Chapter-3
REVIEW OF LITERATURE
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The review examines a wide range of factors that could contribute to high employee turnover including characteristics of employees, recruitment practices, wages and conditions and career development opportunities. Factors of particular interest to IT-ITES, such as the impact of target income workers, the role of training, industry seasonality and the consequences of rural isolation, were considered. In addition, the results of a recent study on mobility in the Indian labour market are presented. The second part of the literature review presents some of the strategies used by employers to increase retention of staff and discusses the different ways in which turnover can be measured.

The researcher begins by outlining the justification for continuing research into turnover, and discusses the key themes of meaning, measurement and prediction, relating these to the organizational goal of effective management of turnover.

The researcher argues that despite contextual, relational and epistemological complexities surrounding the phenomenon, the economic and psychological dimensions to turnover, as well as its organizational significance, justify the use of models in turnover research. A dichotomy is introduced between two traditions of turnover research: the labour market school, and the psychological school. A critique of the labour market account of turnover is offered, and then four key models from within the psychological school are presented and critiqued. We conclude that the inability of both schools of turnover research to explain and predict turnover adequately restricts the scope for organizations to manage turnover effectively, and that there is a need for new theory.

3.1 A PRIORI JUSTIFICATION FOR TURNOVER RESEARCH.

Any business needs a source of labour to function. This axiom applies equally whether we rely solely on a basic economical model of the firm, with labour as one of the four factors of production (Bannock, Baxter and Davis 1998), or a Marxist
account, which emphasizes ‘labour power’ (Marx 1867), or subscribe to more complex models of organizations, which place importance on intellectual or ‘human’ capital and the importance of knowledge management (Harrison 1999). To establish the need to manage resourcing, we do not need to refer to any given context; it follows a priori from any view of an organization. Even if organizations of the future have ‘virtual’ employees, they will need to manage them as a resource. When an employee leaves, this can have a variety of effects that not only impact on the organization, but also the individual employee and wider society (Mobley 2002). These can be positive or negative (Mobley 2002; Hom and Griffeth 2005), and a greater understanding of the process of employee turnover can increase the degree to which organizations and employees within organizations can influence these effects (Dalton, Krackhardt and Porter 2001; Dalton, Todor and Krackhardt 2002).

3.2 A POSTERIORI JUSTIFICATION FOR TURNOVER RESEARCH.

In addition to the management of resourcing being an a priori concern, there is a posteriori justification for studying this phenomenon. Current explanations of employee turnover fail to offer either predictive or explanatory power (Aquino, Griffeth, Allen and Hom 2007). Despite an enormous literature on turnover in organizations (Price 2007; Mobley 2002), there is as yet no universally accepted account or framework for why people choose to leave (Lee and Mitchell 2004). This prohibits understanding the phenomenon after the event, yet neither is there an accepted means of assessing the likelihood of an individual’s deciding to leave in the future (Terborg and Lee 2004), which prohibits prediction of turnover.

3.3 THE IMPACT OF HRM PRACTICES

Huang (2000) looked at 315 firms in Taiwan and related their Human Resource Practices to their Organisational Performance. Huang’s studies shows a significant relationship between performance and effectiveness of their HR functions, including planning, staffing, appraisal, compensation, training and development.
Michi and Shaehan-Quinn (2001) surveyed over 200 manufacturing firms in UK to investigate the relationship between corporate performance and the use of flexible work practices, human resource systems and industrial relations. They found that ‘low-road’ practice- including short-term contracts, lack of employer commitment to job security, low levels of training and unsophisticated human resource practices- were negative correlated with corporate performance. In contrast, they established a positive correlation between good corporate performance and ‘high-road’ work practices- ‘high commitment’ organization or ‘transformed workplaces’. They also found that HR practices are more likely to make a contribution to competitive success when introduced as a comprehensive package, or ‘bundle’ of practices.

Kelliher and Riley (2002), highlighting evidence to support the view that the impact of HR is greatest when it involves a set of coherent policies and practices, also consider that HR initiatives should be implemented as part of an integrated package. They instance functional flexibility, which leads to an intensification of work, but in the case they studied this was less of an issue when supported by higher levels of remuneration.

Guerrero and Barraud-Didier (2004) found evidence for synergy between four HRM Practices (empowerment, compensation, communication and training) had a stronger impact on performance when implemented together. However testing the related hypothesis of ‘complimentarity’, which also proposes that sets of HRM Practices deliver better results together than when implemented individually.

Green et al, (2006) sampled 269 human resource professionals in large manufacturing firms across the USA and found direct, positive and significant impact on strategic HRM on organizational performance. Moreover they found that SHRM directly and positively influenced individual performance, organizational commitment and job satisfaction.
Rondeau and Wager (2007) focused on the ability of certain ‘progressive’ or ‘high performance’ human resource management practices to enhance organizational effectiveness, noting growing evidence that the impact of various HRM practices on performance is contingent on a number of contextual factors, including workplace climate. They conducted a postal survey of 283 Canadian nursing homes which included questions about human resource practices, programmes and policies impacting on workplace climate. The survey also included a variety of performance indicators. Their results indicated that nursing homes with more ‘progressive’ HRM practices and which also reported a workplace climate valuing employee participation, empowerment and accountability tended to be viewed as better performers. The best performers overall were those nursing homes that had implemented more HRM practices and also reported workplace climates reflecting a stronger commitment to their human resources.

### 3.4 EMPLOYEE TURNOVER

Dalton et al (1997) suggests that differentiating avoidable and unavoidable turnover (from the organization’s point of view) can help organisations to understand voluntary turnover more fully. Avoidable reasons include employees leaving to find better pay or working conditions elsewhere, problems with management or leaving for better career opportunities. Unavoidable reasons - which are beyond the organisation's control - include, for example, an employee having to move because of relocation by a spouse or leaving to fulfill family or caring responsibilities. If an organisation can identify that much of its voluntary turnover is unavoidable it may profit better from initiatives that seek to manage turnover after the event rather than expend resources on implementing preventative measures. On the other hand, if the bulk of turnover is avoidable this offers the potential for targeted intervention. However, if managers assume the turnover problem to be largely unavoidable, they may fail to recognise turnover as a symptom of underlying problems within the organisation. Labour market issues are another step towards understanding turnover within an organisation is to determine whether retention difficulties are caused by internal or external factors.
While the role of labour market conditions in causing turnover may preclude the use of targeted human resource strategies, this information may be useful in analysing to what extent turnover is due to outside factors. However, although tight labour markets affect an employer’s ability to attract and retain staff, looking outwards at the local labour market cannot be a substitute for understanding what is going on within the organization.

Pratt and Bennet (1999), have found that in recent years managers have been preoccupied with reducing the size of the workforce, closing pants and encouraging people to leave. In time of economic growth the emphasis changes to retaining the employees with required skills. Human resource planning has a role in anticipating wastages. In its manpower planning days, it received considerable attention from planners for whom ‘the statistical possibilities’ were enormous. Turnover covers the whole input-output process from recruitment to dismissal or retirement and takes the consequences of promotion and transfer into accounts. Wastage deals only with leavers. Its importance lies in the freedom of employees to leave when they choose and hence its relatively uncontrollable nature of employers.

Mobley, Griffeth, Hand and Meglino 1999, in their study, says that it is no use restricting analysis to those who are out of work. Implicit in the economic account of job search is the idea that search generates a series of alternatives, which are then compared in terms of their ‘expected utility’. Thus, job search is seen as a separate precursor to quitting. Yet there is research to suggest that conceptualizing job search as a discrete stage in a process of rational-economic choice is misrepresentative. Job search may not be a discrete stage in the quitting process, but instead search and quitting may, “…reflect different aspects of a broader construct of expected utility of withdrawal”.

Vandenberg and Nelson (1999), analyzed that the set of instances of involuntary turnover (where employees have been forced to leave) is likely to be more representative of the totality of organizational members than the set of instances of
voluntary turnover (where employees have chosen to leave). To the extent that turnover involves leaving; instances of voluntary turnover also represent a purer social phenomenon, as they catalogue where individuals have chosen to terminate a significant relationship. By way of contrast, in involuntary instances, because these are in some sense owned by an abstract entity (the organization), a relational aspect to turnover namely ‘cessation of membership’, is lost. Instead other more impersonal considerations such as (remotely defined) utility prevail.

Samuel 1999, in his study of ‘effective management of turnover’ dictates that a high level of sophistication, and thereby particularity, needs to be achieved by organizations in order to selectively influence the turnover process. Voluntariness may need to be defined differently for each organization and measurement of turnover may need to be at a level of detail far greater than that currently employed by many organizations. Additionally, even where problems in costing turnover can be resolved, there remain inescapably problematic aspects to determining relationally defined aspects such as avoid ability and functionality. In the light of these contingent complications, the aim of a comprehensive theory of turnover can seem unrealistic. This aim seems further complicated if an attempt to predict turnover behaviour is our goal, “although researchers tend to emphasize prediction as a criterion in judging models, we should not lose sight of the importance of understanding as a goal of scientific enquiry.” The phenomenon of turnover is of interest to organizations and theorists because it is significant, potentially costly and relatively clear cut. It also describes the end result of a decision process. All these characteristics also indicate that the phenomenon is likely to attract interest from ‘modelers’.

Kirschenbaum and Mano-Negrin (1999) in their model of interaction between the local labour market, occupational opportunity (by labour market sector) and organizational size, make the case that instead of using ‘perceived job opportunity’, it would be better to use an objective measure of opportunities based on a model of interaction between the local labour market, occupational opportunity (by labour market sector) and organizational size. The problems with using macro data such as
base rates for turnover to manage turnover effectively may be mitigated by applying
more sophisticated models of the labour market; ...the structural constraints of
organizational and occupational internal labour markets may be crucial for the
accurate prediction of actual turnover behaviour.

