan. Pakistan being developing country unemployment is more than other countries. So unskilled workforce is available any time. So it does not make any contribution to organizational effectiveness. Skilled workers can affect more the effectiveness of organization.

This study is aimed at the achieving productivity gains in organization through an improved understanding of causes and effects of turnover, specifically, the study sought to:

Verify the problem.

Analyze the major contributing factors.

Quantify the costs.

Offer recommendation for corrective action.

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Preliminary Data Collection:

How study was made:

A group member of our group was retained to devise a questionnaire, based on team's understanding of the practical problems to identify the reason for turnover from workers perspective. The questionnaire was designed specifically to measure worker or employees attitude about their job and to investigate underlying causes for turnover. Preliminary data was collected from different resources to anticipate potential problem. During survey different employees were asked about voluntary termination.

In order to get information about on project we have used two methods as follows:

1. Interviews

Unstructured interviews

Questionnaires

Questionnaires for the Topic

Q: 1 what is your expectations from organization?

Good feed back

Good compensation

Overtime

(d) Benefits

Q: 2 what makes you to work at organization?

Good package

Bonus

Flexible working hours

Q; 3 what do you think about turnover is caused by

(a) Less wages

(b) Boss relation

(c) Inflexible hours

Q: 4 In which case you will not leave the organization?

Q: 5 In what conditions you would like to work?

(a) High pay offering

(b) Working conditions

(c) High growth organization

Q: 6 Employees commitment depends upon;

Overtime bases

Good compensation

Good relation with boss

Increasing their moral

Q: 7 How does employees' turnover can be reduced?

- (a) Revising salary
- (b) Increasing basics
- (c) Increasing incentives
- (d) Providing facilities

Q; 8 How does job growth of employees within the organization affects?

- (a) Positively
- (b) Negatively
- (c) Challenging

Q; 9 Do you get the additional benefits like allowances, bonus?

- (a) Strongly agree
- (b) Agree
- (c) Neither Agree nor Disagree
- (d) Disagree
- (e) Strongly disagree

Q: 10 Does turnover cause organization high cost and inefficiency in working?

- (a) Strongly agree

(b) Agree

(c) Neither Agree nor Disagree

(d) Disagree

(e) Strongly disagree

Q: 11 High level of growth leads efficient working of organization and cause low turnover.?

(a) Strongly agree

(b) Agree

(c) Neither Agree nor Disagree

(d) Disagree

(e) Strongly disagree

Q: 12 Better Compensation to an employee is a factor that can cause employee turnover.

(a) Strongly agree

(b) Agree

(c) Neither Agree nor Disagree

(d) Disagree

(e) Strongly disagree

Q: 13 Better wages makes employee motivation high.

- (a) Strongly agree

- (b) Agree

- (c) Neither Agree nor Disagree

- (d) Disagree

- (e) Strongly disagree

Q: 14 Job growth in an organization is very much important for an employee?

- (a) Strongly agree

- (b) Agree

- (c) Neither Agree Nor Disagree

- (d) Disagree

- (e) Strongly disagree

Q: 15 Do you think Behavior of the employer is a factor that motivates employees to be within the organization?

- (a) Strongly agree

- (b) Agree

- (c) Neither Agree Nor Disagree

- (d) Disagree

(e) Strongly disagree

Q: 16 Which type of boss you would like in your organization?

Autocratic

Motivational

(c) Democratic

Q: 17 Would you like to get promotion?

Yes

No

Q: 18 What you think that, job security can increase the efficiency and effectiveness of person?

(a) Strongly agree

(b) Agree

(c) Neither Agree Nor Disagree

(d) Disagree

(e) Strongly disagree

Q: 19 Would you like to perform job in this organization forever?

Yes (b) No

Q; 20 Does proper compensation and bonuses effect the organization

Effectiveness?

(a)Yes (b) No

Q; 21 Does working environment effect the organization effectiveness?

(a) Yes (b) No

Q: 22 Does motivation play important role in turnover?

Yes (b)No

(c) Neither yes nor no

Q: 23 To what extent organization effectiveness increases when turn over rate is low?

25%

50 %

(d) 75 %

Q: 24 What is your opinion about the leaving organization, when organization?

Does not pay you fairly

(b) Discriminate you

Q: 25 Better environment provided to an organization will cause employee work more efficiently.

