



**St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF GENERAL MBA**

**THE EFFECT OF EMPLOYEES' TURNOVER ON THE ORGANIZATION
PERFORMANCE: THE CASE OF SAVE THE CHILDREN INTERNATIONAL
ORGANIZATION**

**BY
YOSEF HABTE**

JUNE 2020

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SMU

ADDIS ABABA, ETHIOPIA

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DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Dr. Berhanu Endeshaw. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature & Date

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

St. Mary's University, Addis Ababa

Signature

June,2020



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ABSTRACT

This study aimed to assess the effect of employee turnover on the performance of Save the children International, Addis Ababa country office. The study was followed quantitative approach. Data was collected both from primary and secondary sources. Primary data was collected using a questionnaire prepared in Google form based on the objective of the study and sent to respondents electronically. From the total population of 370 employees in the country office, 79 sample respondents were selected systematically. The collected data were analyzed using Statistical Package for Social Scientists (SPSS) to describe the study variables, various descriptive statistics including frequencies, percentages, mean and standard deviation and the results and findings are tabulated. The study concluded that, economic factor such as benefit package and reward system of the organization leads to think of leaving the organization and hence adequate attention should be given

Key words: Effect of employee turnover on the performance of the organization.

CHAPTER ONE

INTRODUCTION

The introduction part presents, background of the study, problem statement, research questions, objective of the study, significance and scope of the study as well as the dissertation layout.

1.1 Background of the Study

Human capital, is one of the most useful resources that an organization should manage efficiently and effectively in order to gain a competitive advantage over its competitors. Therefore, an organization should think of developing and retaining its employees for sustained achievement because failing to do so will result in a turnover and which have an adverse effect on the performance of the organization (source).

According to Grobler et al. (2006) a certain amount of turnover is expected unavoidable and considered beneficial to the organization.

Employee turnover can be referred to as the rate at which an organization gains and losses its employee, how long the staff tend to leave and join the organization (Armstrong, 2006). The human resource of every organization is essential and a key to a successful operation. (Long, Thean LY, Ismail & Jusoh 2012), every organization regardless of its location, size or nature of business has always given a key concern about Employees' turnover intention.

Employee turnover will cause both monetary and non-monetary costs for organizations. Monetary costs are incurred through the hiring process of new employees such as advertising expenses (Haider et al.,2015), while non-monetary costs include loss of knowledge and skills that are associated with employee training and development expenses for newcomers to the organization. (Jha, 2009) identified that turnover force the organization to incur huge costs relating to recruitment and selection, personnel process and induction, training of new personnel and above all, loss of knowledge gained by the employee while on the job. The other scholars, (Shamsuzzoha, & Shumon, 2013), stated that turnover has proven to be one of the most costly and seemingly intractable human resources challenges confronting by several organizations globally. Besides, the high rate of employee turnover in an organization might affect the motivation of existing personnel and increase the workload.

Many factors can contribute to the employees' turnover depending on the organization and the employees themselves. (Armstrong, 2011) argues that the prospect of getting higher pay elsewhere is one of the most obvious contributions to turnover. (Yin and Yang, 2002) identified factors such as stress, staff shortages, leadership style and relations, opportunities for advancement, and rigidity of administration as having significant correlations with turnover among staff.

Furthermore, (Nugent, 2009) stated that employee turnover can be defined as a percentage figure that shows the rate at which employees move in and out of the organization. However, this figure most likely represents both controllable turnover (controllable by the organization) and uncontrollable turnover (Lovelesh Joshi, Dr. Deepak Dhariyal, 2019). Controllable turnover is "voluntary" by the employee, while uncontrollable turnover is "involuntary" (For example, retirement, death, or spouse transfer).

Voluntary Turnover is when workers leave a firm at their own will, intentional turnover (Noe, R.A et al. 2006). On the other hand, Involuntary Turnover as per (Jackson, and Mathis, 2004) is characterized by automatic turnover, "a case of instinctive turnover, or a release" that "reflect a company choice to end the service relationship".

The most dominant perspective on the employee turnover versus organizational performance relationship emphasizes the dysfunctional effects of employee turnover that will have a direct relationship between employee turnover and organizational performance. (Park & Shaw, 2013, p. 269) "Turnover rates at any levels hurt organizational performance"

The company may quarterly calculate employee turnover rates to meliorate the factors causing the turnover (Miller, 2006). If the company determines the most common effect of employee turnover, it would certainly be able to take the necessary steps for recruiting and retaining well-qualified personnel (Armstrong, 2006).