Kay (2000) in his study justifies costs in “...advertising and recruiting
expenses, orientation and training of the new employee, decreased productivity until
the new employee is up to speed, and loss of customers who were loyal to the
departing employee”. The costs mentioned above touch upon another area of concern:
productivity. When a high rate of employee turnover exists, most of the workforce is
at an entry level stage of production. A very high cost is associated with large
numbers of employees who have not reached full productivity. This cycle continues
with very few employees performing at maximum productivity.

Rice, Hull and Trist (2000), identified three main phases of employee
turnover:

a). Induction crisis- Individuals who leave shortly after joining an
organization. Uncommitted employees tend to leave in the first few
months. Research appears to show that there are several kinds of
induction crisis experienced in different ways in different
organizations.

b). Differential transit- During the first year or so, when some employees
conclude that the organization is an unsuitable career vehicle or source
of income.

c). Settled connection- Becoming a long term stayer.

Lee and Mitchell 2001, in their research on prediction of turnover in
organizations have found that the additional complication for the measurement –
prediction agenda is to do with the utility of any predictions. For a great many
‘predictor’ measures such as satisfaction, commitment, intent to leave etc., the ability
of these to predict turnover in individuals is likely to be greater the closer it is to the
time an employee decides to quit. If data are gathered shortly before an individual
decides to quit, it is likely inferences based on such data will be more reliable. This is
not simply a function of there being less intervening time for chance events to
influence the process, but a consequence of the ‘cusp’ nature of the turnover decision.
From an organizational perspective, this can mean that where basis for prediction
seems firmer, this indicates the individual is so close to quitting, there is little the
organization can do either to influence the decision, or manage the aftermath. This
does not mean that research into potential determinants of turnover is futile however.
If we relinquish the goal of a model for measurement – prediction for individual
employees, identification of influencing or precipitant factors can help improve
management if we see turnover behaviour as one of several forms of ‘withdrawal
behaviour’. The extent to which interventions to improve or pre-empt job
dissatisfaction (for example) can also positively influence absenteeism or lateness,
should be of interest to managers and employees alike. Although one of the
implications of a virtuous resource cycle is that organizations are unlikely to ever
completely control resourcing, it serves to highlight that improvements in
management of turnover may have a generative effect. The corollary of this is that the
problems caused by high turnover may be compounded by shortages of labour, or
other ‘knock-on’ effects and adverse turnover can lead to a vicious cycle.

Campion (2001) in his study of the nature of social science research,
involuntary turnover is likely to focus on consequential and extrinsic aspects, rather
than intrinsic characteristics. We accept that in reality the apparently straightforward
dichotomy between voluntary and involuntary turnover has limitations. For example,
records of instances of turnover may misrepresent the extent to which a turnover
decision was voluntary. Where exit interviews are conducted, interviewers may not
wish to press too hard when questioning an employee, it is also possible that they will
not wish to record details that would cast the organization or the employee in a bad
light. The employee may have similar motives for being reticent about their reasons
for leaving and added to this they may have concerns about the extent to which full
and frank disclosure could harm their prospects of receiving a favorable reference. All
of these factors may muddy the putatively categorical voluntary / involuntary
distinction.

Bergh, (2001) in his theory and research has focused less on the direct costs of
replacement, directing their attention instead to the loss of human capital caused by
turnover. This includes both “general” human capital that can readily be transferred
across jobs or organizations and “specific” human capital, which includes formal
training as well as tacit knowledge that is more or less unique to a particular setting.
Specific human capital implies an investment—by both the employee and the
organization—in learning the practices of the employing organization. Executives are
likely to be particularly high in general human capital value relative to others in the
organization (and relative to those included in most studies of turnover); depending on
their tenure with the organization or industry, this may or may not be true of their
specific human capital. For example, retaining longer-tenured executives (with greater
specific human capital) in acquired firms may increase the likelihood that the
acquisition will be successful because of the tacit knowledge that the experienced
executives bring to bear.

Dess and Shaw (2001), among others, have also addressed the social capital
costs of turnover. Organizations are characterized by rich social networks, in which
who you know is as important as what you know, and in which the departure of key
players may have a crippling effect on a wide range of interdependent groups.
Executives often play a linking-pin role in a wide array of such groups, so that their
leaving can result in significant gaps in a series of networks. Compounding this factor
is a phenomenon of “cluster,” or social network, turnover.

Mobley (2002) used the ‘turnover’ to mean ‘voluntary or involuntary cessation
of membership of an organization by an employee of that organization’. This
definition also refers to ‘cessation of membership’, but it should be acknowledged
that from a more institutional or organizational perspective, turnover may also include accession or entry. The scope that a voluntary/involuntary dichotomy offers for classifying the phenomenon enables directed, systematic research. Particularly where turnover is thought to be associated with a factor (such as organizational commitment), or to be preceded by a psychological state (such as intent to quit), drawing the distinction between voluntary and involuntary turnover is important, otherwise assessment of such a relationship in terms of all ‘organization leavers’ will be flawed. Involuntary turnover may occur for reasons which are independent of the affected employee(s), such as the (real or perceived) need to cut costs, restructure or downsize. Inclusion of these cases in a study of ‘organization leavers’ will mean any relationship between turnover and a personal characteristic will be significantly diluted. Even where involuntary turnover occurs for reasons associated with an individual employee (such as poor performance), it is likely these cases are more representative of the wider sample of organizational members in relation to the processional dimension of a decision to leave than any sub-sample of organizational leavers would be. Where an instance of turnover is genuinely voluntary, this instance represents the exercise of choice and is the result of a decision process.

Dalton et al. (2002) in their study found that, care over the choice of unit of analysis is warranted given the considerable empirical and theoretical support for the need to differentiate between types of leavers, in terms of their productivity and the extent to which they are an asset to the organization. Again, this illustrates that aggregated measures alone are of limited use. Turnover may have organizational benefits as well as negative effects, and this means a blanket reduction in the level of employee turnover (an efficiency measure) may only offer part of a solution, which overlooks the potential for turnover to be functional as well as dysfunctional.

Worthington (2002) in his study of measuring turnover; Measurement of Turnover is often not measured in a sophisticated enough manner to enable discrimination between cases where employees have chosen to leave, and cases where they have had to leave for reasons out of their control. This does not distinguish the
cases where people left because they were dissatisfied, from cases where people left because of ill health or where they retired, or where they were made redundant. Yet measurement of turnover needs to be sophisticated enough to enable those responsible for resource planning to identify various categories of leavers. This is because any single-figure measure of turnover will be inadequate in so far as it treats all those who leave as a homogenous group.

Gibelman and Gelman (2002) tried to explain the disruption caused by employee succession depend on the reason for the succession event. Successions due to retirements allow the most time for planning the succession process and often signal underlying stability and normalcy rather than crisis. Voluntary resignations are more disruptive because they are often unanticipated; more important, though, may be the motives others attribute to the executive’s decision to depart. Forced resignations generally are still more disruptive, though they can often be managed in order to allow some time for transition planning and “spin control.” Finally, dismissals are generally the most disruptive, particularly if they result from a crisis caused by the executive.

Buchholtz et al., (2003) found an inverted-U relationship between age and turnover, with departures most frequent among the youngest and oldest leaders (the inflection point at which turnover was lowest occurred at age 54). They suggest that the youngest leaders are more likely to move on for a number of reasons. First, they have the least specific (versus general) human capital; their sunk costs in their current job are minimal and given the number of years ahead of them the payoffs of developing new specific capital are greater than for their older counterparts; they are less invested in a lifestyle that would be threatened by a temporary loss or reduction in income that might accompany quitting; and because firms are more willing to invest in younger employees, younger managers believe that they will have fewer problems finding a new position. Simultaneously, older CEOs are less inclined to adapt to the new situation (not because “old dogs cannot learn new tricks” but because as one grows older there is less time to benefit from developing new skills and
knowledge, according to Bucholtz) and may also have increasing interest in retirement or other alternative pursuits, as well as the resources to allow these options. In contrast, those in the middle (roughly between the ages of 45 and 65), have more to lose from changing jobs than the younger executives and more to gain from developing new skills and knowledge than the older executives; as a result, they are most likely to stay with the acquiring firm.

Porter and Steers (2003) through their study of measuring turnover identified the behaviour of the employees and said that a relatively clear cut behavior, and one which apparently readily lends itself to simple cumulative measurement, attempts to meaningfully record the incidents of turnover can result in ambiguity. Yet the need for organizations to measure employee turnover is substantive. Turnover is an index of organizational effectiveness through the behaviour of the employees, and as such it warrants attention and some understanding of such behaviour.

Sheridan and Karu (2003), in their analysis of employees’ decision to leave have found that, Prediction of employee turnover also attracts interest given that instances of turnover are the result of decisions to leave. These decisions are often characterized as momentous, representing a defining point in a person’s career and life history. The evolutionary dimension of these decisions, that is to say the extent to which it makes sense to think of the decision to leave as being the end part of a process, has encouraged research from organizational theorists because of the apparent opportunity it provides to identify determinants or precipitators of turnover, thus offering potential to predict and perhaps then control employee turnover. One potential outcome of such predictor based research could be the identification of traits or characteristics which influence the likelihood of future decisions to quit. This would offer benefits in terms of the element of predictive power. If this were possible, and if valid, reliable measures for these characteristics could be used by organizations, then employee resourcing could be greatly simplified, as identification of these characteristics could influence selection criteria and create a virtuous resource circle. However, the phenomenon has not so far proved amenable to prediction.
Terborg and Lee (2004) in their study to relate the rate of turnover and the labour market trends, have illustrated that, if we rely on turnover rates then we may avoid the epistemic complexities inherent in assessing bi-partite constructs such as ‘avoid ability’. However, although there is evidence that rate of turnover correlate with aggregate data such as underlying labour market trends, or base rates for turnover in organizations, these offer little to the organization or manager seeking to improve turnover in a particular department, or to retain selected staff. This severely limits the utility of such aggregated measures as they fail to offer information in sufficient detail to manage turnover effectively. Apart from the lack of detail which such aggregated measures provide, care should also be taken as to the choice of unit of analysis in the measurement and study of turnover to avoid the possibility of committing the ecological fallacy.