Yes

No

(c) Do not know

Literature Review

Reason of literature survey

The purpose of this literature survey is to allocate the important variables of our existing problem I-e " How does employee's turnover affect the effectiveness of organization". With the help of these variables we a can assess the variables related to our problem for structuring theoretical framework. This survey includes the situation which had occurred in past with others companies and how those companies deal with these variable means how they solved different problems.

manager. Asking employees why they are leaving is generally not a good way to find the real reason behind their departure. Instead of evaluating employee satisfaction according to exit interviews, pay attention to the turnover rate. High turnover is the key indicator of employee dissatisfaction. It takes a lot of effort and risk for an employee to change jobs. Resigning is the loudest statement they can make to tell you that your management skills are lacking.

Commit to making every employee feel worthwhile, respected, and revered.

You must not be too busy working in your business to recognize the

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importance of each and every one of your employees. One of the Jim Moran Institute's entrepreneurial clients was also his company's primary salesperson. Because of the huge amount of time he spent selling, he never had enough time to make his fifteen employees really feel needed and, consequently, the company experienced high turnover.

Employees can quickly feel less than respected by either abusive bosses or bosses who are just too busy to give the requisite care. One of the things you can do to help is to occasionally, tell employees how much you appreciate them. Even better is to tell your whole company how certain employees have really made a difference. Another thing that really helps is to make sure you go around and ask employees how they are doing. It all just boils down to making each and every employee feel worthwhile.

Employee turnover is a good benchmark to evaluate the effectiveness of your management style. If you are seeing high turnover, your management style may need to be significantly overhauled.

References#4

Binning, J. F., & Barrett, G. V. (1989). Validity of personnel decisions: A conceptual analysis of the inferential and evidential bases. *Journal of Applied Psychology*, 74, 478-494.

An Innovative Approach for Cost-effective Turnover Reduction By John F. Binning, Ph. D., and Anthony J. Adorno, M. S. Human Resource Group- Bloomington, IL

Turnover costs for many organizations are unacceptably high. When the direct and indirect costs associated with employee separation, replacement, and training are accurately compiled, it is not uncommon for even medium-
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sized companies to lose several million dollars a year resulting from employee turnover.

This article describes an HR management tool for decreasing turnover which is based on professional research linking various job characteristics to job candidates' source

We are now presenting the reference of different sources.

Reference # 1:

Employee Turn Over BY: Dr. Blake Frank

Professor at University Of Dallas.

According to new ideas for retaining store-level employees, a study conducted by Dr. Blake Frank an industrial psychologist and professor at the University of Dallas, for the Coca-Cola Retailing Research Council. For those in higher paying jobs, the cost of turn over is also higher.

Symptoms that organization has to face in response of turnover are:

Direct Costs: Advertising, training, interview time, employment testing, new employees processing, and backgrounds checks.

Opportunity Costs: Change-making errors, mistakes in paperwork, product damage, shrink and improper use of equipment.

High as these drains on the bottom line are, they do not include the adverse impact on the quality of service and customer satisfaction, and a store's consequent loss of sales as shoppers " vote with their feet" and take their

dollars to another store. The Coca-Cola study asked participants for a rough estimate of the number of customers lost due to turnover-related factors.

Reference # 2

Michelle K. Duffy, Daniel C. Ganster, and Jason D. Shaw

Positive Affectivity and Negative Outcomes: the role of tenure and job satisfaction, *Journal of Applied Psychology*, 1998 Vol. 83 no 6 pp. 950 - 959

Employee Turnover and Sabotage

A matter of Disposition, Job Satisfaction and Tenure

Understanding an employee's disposition may help predict turnover and purposefully poor performance. Together disposition and Job tenure along with job dissatisfaction plays a role in how employees react to stress.

What is positive affectivity

Positive employees are more likely to take a wait and see attitude early in their employment. But watch out!

Could stress be the reason for turnover and employee poor performance?

Why might it be better, in the long run, to have employees who are low in positive affectivity?

What can be done

Researchers have found that there is a dimension in personality having to do with a person's outlook on life. Persons high in this dimension are enthusiastic, active, and happy. These people are generally more satisfied and see life positively. Persons low in this dimension are the ones with the

dark clouds over their heads. Researchers have named this dimension positive affectivity (PA).