Hulin et al. (2005) suggest three ways in which employment opportunity might influence quitting directly, without the need for an interaction with ‘perceived opportunity’, or ‘job search’. They suggest that different economic conditions can produce different workforces and therefore different patterns of turnover (such as higher turnover among ‘drifters’); alternatively, job opportunities may influence job satisfaction directly, perhaps because of the ‘insufficient justification paradigm’ or the direct influence of economic activity on satisfaction; the final way in which the difficulties of a ‘perceived opportunity’ or ‘search’ element to turnover might be avoided is where job opportunities directly influence turnover (where employees quit on the basis of actual, concrete opportunities). The benefits of Hulin et al.’s account are various. It portrays leavers as heterogeneous rather than identical as is the case in the traditional economic account. Hulin et al.’s account is also more sophisticated than the pure labour market account of turnover in including the possibility of people leaving for non-work alternatives, which are not captured in any previous definitions of ‘perceived opportunity’. The definition of a labour market outlined above refers to the ‘price’ of exchange, and this is equated with pay (a wage).
Lazear (2005), in his research believes that reward need not be expressed solely in the form of a wage. However his approach remains faithful to a pure economic account of turnover in that he believes that ‘non pecuniary components’ can be, “… converted into their monetary equivalents in the course of the [economic] analysis”. These ‘non pecuniary components’ (giving the examples of status, working conditions) he refers to as ‘psychic income’. If we accept this, all the ‘humanist’ challenges to a pure economic account of turnover would collapse, as the remodeling of such concepts as ‘status’ would allow for us still to use the initial definition of a labour market to account for turnover. All that we would need to do to refine this model would be to incorporate a notion of ‘psychic income’ within our notion of a price for labour. There are however, epistemological and ontological problems with this type of reductionist explanation which make it unpalatable. There are problems of knowledge i.e. with how we identify and measure these concepts, and there are problems with the precise status we accord these ‘non pecuniary components’, i.e. how do we translate and cross-validate them. The theme of non-monetary determinants will be expanded on in the section on socio-psychological approaches to turnover.

Marchington and Wilkinson (2006) in their study to manage employee turnover, information on turnover can help the planning, prediction, and control of resourcing. Furthermore, if we consider the notion that the goal for organizations is to manage turnover effectively, we clearly need to move beyond even this traditional ‘Fayol-type’ framework. More generally, it could be used to frame a broad-brush picture of the management of turnover within a particular industry. However, there are problems implicit in gaining such an understanding. Even setting aside the notion of voluntariness, confusion can still surround the determinants of decision to quit or ‘reasons’ and other relationally defined aspects such as avoid ability. It should be noted that even from a non-relational perspective measurement is problematic.
Taylor, Audia and Gupta (2006), in their research has focused on potential predictors of turnover behaviour, such as job tenure, locus of control and demographic correlates, bivariate accounts have proved insufficiently complex to capture the phenomenon, although many models posit a relationship between an affective disposition or variable such as satisfaction and turnover, with turnover preceded by intentional variables such as ‘intent to leave’, or ‘withdrawal cognitions’. The bulk of turnover models rely on assessment of the moderating or predictive role of any of a vast number of competing variables. Although in many cases these factors have been shown to predict turnover to some degree, there is less of an ability in these theoretical accounts to explain employees’ decisions to quit. Even where some predictive power is evident, it is contentious how useful this can be to organizations seeking to prevent turnover, given that these measures are often most effective the closer to a decision to leave an employee is. In other words, the degree of success with which these measures operate is counterbalanced by the amount of warning they can afford organizations, and also by the limited scope there is to then change an employee’s decision. The likelihood that a simple bivariate correlation will provide a comprehensive theory of turnover precludes the commonsensical notion that employees may leave a job, or organization ‘for a number of reasons’. Although many of the current dominant models of turnover do not rely exclusively on a bivariate correlation, they nonetheless aim to predict turnover via clarification and ordering of the role of antecedent factors, factors which are seen as determined solely by interactions between the employee and their work environment, rather than other ‘external, unexpected or random events’, or ‘no work domain variables’. These theories fail to describe a large proportion of voluntary turnover decisions, and thus have low ecological validity.

Wise and Fireman (2006), in their study, has identified that the turnover phenomenon attracts interest because of its psychological dimension, its organizational significance, and its economic dimension and within each of the related disciplines of psychology; organizational behaviour and economics there are well
established traditions of using models in research and dissemination of theory. A related legitimating factor is that there is a rich body of research into turnover. Even where there is debate as to the validity of a particular account of turnover, it is seldom the case that the underlying methodology is called into question. Instead, research is often directed toward refining or clarifying interrelations between established constructs such as job satisfaction, withdrawal cognitions, intent to leave etc. To this extent, the presence of a well established paradigm may have hindered research, restricting development to incremental or insignificant change. All these aspects explain the attractions of using models in turnover research. However, the contextual, relational and epistemological complexities surrounding the phenomenon present a challenge which makes such modelling far from straightforward.

Knowels.M.C. et al. (2006) in their study has said that, Employee Turnover refers to the process of employees leaving an organization and have to be replaced. High labor turnover involves increased cost to recruitment, selection, orientation and training. Furthermore employee turnover may lead to disruption of production, problems in quality control, poorer communication and inability to develop teamwork and morale. Further the cost of replacing employees is approximately 150% of their annual pay, making it a significant cost to the companies in terms of knowledge capital and resources to find a replacement. These costs include direct cost of recruiting, interviewing, testing, reference checks and so on, plus the administrative costs associated with placing a new employee on the payroll. Indirect costs such as underutilized facilities until the new employee is hired and reduced productivity while the new employee is learning the job must also be considered. The two variables most related to the employee turnover are job dissatisfaction and economic conditions. In the former case, organizations with poor working conditions, undesirable jobs, pay inequities and restricted opportunities for advancement can predict a high level of labour turnover. In the latter case an inverse relationship is revealed between the state of the economy and the rate of employee turnover. When the economy is depressed, turnover in most organizations goes down.
Fermin Diez, (2006), in his study covered 114 organisations in greater china, many of which are multinationals. About one-quarter (24%) were from hi-tech industry. Other major industries included were consumer (19%), chemical (14%), pharmaceutical (11%), automotive (8%) and services (6%). The survey found that 54% of organizations have experienced an increase in turnover for professional staff since the previous year, while 42% have reported higher turnover for support staff. The survey also reveals that the average tenure for the age group most targeted by multinational companies (25-35 years old) fell from an average of 3-5 years in 2004 to just 1-2 years in 2005. The survey found that 83% of the organizations offer healthcare and related insurance, while 41% provide health and fitness plans and 24% offer flexible working. Just 21% offer supplementary pension plans and 10% provide subsidized loans. Results also show that 44% of organizations believe their employees are dissatisfied with the benefits offered.

According to the survey, the top five methods for attracting and retaining employees in china are: attractive salary and benefits package (23%), opportunities for career development (19%), meaningful and creative work (7%), unique organizational culture (7%) and company location (3%). Organizations report that the average cost of replacing staff at any level is around 25-50% of annual salary.

Abelson (2007) in his study has seen that the critical nature of turnover, the content of the phenomenon itself is also of interest and it is also important to consider the extent to which an instance of voluntary turnover may be classified as ‘avoidable’. In other words, is it a case of employee instigated turnover which could have been prevented? This classification is useful per se, as it can indicate the global scope for future planned intervention. For example, where an organization is able to identify that the bulk of voluntary turnover is beyond their control e.g. where voluntary turnover is a result of relocation by a spouse or partner, they may profit better from initiatives which seek to manage turnover post hoc, rather than spend on theorized preventative measures (e.g. increasing salary levels). It is important to emphasize that the degree to which it is actually possible for organizations or managers to influence
turnover should be assessed alongside any measures of turnover, such as functionality. If all instances of turnover appear to be unavoidable, this could redirect the focus of resource spending, so that managers look to minimize the disruption and inconvenience of an inevitable phenomenon. If however each instance of turnover appears to be avoidable this offers the potential for directed intervention. Although such a pure split is unlikely, the need to assess avoidability would be to prevent situations where managers assume the problem to be predominantly of one type, when it is the other. If managers assume turnover is an inevitable fact of organizational life (but really in their particular context it is largely ‘avoidable’), they may fail to recognize instances of turnover as symptomatic of underlying problems. Additionally the associated costs of turnover may be needlessly tolerated, whereas an element of prevention could save far more. Conversely, where organizations see turnover as something which they should control (but really in their particular context it is largely ‘unavoidable’), they may instigate needless (potentially harmful) change and spend resources on futile ‘prevention’ measures.

Price (2007) in his study says that Management of turnover may have the greatest organizational benefit (an effectiveness measure) where it is targeted at encouraging the retention of valued employees, or where the opportunity for change in personnel is capitalized upon, and ineffective employees can be replaced with more effective employees. The first part of this ‘functionality equation’ describes preventing organizationally dysfunctional turnover (by keeping productive employees), and the second half describes engendering organizationally functional turnover (by replacing unproductive employees with productive ones). Awareness of the potential functionality of instances of employee turnover is no more than awareness that such change brings with it the opportunity to recruit more productive employees, or to reorganize current work practices. It is also worth noting that the distinction between functional and dysfunctional leavers may be absolutely spurious or illusory in instances when turnover is already an acute problem. In this instance developing targeted retention initiatives will not be as much of a priority as the need
to control aggregate levels of turnover until there is an element of workforce consistency, or sufficient labour power. Coping with high levels of turnover can rob managers of the time and space necessary to plan.

Carsten and Spector (2007), in a test of Muchinsky and Morrow’s (2000) ‘multidisciplinary model’ have found evidence that the underlying rate of unemployment may affect the relationship between job satisfaction and turnover, suggesting that, “…the economy acts as a releaser, allowing satisfaction to best predict turnover during periods of high economic opportunity.” Although this lends some support to the theory that opportunity plays a part in determining turnover, overall there is a lack of empirical evidence for the link between perceived employment opportunities and turnover which renders a simplistic account of job search problems.

Shaw.J.D., Derely.J.E., Jenkins.G.D., (2008), in their study, says that Managers consider the internal labor force, or a company’s current employees, when it comes to meeting their current and long term work force needs. However the internal labor force is not static but changes over time. Employee turnover which directly affects a firm’s labor demand includes the voluntary and involuntary turnover of employees within an organization. According to the study industries vary in their total rate of turnover. Some industries such as arts, entertainment and recreation struggle to cope with the turnover rate over 90 percent, while the educational sector and the government experience turnover rate of less than 15 percent. Turnover has a significant impact on companies. The most obvious impact occurs when a company loses a talented employee. Another problem occur when an employee’s former co-worker- those who remain with the firm- must pick up the slack to make sure the work still gets done. Even when a replacement employee is eventually hired, his or her co-workers are still likely to experience stress until the newly hired person gets fully up to speed. In addition there are both costs and time demands associated with filling open positions. For example at WFS Financial Inc., a large automobile financing company, turnover rate approaching 33 percent was costing the company
approximately $5 million per year. Similarly facing a 213 percent turnover in 2003 (compared to an industry average of just over 125 percent). Managers at Steak n Shake realized that profitability, employee morale and customer service and customer service at its restaurants were suffering from the constant crew turnover. Steak n Shake estimated that it could save up to $4 million per year, if it could reduce its turnover.

Cascio & Boudreau, (2008) studied the significant costs associated with an employee turnover, costs that include lost productivity on the part of the departing employee (reduced productivity while his or her attention is diverted to searching for a job, lost labor during the period between the time the individual quits and a replacement is hired, and reduced productivity of the new hire while learning the job), recruiting costs involved in finding a replacement, and likely reduced productivity of co-workers who need to fill in for the departing individual as well as spend time mentoring his or her replacement. Estimates of these direct costs range from 90% to 200% of the departing employee’s salary.

Karlsson & Neilson, (2009), A report by the Aberdeen group found that mid-level manager turnover was only 1.5% in North America and Europe. Research studies of employee turnover found voluntary turnover rates of 3.4% to as little as 2.2%. Employee turnover in the US slowed considerably during the recession of 2008-2009, leading some observers to conclude that in difficult economic times firms want a “battle tested captain at the helm”. Then again, the situation may never have been as bad as the doomsayers suggest; a long-term study of employee turnover between 1970 and 2000 found that attrition increased only very slightly during that 30 year period.

Siebert and Zubanov (2009) in their research studied retail sales assistants in 325 stores of a large U.K. clothing chain. Some of these workers were employed under what they termed a “commitment” work system, characterized by high-performance work practices (e.g., extensive recruiting, hiring, and training practices,
performance-based pay). Other sales assistants worked under a “secondary” work system, characterized by part-time work, casual hiring practices, minimal training, and restricted responsibility. They found that turnover among employees in the “commitment” group—with presumably greater human capital investments—had a negative effect on organizational performance, whereas the “secondary” employees showed an inverted-U relationship between turnover and performance, with the highest performance occurring at moderate levels of turnover.

The discussion so far has simultaneously stressed the significance and elusiveness of such key concepts as voluntariness, avoidability, and functionality. Each of these is important in considering the effective management of turnover, yet assessment of each embraces epistemological and logistical difficulties which seem to threaten the possibility of any comprehensive account of turnover. The inability for any current model to ‘fit’ empirical data on turnover perfectly implies that no such account has yet been found. That this may be due to the inherent complexity of social phenomena, poses problems for any universal account.

Turnover research is ‘in a fallow period’ and in need of rejuvenation. Of course the existence of a research paradigm and a subsequent focus on incremental improvement in building theory may not be problematic, in so far as where adequate accounts of phenomena exist; there may be little need to change these accounts, if they satisfy certain criteria, for example, predictive power. If we adopt a managerialist perspective in considering the effective management of turnover, then the motivation for use and development of theory will not be (to some extent aesthetic) considerations of theoretical merit, but more pragmatic notions of what ‘gets the job done’. Although a pragmatic perspective may not lead to the most effective management actions (where for example it prevents pursuit of other, more effective strategies), if it allows for a degree of effectiveness, then any incremental improvements will represent progress. Where a theory has ‘practical adequacy’ (Sayer 2002), it may be used without refinement indefinitely. If there were a powerful, or practically adequate theory of employee turnover, then the lack of ‘new’ research
would be of little concern. However, the problematic aspects of the current paradigm-based research are; Theories within either the economic or psychological schools have little predictive power, nor do they offer empirically supported assertions about turnover which can help the effective management of turnover. Research is restricted by dominant ideas which focus mainly on relationships between an affective state and turnover.

Whilst it is accepted that there are likely to be limitations to any generic explanation of this complex phenomenon, the scope to identify universal elements of the turnover process should not be ignored. A contemporary example of an account which represents a break from the established paradigm is the ‘unfolding’ model (Lee et al. 1999), which is a path model of the turnover process, based on an ‘image theory’ of decision making (Beach 1990; Beach and Strom 1999; Mitchell and Beach 1997).

3.5 CAUSES OF EMPLOYEE TURNOVER

Employee turnover is a much studied phenomenon. There is a vast literature on the causes of voluntary employee turnover dating back to the 1950s. By developing multivariate models that combine a number of factors contributing to turnover and empirically testing the models researchers have sought to predict why individuals leave organizations.

Many studies are based on only a small number of variables which often only explain a small amount of variability in turnover. Another criticism of turnover studies is that they do not adequately capture the complex psychological processes involved in individual turnover decisions.

A recent study of turnover by Boxall et al (2003) in New Zealand confirmed the view that motivation for job change is multidimensional and that no one factor will explain it. However, over time there have been a number of factors that appear to be consistently linked to turnover.
An early review article of studies on turnover by Mobley et al (1999) revealed that age, tenure, overall satisfaction, job content, intentions to remain on the job, and commitment were all negatively related to turnover (i.e. the higher the variable, the lower the turnover).

In 1995, a meta-analysis of some 800 turnover studies was conducted by Hom and Griffeth, which was recently updated (Griffeth et al, 2000). Their analysis confirmed some well-established findings on the causes of turnover. These include: job satisfaction, organisational commitment, comparison of alternatives and intention to quit. These variables are examined in more detail below, as are a number of other factors where the evidence on the link to turnover is less conclusive.

3.5.1 Comparison of alternatives

Aggregate level economic studies provide consistent and significant evidence of the impact of labour market conditions on turnover rates at an aggregate level.

As Mobley et al (1999) pointed out, at an aggregate level the relationship between economic factors such as employment levels or job vacancies and turnover has been well established. At an individual level, the labour market approach emphasizes expected utility and rational economic choice among employees and the perceived availability of alternative job opportunities.

The relationship between alternatives and turnover on an individual level has been researched widely since March & Simon’s 1998 seminal work on ease of movement. Much of the subsequent research focused on the link between job satisfaction, perceived alternative opportunities and turnover. Later, researchers began to focus on the role of both actual and perceived opportunities in explaining individual turnover decisions. Subsequent research has indicated that actual alternatives are a better predictor of individual turnover than perceived opportunities.
Research on the impact of unemployment rates as a proxy for actual opportunities in employee turnover revealed that unemployment rates affected the job-satisfaction/turnover intent relationship but not actual turnover (Kirschenbaum & Mano-Negrin, 1999). They concluded that macro level analysis predicted turnover patterns but perceptions of opportunities did not. This point was reinforced in their study on medical centres in various locations used measures of perceived and objective opportunities in internal and external labour markets. The authors concluded that objectives opportunities were a better set of explanations of actual turnover behaviour than either perceived internal or external labour market opportunities.

Nevertheless, while actual alternatives appear to be a better predictor of turnover, there is also well-established evidence of the link between perceived alternatives and actual turnover. In their most recent meta-analysis, Griffeth et al (2000) confirmed that perceived alternatives modestly predict turnover.

3.5.2 Intentions to quit

Much of the empirical research on turnover is based on actual turnover, although some studies are based on intentions to quit. Apart from the practical difficulty in conducting turnover research among people who have left an organisation, some researchers suggest that there is a strong link between intentions to quit and actual turnover.

Mobley et al (1999) noted that the relationship between intentions and turnover is consistent and generally stronger than the satisfaction-turnover relationship, although it still accounted for less than a quarter of the variability in turnover.

Much of the research on perceived opportunities has been found to be associated with intentions to leave but not actual turnover (Kirschenbaum & Mano-Negrin, 1999). One of the possible reasons is that intentions do not account for
impulsive behaviour and also that turnover intentions are not necessarily followed through to lead to actual turnover.