A study of fire fighter and police employees revealed that PA, a person's positive disposition or lack thereof, in combination with tenure on the job has a bearing on how employees react to perceived job dissatisfaction.

Employees that are low in tenure, high in PA and who are dissatisfied with their jobs are less likely to seek another job than those who are low in PA and who also have short tenure and are also dissatisfied.

The high PA and low tenure employee also experiences less stress and less physical symptoms of stress than does the low PA low tenured employee.

The positive person seems to be able to take the long view. When they first work for an organization they feel less stress when experiencing dissatisfaction than negative people do and are able to reframe from taking action to find a different job. They also do not engage in counter productive behavior at this stage of their tenure with the organization. But when positive people, who are dissatisfied with their job, stay with an organization and become long term employees this changes. They are more stressed by job dissatisfaction, reporting more physical symptoms related to stress, and more likely to look for a different job and to engage in counter productive work behavior.

The opposite seems to be true of the more negative person, low in PA. When they are first with an organization and become dissatisfied they seem to experience more stress and physical symptoms of stress than the more positive employee experiences. They look for another job or engage in <https://assignbuster.com/employees-turnover-the-effectiveness-of-an-organization/>

counter productive work behavior. If they decide to stay with the organization and become long term employees, they become less likely to leave the organization and less likely to purposely perform poorly.

This is probably because stress reaction and physical symptoms related to job dissatisfaction are lower for the long-term low PA employee. The person who views life more on the negative side seems to be able accept that work is dissatisfying and is able to plod along without either seeking a different job or performing poorly to get back at the organization. Since they do not expect to find a greener pasture on the other side of the hill, a negative outlook on life, they do not seek to leave the organization.

What can be done?

Controlling for job dissatisfaction and stress is an organizations only option. Take a good look at employees who are dissatisfied with their work and see if adjustments in hours, duties or work practices can elevate the situation. Not taking action will mean you will loose valuable employees. Remember that the remaining dissatisfied employee may begin to overreact and actually work against you. If you have high turnover among sales persons and other such jobs even among your long term employees you had better take a hard look at how employees feel about their supervision, work rules, work environment and the organization as a whole. It may even be better to help employees make adjustments in their career path leading to work outside the organization. Thereby avoiding having employees who feel there is no way out and who may have chosen sabotage as an outlet for their job dissatisfaction stress.

Reference #3

Employee Turnover

February 7, 2003

By Jerry Osteryoung

" The difference between a boss and a leader: a boss says, 'Go!' - a leader says, 'Let's go!'" -E. M. Kelly, Growing Disciples, 1995

Recently, an entrepreneur whom I am assisting stated that he had 600 W-2's this year and he has a full time staff of less than 50. When I questioned him about this rapid employee turnover, he said it was the nature of the business. At this point I wanted to throttle him by the neck and yell at him, " Employee turnover is bad, bad, bad!" Rather than risk rupturing my vocal cords yelling, I sat down and listened to him talk about this problem. What was most disconcerting about the conversation was that he thought the problem was systemic with today's labor pool and took very little responsibility for employee turnover in his own management style. Compensation is also caused the employees

Turnover and reduce the effectiveness.

Most employee turnover is related to poor management practices. Yes, employees are working for wages, but, more importantly, they are working to have their non-financial needs met. It's important to understand that employees are seeking to extract something far more than a paycheck from their work. Most employees need to feel respected, worthwhile and appreciated in their work. Time after time employees leave when they feel under-appreciated (sometimes for less money), just to have these more
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important needs met. The reverse is true as well - when employees are offered a significantly higher salary from another company, they don't leave if they are appreciated at their current workplace.

Most entrepreneurs do not perceive themselves as bad managers. However, a high employee turnover is a telling detail that an entrepreneur may, in fact, be a horrible es of personal discomfort and dissatisfaction. While this assessment process is relatively new to the professional HR literature, it has been shown to dramatically reduce annual turnover rates. In one organization where this type of process was used, annual turnover was reduced by 54% (from 168% to approximately 78%). In another organization, the process lowered annual turnover from 120% to 48% (60% reduction).

Reference

Reducing Employee Turnover

Willis Mushrush,

Small Business & Technology Development Centers,

West Plains for University of Missouri newsletter May 2002

Creativity in compensation and benefits can make quite a difference to the welfare of the employee. A company should assess overall employee needs when addressing retention issues.