3.5.3 Organizational commitment

Many studies have reported a significant association between organizational commitment and turnover intentions (Lum et al, 1998). Tang et al’s (2000) study confirmed the link between commitment and actual turnover and Griffeth et al’s (2000) analysis showed that organisational commitment was a better predictor of turnover than overall job satisfaction.

Allen & Meyer (1990) investigated the nature of the link between turnover and the three components of attitudinal commitment: affective commitment refers to employees’ emotional attachment to, identification with and involvement in the organisation; continuance commitment refers to commitment base on costs that employees associate with leaving the organisation; and normative commitment refers to employees’ feelings of obligation to remain with the organisation. Put simply, employees with strong affective commitment stay with an organisation because they want, those with strong continuance commitment stay because they need to, and those with strong normative commitment stay because they feel they ought to. Allen and Meyer’s study indicated that all three components of commitment were a negative indicator of turnover. In general, most research has found affective commitment to be the most decisive variable linked to turnover.

3.5.4 Job satisfaction

The relationship between satisfaction and turnover has been consistently found in many turnover studies (Lum et al, 1998). Mobley et al 1999 indicated that overall job satisfaction is negatively linked to turnover but explained little of the variability in turnover.

Griffeth et al (2000) found that overall job satisfaction modestly predicted turnover. In a recent New Zealand study, Boxall et al (2003) found the main reason by
far for people leaving their employer was for more interesting work elsewhere. It is generally accepted that the effect of job satisfaction on turnover is less than that of organisational commitment.

3.5.5 The link between satisfaction and commitment

Some researchers have established a relationship between satisfaction, organisational commitment and turnover. Lum et al’s (1998) study of programmers suggested that organisational commitment has the strongest and most direct impact on the intention to quit whereas job satisfaction has only an indirect influence. They suggested that satisfaction indirectly influences turnover in that it influences commitment and hence turnover intentions. (Mueller & Price, 1990 cited in Lum). Elangovan (2001) noted that the notion of job satisfaction and organisational commitment being causally related has not been incorporated in most turnover models. His study indicated there were strong causal links between stress and satisfaction (higher stress leads to lower satisfaction) and between satisfaction and commitment (lower satisfaction leads to lower commitment). He further noted a reciprocal relationship between commitment and turnover intentions (lower commitment leads to greater intentions to quit, which in turn further lowers commitment). In summary, only commitment directly affected turnover intentions.

3.5.6 Characteristics of employees

Despite a wealth of research, there appear to be few characteristics that meaningfully predict turnover, the exceptions being age and tenure. Age is found to be negatively related to turnover (i.e. the older a person, the less likely they are to leave an organisation). However, age alone explains little of the variability in turnover and as age is linked to many other factors, alone it contributes little to the understanding of turnover behaviour. Tenure is also negatively related to turnover (the longer a person is with an organisation, the more likely they are to stay).
Mobley et al concluded that length of service is one of the best single predictors of turnover. Griffeth et al also found that age and tenure have a negative relationship to turnover. There is little evidence of a person’s sex being linked to turnover. Griffeth et al’s 2000 meta-analysis re-examined various personal characteristics that may be linked to turnover. They concluded that there were no differences between the quit rates of men and women. They also cited evidence that gender moderates the age-turnover relationship (i.e. women are more likely to remain in their job the older they get, than do men). They also found no link between intelligence and turnover, and none between race and turnover.

3.5.7 Wages and conditions

The research conducted on the link between dissatisfaction with pay and voluntary turnover appears to be inconclusive.

Mobley et al (1999) concluded that results from studies on the role of pay in turnover were mixed but that often there was no relationship between pay and turnover. Other studies found no significant relationship.

On the other hand Campion (2001) cited in Tang suggests that the most important reason for voluntary turnover is higher wages/career opportunity.

Martin (2003) investigates the determinants of labour turnover using establishment-level survey data for the UK. Martin indicated that there is an inverse relationship between relative wages and turnover (ie establishments with higher relative pay had lower turnover).

3.5.8 Pay and performance

Griffeth et al (2000) noted pay and pay-related variables have a modest effect on turnover. Their analysis also included studies that examined the relationship between pay, a person’s performance and turnover. They concluded that when high performers are insufficiently rewarded, they leave. They cite findings from Milkovich
and Newman (1999) that where collective reward programs replace individual incentives, their introduction may lead to higher turnover among high performers.

3.5.9 Flat-rate versus piece-rate pay systems

Taplin et al (2003) conducted a large-scale turnover study in the British clothing industry. Two factors emerged as the most significant reasons for employees leaving the industry. One was the low level of wage rates in the clothing industry relative to other manufacturing sectors. The other reason referred to industry image with staff leaving because of fears relating to the long-term future of clothing manufacture in the UK. In this study, turnover rates were highest among the most skilled workers. The study also examined the role of payment systems in turnover. The researchers found that where there were flat-rate payment systems alone, average turnover exhibited a statistically significant difference from the industry mean (ie they were 4.5 per cent lower). However, most firms in the clothing industry adhered to piece rate payment systems finding it to be the most effective way of regulating the effort-bargain. This is, in the authors’ view, despite anecdotal evidence that many skilled workers dislike its unpredictability and new entrants to the workforce lack the skills to maximize their earnings potential.

3.5.10 Attitudes towards money

For some individuals pay will not be the sole criterion when people decide to continue within an existing job. In their study of mental health professionals, Tang et al (2000) examined the relationship between attitudes towards money, intrinsic job satisfaction and voluntary turnover. One of the main findings of this study is that voluntary turnover is high among employees who value money (high money ethic endorsement), regardless of their intrinsic job satisfaction. However, those who do not value money highly but who have also have low intrinsic job satisfaction tended to have the lowest actual turnover. Furthermore, employees with high intrinsic job satisfaction and who put a low value on money also had significantly higher turnover than this second group. The researchers also found that placing a high value of money
predicted actual turnover but that withdrawal cognitions (ie thinking about leaving) did not.

3.5.11 Training and career development

Martin (2003) detected a complex relationship between turnover and training. He suggested that establishments that enhance the skills of existing workers have lower turnover rates. However, turnover is higher when workers are trained to be multi-skilled, which may imply that this type of training enhances the prospects of workers to find work elsewhere. The literature on the link between lower turnover and training has found that off-the-job training is associated with higher turnover presumably because this type of training imparts more general skills (Martin, 2003).

3.5.12 Impact of training on mobility

Shah and Burke (2003) reviewed some of the literature on the relationship between turnover and training.

In a British study examining the impact of training on mobility, Green et al (2000) concluded that, in aggregate, training has on average no impact on mobility. However, training that is wholly sponsored by the individual (or their families) is on balance likely to be a prelude to job search.

In contrast, when employers pay for training the downward effect on mobility is more likely. Lynch (1991, 1992) concluded that both on-the-job and off-the-job training have a significant effect on job mobility. While formal on-the-job training reduces the likelihood of mobility, particularly for young women, off-the-job training increases the likelihood of mobility.

In a study of six local labour markets in Britain, Elias (1994) found that women who received employer-provided and job-related training had a lower probability of changing employer or making the transition to non-employment, but for men training made no significant difference to this type of turnover.
3.5.13 Effect of vocational training

In a study examining the effect of apprenticeships on male school leavers in the UK, Booth and Satchell (1994) found that completed apprenticeships reduced voluntary job-to-job, voluntary job-to-unemployment and involuntary job termination rates. In contrast, incomplete apprenticeships tended to increase the exit rate to these destinations relative to those who did not receive any training.

Winkelmann (1996) reported that in Germany apprenticeships and all other types of vocational training reduce labour mobility in spite of the fact that the German apprenticeship training is intended to provide general and thus more transferable training.

3.5.14 Career commitment

Chang (1999) examined the relationship between career commitment, organisational commitment and turnover intention among Korean researchers and found that the role of career commitment was stronger in predicting turnover intentions. When individuals are committed to the organisation they are less willing to leave the company. This was found to be stronger for those highly committed to their careers. The author also found that employees with low career and organisational commitment had the highest turnover intentions because they did not care either about the company or their current careers. Individuals with high career commitment and low organisational commitment also tend to leave because they do not believe that the organisation can satisfy their career needs or goals. This is consistent with previous research that high career committers consider leaving the company if development opportunities are not provided by the organisation. However, this group is not apt to leave and is likely to contribute to the company if their organisational commitment is increased. Chang found that individuals become affectively committed to the organisation when they perceive that the organisation is pursuing internal promotion opportunities, providing proper training and that supervisors do a good job in providing information and advice about careers.
3.5.15 Work environment and lifestyle factors

A 2001 study of the factors influencing the recruitment and retention of programmers in India found that overall work-related factors were considered to be more important in decisions by Programmers to leave their job. The five major factors influencing decisions to leave their jobs were management practices, emotional demands of work, workable communication, management recognition of work and family responsibilities. The findings regarding lifestyle factors appear to be mixed. However, when respondents were asked to identify the most important factors that influenced them to leave their lucrative jobs, just under 40 per cent of respondents cited issues related to the stress caused by long hours of work as one inducement for them to resign. These issues included travelling long distances from their houses to the company, no leisure activities, etc.

3.5.16 Other factors contributing to turnover

Turnover studies have highlighted the relationship between turnover and a range of other factors. Some of these findings are presented briefly below.

The role of ‘shocks’ Lee & Mitchell’s (1994) ‘unfolding model’ of employee turnover represented a significant departure from the previous labour market- and psychological-oriented turnover literature. This model is based on the premise that people leave organisations in very different ways and it outlines four decision pathways describing different kinds of decisions to quit. A notable feature of the unfolding model is its emphasis on an event or ‘shock’ (positive or negative) that prompts some decisions to quit.

Morrell et al (2004) tested the unfolding model by studying the voluntary turnover of nurses in the UK. Their findings indicated that shocks play a role in many cases where people decide to leave. Furthermore, they found that shocks not only prompted initial thoughts about quitting but also typically had a substantial influence over the final leaving decision. They also noted that decisions to quit prompted by a
shock are typically more avoidable. The authors suggest that their research illustrates the importance for managers of understanding avoid ability i.e. the extent to which turnover decisions can be prevented.

3.5.16.1 Organizational size

Kirschenbaum & Mano-Negrin (1999) indicated that turnover is affected by organisational size, with size being the key mediator of an organisation’s internal labour market. They suggest that organisational size impacts on turnover primarily through wage rates but also through career progression paths. Developed internal organisational labour markets produce lower departure rates since promotion opportunities have a strong negative influence on departures for career-related reasons.

3.5.16.2 Unionization

Martin (2003) looked at the effect of unions on labour turnover and found clear evidence that unionism is associated with lower turnover. He suggested that lower turnover is a result of the ability of unions to secure better working conditions thus increasing the attractiveness for workers of staying in their current job. According to Martin, the relationship between lower turnover and unionization has been well established by researchers using both industry-level and individual data.

3.5.16.3 Influence of co-workers

A 2002 study by Kirschenbaum and Weisberg of 477 employees in 15 firms examined employees’ job destination choices as part of the turnover process. One of their main findings was that co-workers’ intentions have a major significant impact on all destination options - the more positive the perception of their co-workers desire to leave, the more employees themselves wanted to leave. The researchers suggest that a feeling about co-workers’ intentions to change jobs or workplace acts as a form of social pressure or justification on the employee to make a move.
3.5.16.4 Supervision/management

Mobley et al (1999) concluded that a number of studies offered moderate support for a negative relationship between satisfaction with supervision and turnover (i.e., the higher the satisfaction with supervision, the lower the turnover).

3.5.16.5 Behavioural predictors

Some research (Hulin cited in Griffeth et al, 2000) implies that lateness and absence can be predictors of turnover because they represent withdrawal responses from the organisation.

3.6 MEASURING TURNOVER

Research suggests that to gain an accurate perspective of internal causes of turnover, it is useful to look at both quantitative and qualitative information (IDS, 2004). To identify underlying reasons for turnover, qualitative information on the reasons why employees have left is necessary.

The UK Chartered Institute of Personnel and Development (CIPD) suggest that it is important employers have an understanding of their rates of labour turnover and how they affect the organisation’s effectiveness (CIPD, 2004). Depending on the size of the business, understanding the levels of turnover across occupations, locations and particular groups of employees (such as identified high performers) can help inform a comprehensive retention strategy. By understanding the nature of the turnover problem an organisation can decide whether to adopt targeted retention initiatives, for example at particular ITES or groups of employees, or to manage overall levels so that there is sufficient labour.

Wastage rates - Typically, organisations use the crude wastage rate for measuring turnover. This calculates the number of leavers in a given period as a percentage of the average number of employees during the same period. To calculate the average number of employees during a given period, organisations often add
together the number of employees at the beginning of the period with those employed at the end of the period and divide it by two (IDS, 2004).

**Crude wastage rate**- The simplicity of this measure means there is less risk of different parts of the organisation supplying inconsistent data. However, the crude wastage rate has its limitations because it includes all types of leavers - involuntary leavers. A single measure of turnover that does not distinguish between cases where people left because they were dissatisfied and where people left because of ill health or retirement will be inadequate because it treats leavers as a homogeneous group (Morrell et al, 2004). Furthermore, when calculating replacement figures it may be misleading to base them on crude wastage rates which include employees that do not need replacing (IDS, 2004). The crude wastage rate also makes no distinction between functional (ie beneficial) and dysfunctional turnover (CIPD, 2004).

**Resignation rates**- Another way of measuring turnover is to base turnover rates on voluntary leavers or resignation rates only, thus excluding employees who have left for other reasons such as retirement, redundancy, dismissal or redeployment to another part of the organisation. However, basing turnover rates on voluntary leavers can also have its drawbacks because it does not indicate how many staff need recruiting to cover those employees who have left because of retirement or voluntary internal transfers. One solution is to record separate turnover rates for voluntary and involuntary leavers (IDS, 2004). Wastage rates can also be used for specific groups of employees or different business units, which allows an organisation to detect differences in turnover within different parts of the organisation. Overall figures tend to mask potentially significant differences in turnover within an organisation (IDS, 2004). For example, high turnover in one area of the business could produce the same overall rate as a small number of leavers distributed evenly across the organisation, but the actions required to deal with these situations would be quite different. Examining turnover by department can identify any local issues or possible problems concerning particular line managers or to monitor turnover among groups of employees with scarce skills. Wastage rates can also be applied to employees with a
certain length of service (eg less than one year) which can help pinpoint ineffective recruitment, selection or induction processes (IDS, 2004).

**Vacancy rate**- Another approach is to place a greater emphasis on the number of vacancies that need to be filled. The vacancy rate is based on the number of positions an organisation actively wishes to recruit to as a percentage of the number of overall employees.

**Stability index**- This measure gives an indication of the extent to which experienced employees are being retained. It can be used to calculate the stability of the whole organisation or of a particular group of employees. It is usually calculated as the number of employees with one year's service or more as a percentage of the number of people employed a year ago. This formula can be varied according to particular circumstances (eg basing it on a longer period of service). A rise in the stability index indicates the company is improving retention of more experienced staff. Normally, a wastage rate would be expected alongside a low level of stability. If both percentages are high, this indicates the organisation is experiencing problems with a small number of high turnover jobs (IDS, 2004).

**Cohort analysis**- This technique enables an organisation to understand service-related leaving patterns by taking the leaving rates of a (usually homogeneous) group of employees who joined at the same time. The resulting leaving rates can be plotted on a wastage or survival curve. Cohort analysis is a useful tool for organisations concerned about turnover costs due to high expenditure on recruitment, induction and training.

**Wastage and survival curves**- For wastage curves the number of leavers is plotted against their length of service on leaving. A characteristic turnover pattern shows a high level for new starters, which then decreases with length of service. Alternatively, survival curves represent the number of people who stay against length of service, providing a measure of retention instead of turnover.
Exit interviews and surveys- Organizations typically obtain qualitative information on turnover through exit interviews and surveys. However, it is important to appreciate that the reasons people give for their resignations are frequently untrue or only partially true (CIPD, 2004). The use of exit interviews is widespread yet they can be unreliable, particularly when conducted by someone who may later be asked to write a reference for the departing employee. Where exit interviews are used it is best to conduct them a short time after the employee hands in their notice. The interviewer should be someone who has not had direct responsibility for the individual (ie as their line manager) and who will not be involved in future reference writing. Confidentiality should be assured and the purpose of the interview explained (CIPD, 2004). Alternative approaches involve the use of confidential attitude surveys which include questions about intention to leave and questionnaires sent to former employees on a confidential basis about six months after their departure.

Costing turnover- The extent of the impact of turnover on an organisation cannot be fully understood if there is no attempt to quantify the costs. The more complex approaches to costing turnover give a more accurate and higher estimate of the costs. Such approaches often take into account the costs associated with lost productivity (ie the productivity of a new employee during their first few weeks or months in the role and that of resigned during the notice period) and the effect on morale of the remaining workforce. One such framework is that proposed by Tziner and Birati (1996) which builds on the earlier Cascio model of separation costs, replacement costs and training costs. The authors demonstrate how their conceptual framework can be translated into a formula and applied in practice. The Tziner and Birati framework includes:

- direct costs incurred in the replacement process (recruiting, hiring, training and socialising new employees, including the extra effort by supervisors and co-workers to integrate them

- indirect costs and losses relating to interruptions in production, sales and the delivery of goods to customers
financial value of the estimated effect on performance as a result of the drop in morale of the remaining workforce following dysfunctional turnover.

While such approaches are arguably more accurate in that they cover all the costs associated with turnover, in practice these can prove too complex and time-consuming for many organisations. The UK Chartered Institute of Personnel and Development (CIPD) suggests that because of the difficulties involved in estimating and quantifying some of the indirect costs many organisations prefer to take a ‘not less than’ approach in attempting to cost turnover. According to the CIPD (2004), it is possible to compute a ‘not less than’ figure by working out what it costs on average to replace a leaver with a new starter in each major employment category. This figure can then be multiplied by the crude turnover rate for that employee group to calculate the total annual costs of turnover. The CIPD suggests that the major turnover costs are:

- administration of the resignation (including exit interviews)
- recruitment costs (including advertising)
- selection costs
- costs of cover (temporary employees or overtime) during the vacancy period
- administration of recruitment and selection process
- induction training for new employees.

**Recruitment practices** - In high turnover industries in particular, a great deal of employee turnover consists of people resigning or being dismissed in the first few months of employment (CIPD, 2004). The costs of recruitment and turnover per individual become much greater when new staff leave after only a short period of time. Where new employees leave after a short period in the job, poor recruitment and selection decisions both on the part of the employer and employee are usually the cause, along with poorly designed or non-existent induction programs (CIPD, 2004).
If expectations are raised too high during the recruitment process this can result in people accepting jobs for which they may be unsuited. Organisations often do this to ensure that they fill their vacancies with sufficient numbers of well-qualified people as quickly as possible. However, this can be counterproductive over the longer-term, as it can lead to costly avoidable turnover and to the development of a poor reputation in local labour markets. The CIPD (2004) suggests that employers give employees a realistic job preview at the recruitment stage and take care not to raise expectations. It may also be useful to invite applicants to work a shift before committing themselves.