If employee welfare is a genuine concern, what about child care? How much employee absenteeism is attributable to not having a dependable babysitter? Although the costs and liabilities involved in providing onsite day

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care can be prohibitive, perhaps a company could subsidize childcare in some manner. Sometimes, just negotiating rates for your employees with area childcare providers could be very helpful. Maybe some kind of a company match would be possible. Household chore assistance is another possibility that is being used by some companies.

Consider other options - such as alternative work schedules or flextime, or perhaps preventative health care and wellness programs such as fitness center memberships - as possible cost-effective benefits. Don't forget that perks or non-cash rewards to recognize exceptional performance can be critical. Service recognition, event tickets, trips, and public recognition can send strong messages to the public regarding company culture and values. Simply examine the issues and needs of your employees and try to develop creative programs to address these needs.

Although many costs associated with these suggestions may seem prohibitive, as well they may be, the company must evaluate the costs of current turnover, analyze the reasons for the individual organization, and develop strategies that in the long term are less costly than continued turnover. Some of these suggestions may not be so costly in comparison.

Just a word of caution: Be fair and consistent in establishing compensation. Promote from within if possible. Attempt to avoid bringing new people on board at a higher rate than current employees. Policies to prevent discussion of wages simply do not work. Furthermore, such policies are in complete opposition of " open-door" communications.

Although many companies use contract employees to address fluctuations in business, working side by side with someone who is making twice the rate of pay without any commitment or loyalty to the company can be a real morale killer. Avoid this if at all possible!

If your company follows these steps and shows a genuine concern for the well being of your employees, you may not have to pay the highest wages in town to have the lowest employee turnover rate.

MANAGING TURNOVER THROUGH SELECTION

There are many potential causes for turnover. Certainly, area economic conditions, as well as other factors such as labor market conditions, affect general turnover rates. These more general causes for involuntary turnover are difficult to directly manage. However, there are certain causes for voluntary turnover that are associated with any specific job in a given organization (e. g., non-competitive compensation, high stress, unpleasant physical or interpersonal working conditions, monotony, and poor direct supervision) that can be managed.

Although considerable research has been published in professional journals that underscores the relationship among workers' preferences, job performance, absenteeism, and voluntary turnover, there has not been much advancement in the field of personnel selection based on these findings.

One management option for addressing the issue of employee turnover is to change the job to eliminate negative characteristics, but this often is not feasible or desirable. An alternative method for reducing turnover is to

screen out potential levers during the hiring process. Organizations can use <https://assignbuster.com/employees-turnover-the-effectiveness-of-an-organization/>

the information regarding negative job characteristics as part of their pre-employment screening process in order to identify job candidates who are likely to have particularly adverse reactions to these characteristics.

The assessment of employees' sources of job-related discomfort and frustration has proven to be a powerful predictor of turnover (Bernardin, 1987). Survey results consistently indicate that workers' negative emotional reactions to job situations do predict voluntary turnover. Employees in any job have conscious and unconscious emotional reactions to work. If these reactions are generally positive, an employee is less likely to quit.

On the other hand, if these reactions are generally negative, an employee is more likely to quit. One very promising approach for managing turnover is to identify job candidates who are more likely to have negative reactions to a given job. These candidates can be screened out early in the hiring process, thus saving further hiring costs, and decreasing subsequent turnover.

Unfortunately, the most frequently used instruments for identifying such negative job characteristics (e. g., Job Diagnostic Survey, Job Characteristics Inventory) have little utility for making employment decisions because the scoring process is relatively transparent to job applicants.

INTRODUCTION TO THE JOB CONGRUENCE SYSTEM (JCS)

General psychological inventories and realistic job previews have been used to reduce turnover, but with varying degrees of success. Traditional personality and interest inventories are not as successful for identifying

candidates who are likely to turnover due to the ease with which they can be faked during the application process.

Researchers have indicated that deliberate distortion of responses is one of the most serious problems in the use of instruments designed to measure personality and interest characteristics. Similarly, realistic job previews are not effective with some job seekers who are highly motivated to gain employment, because they ignore the negative job characteristics during the application process, but over time the negative job content becomes instrumental in the decision to quit.

There is an alternative pre-screening method for reducing employee turnover which has demonstrated both effectiveness and consistency. The system described here is called the Job Congruence System (JCS). In HR literature, this general approach has been referred to as job compatibility or job congruence assessment. The J