3.7 RETENTION OF EMPLOYEES

Grover and Crooker, (1995) tested the impact of work and family benefits which comprise of flexible schedules, childcare assistance, parental leave, childcare information and parental leave on organization commitment. Research showed that there is greater organizational commitment if employees had access to work life policies and also these employees articulated considerably with lower intent to renounce their profession.

Hom et al., (1995), in their meta-analysis of evidence-based retention strategies, highlight the research support for the use of realistic job previews (RJPs) as a predictor of employee tenure. RJPs are based on evidence that a substantial amount of turnover-particularly that occurring during the first 6 – 12 months on a new job-is the result of unmet expectations. During the recruitment process, employers are eager to sell themselves to applicants; as with any other kind of courting, the strong temptation is to present oneself in the best possible light, to always be on your best behavior, and to do whatever you can to mask any shortcomings. Employers expect this of applicants, and probably to a somewhat lesser extent, applicants expect it of employers. The problem is that this arabesque of self-presentation often leaves both parties with entirely unrealistic representations of the other. Employers have developed a battery of assessment tools to cut through this façade and reveal more about the applicant’s true nature, but applicants have fewer tools at their disposal to
accomplish similar transparency about the prospective employer. Thus it should be no surprise that new hires often experience “reality shock” once they take a position; frequently employees overcome this by re-adjusting their expectations, but in other cases it results in costly turnover, often of the dysfunctional and avoidable type.

Griffeth and Hom (1995)’s meta-analysis was more circumspect, concluded there was “very little direct support” for the view that dissatisfaction with salary and pay strongly underlie turnover. Across seven studies and 3,700 employees, actual salary showed a correlation of only $r = -0.06$ with turnover; satisfaction with pay was an even lower $r = -0.04$ across 16 studies and over 4000 employees. Perceptions of the fairness of pay were only a slightly better predictor ($r = -0.07$). While these values are all statistically significant due to the relatively large combined samples, they raise questions about the utility of retention programs based primarily on compensation. However, given that compensation is qualitatively different for managers, we need to consider the research done on this group, with the caveat that such research is much rarer.

Krug and Hegarty (1997), in their study of Mergers and Acquisitions have found that many acquired businesses lose key employees soon after acquisition and this is a major contributing factor to the failure of acquisitions. Research evidence from US acquisitions indicates that the probability of the employees leaving increases significantly when their firm is acquired by foreign multinationals. When insufficient attention is paid to retaining employees and if staff cuts are expected, employees will leave- head hunters inevitably move in and the best will exit first since they have other choices. Retention of employees is particularly important for firms where the value of the deal lies in the acquisition of intangible assets- the knowledge and skills of the people- as with many such deals in the high technology sector where companies use acquisitions to plug holes in their R&D portfolio or to rapidly build up new capabilities.
Mehran and Yermack (1997) in their study found that equity compensation does reduce managerial turnover. This was especially true for voluntary turnover, as one would expect. Particularly encouraging was their discovery that the retention effect was more robust for executives who were strong performers—precisely the ones for whom retention is critical. Lower turnover occurred among managers who received stock rather than cash in their study of turnover following acquisitions.

Weinberg (1997) states that: “Most companies relied in the past on two traditional strategies for retaining their employees. First, they raised wages until the situation stabilized. If that didn’t work, they increased training budgets for new hires and first-level supervisors. These solutions don’t work anymore. Especially misleading is the myth that paying low-wage service workers and extra $.25 or $.50 per hour will dramatically reduce turnover rates. Even if higher pay rates were economically feasible-the extra few dollars has little influence on workers. Investments in training don’t always pay off either. Training course content tends to assume that today’s low-wage service workers live in stable homes, meet minimal educational standards, and share the employer’s behavioral expectations. This is often not the case”. Additionally, the assumption that today’s employees live in stable homes, have sufficient educational backgrounds, and share company behavioral standards falls short. Management is not trained to deal with the modern social patterns affecting the workplace. As noted by Weinberg, “…an employee survey covering topics such as compensation, benefits, safety, work rules, manager behavior, and teamwork” can have a dramatic affect in minimizing employee turnover. These types of surveys provide employees an outlet for concerns and serve as a means for employers to identify areas in need of change before they become a problem of greater proportions. He notes that exit interviews given to employees upon resignation can also give companies insight into the concerns of workers.

Gaertner and Nollen (1998), in their study, describe “jilted” employees as those who overall are reasonably satisfied and otherwise interested in staying in the current positions, but who feel that they have no choice but to quit because they don’t
feel they have a good chance of being promoted. In many cases, these present classic cases of dysfunctional turnover, since being passed over for promotion may have as much to do with the inevitable dwindling of opportunities as one moves up the organizational pyramid as it does with lack of competence. Gaertner and Nollen suggest one way to counter such turnover is to create a culture that places greater value on accumulated experience and knowledge, or in which lateral moves are seen as acceptable alternatives to upward mobility. A more controversial suggestion is to be wary in the hiring process about applicants who seem too driven by promotions; while such individuals are often valued for their ambition, a preoccupation with upward mobility may be driven more by their own needs than by those of the firm; moreover, it makes attrition inevitable among the senior managers competing for a limited number of promotions.

M. Boyle (1999), has found that retention rates among employees are related to retention rates among customers. Research has established a direct relationship between employee retention rates and sales growth and companies that are cited as one of the “100 best companies to work for” routinely outperform their competition on many other financial indicators of performance. The study reveals that sustained (10 yrs) competitive advantage in capital markets is directly attributable to successfully managing the workforce. Job satisfaction and retention are also related to organizational performance. Firms that fail to secure a loyal base of workers constantly place an inexperienced group of non-cohesive units on the front line of their organization, much to their own detriment. This is especially the case in IT-ITES Industry, where disgruntled workers often create chaos in the organization. Lack of experience and cohesiveness within work units destroy efficiency, and the costs associated with constantly replacing workers, erodes a firm’s competitive position.

Bennis et al., (2000) says that, recruitment of new employees is the foundation for retention; this is no less true for top managers. In fact, some leading thinkers believe that ineffective hiring is the primary reason for executive turnover. First, hiring managers with the competencies necessary to be successful is fundamental.
Executives who lack the skills to be successful will be dismissed, or “encouraged” to resign; managers without golden parachute packages may recognize the signs and depart of their own volition before this step is necessary. Second, and sometimes less obviously, not matching the right leader with the right setting may produce situations in which the leader is successful by the firm’s standards, but nonetheless quits because the job is not adequately satisfying. These departures can be particularly challenging because the leader’s decision may seem to come out of nowhere.

Klienman, (2000) in his study highlights that, the training and orientation process is a new hire’s first impression of the organizational environment, and therefore a critical period. In fact, “…a study at Corning Glass found new employees who went through a positive orientation were 69% more likely to be with the company three years later than those who did not. A similar study at Texas Instruments concluded that employees who were carefully oriented to the company, and their jobs, reached full productivity two months sooner than those who weren’t” The most successful orientation programs make new employees feel welcomed and a part of the team. They highlight the individual’s role in the employers’ mission. They assure new employees that adequate and patient training will be provided. Most importantly, successful orientation programs show the new employee what he or she stands to gain from employment with the company. Wal-Mart conducted research on new hire attitudes in 1999, aiming to reduce employee turnover by 50%. The critical link between orientation and employee turnover was highlighted in this research. According to the Wal-Mart VP of people services, “the question becomes how well are you inviting new people into your home, how welcome are you making them feel and how well are you preparing them for the things you are going to ask them to do?”

Clarke, (2001) states that even a simple acknowledgement of an employee’s good work can be quite a motivator. In a survey conducted by Office Team, 60% of executives polled believed that companies do a somewhat effective job of acknowledging top performers, while 33% believe that staff recognition efforts are inadequate Clarke highlights that “…a pat on the back or a word of praise after they
have worked hard to deliver for the company goes a long way toward building individual and group morale” Clarke agrees, stating that “…incentives provide the ‘golden handcuffs’ that keep employees from getting away”.

Barnet & Hall, (2001) says that, the major concern of the management in business is Workplace flexibility. The one thing becomes very clear that money alone is not enough; employees are willing to trade a certain amount of money for reduced work hours in their schedules. It is argued that reduced work hour options should have the potential of win-win situation for both individuals and organizations, there should be a fit between the schedule the person needs and the actual number of hours worked. Distress and fatigue from excessive time on job can lead to decline in performances of the employee and also it affects the safety level. A large amount of time at work is not a good predictor of productivity and it is observed that periods of time away from work can be extremely beneficial to the quality and productivity of a person’s work. The employee willingness to opt for reduced – hours schedules is not simply a matter of scheduling it involves redesigning work arrangements which leads to change in organization culture and careers, viable reduced-hours career options require simultaneous changes in the areas of compensation, assignments and promotions. So it is more cost-effective and productive for management to design the work arrangements to fit the human than it is force the human to fit the system.

Levin & Rosse, (2001) says that Employee retention efforts should manage employee mobility by targeting voluntary turnover that is dysfunctional and avoidable, as shown in Figure 1. Simultaneously, these programs should be designed so as not to inadvertently encourage retention of employees—including executives—who are not contributing positively to the organization. The goal should be a talent management program that simultaneously targets retention of high performing and hard to replace employees and either performance improvement or dismissal of poorly performing employees.
<table>
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<th>Types of Employee Turnover</th>
<th>Dysfunctional</th>
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<td>Voluntary</td>
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<td>- Avoidable</td>
<td>Primary target for retention efforts</td>
<td>Turnover should be encouraged</td>
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<td>- Uncontrollable</td>
<td>Potential target for retention efforts</td>
<td>Turnover should be encouraged</td>
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<tr>
<td>Involuntary</td>
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<td>Dismissals</td>
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Figure 3.7.1. Relationships between types of turnover and talent management / retention programs.

Retention of leaders may be essential when those individuals are the right person for that job and that organization, not only today but also for the near-term future. But it may be the wrong strategy when those criteria are not met, or when the costs of retaining the individual exceed the benefits.

Byrnes (2002) notes that there are five essential steps for a company to develop an effective retention strategy. First, a corporate values system must be defined based upon the organization’s values and vision. These values must guide the company and identify those employees desiring to move in the same direction. Next, trust must be established within all parts of the business. “Security comes from trust and trust comes from honesty and communication. The bottom line is that employees want to know their employer will be straightforward with them…Establish a process for sharing important information related to your business with your employees”. Third, assess employee priorities through surveying. The answers will allow an organization to structure effective reward programs, thus increasing employee satisfaction. Fourth, Byrnes recommends doing industry homework. Companies need to understand competitors” compensation and benefit programs. A clearer understanding of what is expected by employees within the industry provides the company the opportunity to increase satisfaction. Finally, the creation of a
compensation and benefit package, supportive of company values and employee needs, is essential.

Hasenhuttl and Harrison (2002) suggest that the rationale for using compensation as a retention strategy for executives is not as sound as some compensation consultants say. While high compensation serves as a signal to the executive about his or her status, it also sends the unintended message that he or she is highly marketable. Simultaneously, in many cases it sends the same kind of signal to other employers, potentially making the executive a target for competing offers. Ultimately, high salaries are not an easily sustainable competitive advantage, and are likely to result at best in “continuance commitment”, that is, commitment to an organization that is based not on common values or passion, but on an assessment that one can’t “afford” to quit. At least not until someone else makes a better offer. Thus, a serious concern with using compensation as a retention device is that it is likely to result in a mercenary rather than loyalty-based bond with the firm. Based on research with non-managerial samples, we could expect such an instrumental relationship to result in more self-serving behavior. Unfortunately, the researchers were not able to locate any research that directly tests this hypothesis among executives.

Allen, Shore & Griffeth, (2003) says that Career development is a system which is organized, formalized and it’s a planned effort of achieving a balance between the individual career needs and the organization’s workforce requirements. A company that wants to strengthen its bond with its employees must invest in the development of their employees. Growth opportunities which were offered by the employers are reduced due to turnover intentions of employees because the lack of training and promotional opportunities was the main cause for high-performers to leave the company.

Tyler (2004) highlighted that, “…most new employee turnover occurs within the first few weeks, and you can trace that back to the way they were-or were not-oriented”. One way to determine the effectiveness of an existing orientation program
is to implement a posttest. Questions missed indicate areas in need of revamping. In addition, surveys can be administered two to four weeks after the employee has started to determine whether or not the orientation and training process was sufficient in meeting employee needs. The timing of orientation is a subject not to be overlooked. Although waiting for a large group of new employees may seem a better use of training time, waiting this long makes these employees no longer new to the company. Southwest Airlines sets an example by holding orientation once a week.

The size of the orientation class is also important. Class size should be limited to twenty or less participants to ensure individual attention. “Personal attention during orientation is crucial”. Projects to complete as a team during orientation can break up the monotony of reading a manual and encourage new hire interaction. Tyler highlights that “…the end of the first day is just as important as the beginning. Make employees feel you want them to come back for a day two”. The warm reception should not end with the end of orientation. Experienced employees can be provided as mentors for new hires to turn to as a resource. The training team can also check in on a new employee periodically to address any concerns that may arise.

Reese (2005), in his study found that, on boarding programs also seek to increase retention by providing a buffer between the new hire and others in the organization. New employees hired from outside the organization may face opposition and resentment from internal candidates who feel they were passed over; yet not realize they are walking into a minefield until too late. On-boarding programs can provide mentoring for both the new executive and the “jilted” internal managers to reduce or prevent these conflicts.

Silbert, (2005) has identified that Reward system in organizations is one of the important factor to retain employees in the organization. The term ‘reward’ is discussed frequently in the literature as something that the organization gives to the employees in response of their contributions and performance and also something which is desired by the employees. A reward can be extrinsic or intrinsic it can be a cash reward such as bounces or it can be recognition such as naming a worker
employee of the month, and at other times a reward refers to a tangible incentive, reward is the thing that an organization gives to the employee in response of their contribution or performance so that the employees become motivated for future positive behavior. In a corporate environment rewards can take several forms. It includes, cash bonuses, recognition awards, free merchandise and free trips. It is very important that the rewards have a lasting impression on the employee and it will continue to substantiate the employee’s perception that they are valued.

Zeytinoglu & Denton, (2005) in their study, found that work environment is one of the factors that affect employee’s decision to stay with the organization It’s very important to recognize the emerging needs of individuals to keep them committed and provide the work environment as necessary. The study reported that people enjoy working, and strive to work in those organizations that provide positive work environment where they feel they are making difference and where most people in the organization are proficient and pulling together to move the organization forward. Workspace designs have a profound impact on workers and tend to live with job as long as satisfied. In order to retain old workers, the design of workplace should create environment that support workers of poor eyesight, provide tools which need less potency and apt position for aging body.

Lee and Maurer (2007) suggest that sabbatical leaves might be attractive to some managers; changes in assignments, or reassurance about promotion opportunities might be effective in other cases. Before automatically responding to an outside offer with a match in salary—or instituting a default policy of not responding to any outside offers—understanding the real reason an employee is thinking about quitting seems appropriate.

Bauer, Bodner, Erdogan, Truxillo & Tucker (2007) in their analysis, demonstrates that socialization programs increase retention, primarily by enhancing incumbents’ social acceptance and self-efficacy (i.e., beliefs that they are able to perform their new job). Support for the principles underlying on boarding can also be
inferred from research on leader-member exchange, which documents that the quality of relationship between an employee and his or her leader has a number of positive effects, including increased retention, and that this bond begins almost immediately after a new employee is hired.

Freyermuth, (2007) in his research work has found that, one of the most important factors that have impact on retention is the relationship between a worker and a supervisor. Supervisors are the “human face” of an organization. Supervisors interact as a link to practice applications among stated goals and expectations. By harmonizing the competing demands, they support in managing both inside and outside the work environment. If the relationship does not exceed then employee will seek to any other opportunity for new employment and vice versa. The supervisor support is so essential to retention that it can be said that employees leave bosses, not jobs. If the supervisor focuses towards the employee’s progress, other than the formal evaluation process; this improves the employee’s retention and commitment towards the organization.

Macey & Schneider (2008) in their study distinguished between “motivators,” intrinsic aspects of work (such as challenge and autonomy) that they suggested led to satisfaction and improved performance, and “hygienes,” extrinsic aspects of work (such as pay and benefits, working conditions, relationships with supervisors and coworkers) that he contended were the source of dissatisfaction as suggested by Herzberg’s theory of motivation. This framework led to extensive research on the characteristics of work that make it intrinsically satisfying, which in turn leads to higher quality work and increased retention. The practical upshot of this work was the “job enrichment” movement, in which work was redesigned in order to be more personally and socially meaningful and provide employees with a sense of responsibility. Research found that job enrichment programs to be the most valid of all programs they reviewed for reducing turnover, reducing attrition by an average of 17%. Conventional approaches to job enrichment consist of modifying jobs so that they provide five key characteristics. The first three of these affect the perceived
meaningfulness of work: skill variety (allowing the employees to develop and use a larger repertoire of skills); task identity (the extent to which employees see their work as part of a larger whole), and task significance (the extent to which the work affects others in meaningful ways). The fourth characteristic, autonomy, results in feelings of responsibility. The fifth characteristic is feedback about how one is doing at work. It is immediately apparent that most managerial positions should score high on each of these characteristics; indeed, the original intent of job enrichment was to redesign overly simplified jobs to make them more like managerial jobs, with the implicit assumption that doing so would make them more satisfying and lead to higher retention.

Passin & Smith, (2008) suggests that whether a retention program is needed depends in part on the nature of the change; for example, executives in spin-offs will probably find the increased autonomy sufficient reason to remain, whereas the uncertainty related to a sell-off divestiture makes a good case for a retention program designed to keep key executives through the sell-off period. For mergers and acquisitions, the importance of retention programs will hinge on the reasons for the acquisition (e.g., a retention program makes far more sense if the purpose was to acquire a talented management team than if it was to expand to a new market). They also recommend analyzing whether existing programs—such as incentive and severance packages—are sufficient to retain the key personnel; they also wisely suggest reviewing existing programs to determine if any might have the unintended effect of encouraging executives to leave (e.g., equity vesting programs that might be triggered by the transaction). The next, and critical, step is to identify which executives should be targeted by the retention program. Typically, this would be based on an analysis of each executive’s contribution to the organization, both overall and with particular reference to the transition. As described earlier, there is a good argument (but little data) to suggest that retention efforts should distinguish between short-term retention (during and perhaps a year or so following the merger/acquisition, or divestiture) and retention of leaders needed to drive the new
organization ahead for the longer haul. Other considerations include the difficulty of replacing the executive and perhaps the judged likelihood that the person will actually leave (although organizational justice theory suggests that treating executives differently on the basis of their perceived likelihood of quitting is an invitation to feelings of inequity, which in turn may lead to turnover among those not favoured).

Schiemann, (2009) in his report concluded that senior management was mostly concerned about turnover among rank and file workers, with some concern about retention of middle managers, but nearly no concern about retention of senior executives. Yet a survey of senior HR executives at about the same time found that 79% reported their firms were greatly concerned about retention of all their employees, a conclusion also reached in recent interviews with senior management.