In Save the children International organization country office, currently there is an observable significant employee turnover that may affect the performance of the organization. It also affects the existing employee by exposing for workload, work-life unbalance and hurts morale. Therefore, this research identified the main reasons of employee turnover from personal factor, organization and work factor & its effect on the performance of SCI.

1.2. Problem Statement

According to (Grobler et al., 2006) a certain amount of turnover is expected unavoidable and considered beneficial to the organization. However, employee turnover has always been a matter of concern for organizations. A high rate of employee turnover may be detrimental to both the save the children international organization as well as the employees. As per Human capital theory, more experienced employees perform better because they accumulate the knowledge and skills (i.e., human capital) necessary to perform the job (Strober, 1990). The human capital theory can also be a theoretical foundation for a traditional assumption about turnover effects, and examining the relationship between turnover and organizational performance (J. Shaw, et al., 2005). Therefore, when experienced employees leave, an organization suffers because it loses accumulated human capital (Osterman, 1987; Strober, 1990). Organizations may replace employees who leave, but time must pass before replacements accumulate similar levels of human capital. Moreover, turnover generates additional human resource management costs such as recruitment, selection, and training expenses. In addition to these, it also results in understaffing which in turn leads to workload and unbalance between work and personal life of the remaining staff.

Save the Children International organization is facing a considerable amount of employee turnover since the past few years. It is with this sought that this research is conducted to identify the effect on the performance of Save the Children International organization.

Meyer (2001) said that employee's turnover may be due to a particular cause but it can also be an indication of more fundamental organizational problems. Knowing the effect and working out for a solution may need for reviewing of the organization policies and procedures. It may be difficult for those within the organizations to conduct this with the degree of rigor and objectives required, and therefore it is advisable to involve someone or a group of people outside the organizations to undertake this task.

To the best of the researcher knowledge, could not found a paper that shows the effect of employee turnover on organizational performance of Save the children International.

Therefore, this study will fill the gap by analyzing the effect of employee turnover on the performance of save the children International organization.

1.3. Basic Research Questions

1. What is the effect of employees' turnover with psychological factor on the organizational performance at save the children international?
2. What is the effect of employees' turnover with economical factor on the organizational performance at save the children international?
3. What is the effect of employees' turnover with employees-managers relationship factor on the organizational performance at save the children international?
4. Which of employees' turnover factor does more impact on organizational performance at save the children international?

1.4. Objectives of the study

1.4.1. General Objective

The general objective of this research is to determine the effect of employees' turnover on the organizational performance in the case of Save the Children International, Ethiopia country office.

1.4.2. Specific Objective

In addressing its major objectives, the specific objectives will be to:

- Determine the effect of employees' turnover with psychological factor on the organizational performance at save the children international.
- Evaluate the effect of employees' turnover with economical factor on the organizational performance at save the children international.
- Examine the effect of employees' turnover with employees-managers relationship factor on the organizational performance at save the children international.
- Identify which employees' turnover factor does more impact on organizational performance at save the children international.

1.5. Significance of the Study

Primarily, the importance of this research is to indicate the management of Save the children International organization, Ethiopia country office, retaining value-adding employees by

recognizing factors which have an effect on employee turnover and consequently on the performance of the organization and thereby to recommend proper means of addressing them. Besides, it can also contribute to the existing knowledge and practice of retaining employees and it could also use as a reference for another researcher on the related topics as well.

1.6. Delimitation/Scope of the Study

The scope of this study is limited to find out the effect of employee turnover on the performance of Save the children international organization. In addition, the scope of the project will be limited to employees of the Save the children International, Ethiopia- Addis Ababa office.

1.7. Organization of the paper

The paper is organized into five chapters. Chapter one Introduction, background of the study, problem statement, research questions and objectives of the study. It also included significance of the study, research design and method as well as. Moreover, chapter one also outlined delimitations of the study and chapter division.

Chapter two highlighted review of related literatures, concepts and theories related to the area of the study, chapter three captured research methodology and design, chapter four to focused on data analysis, presentation, interpretation and discussions, and finally chapter five featuring summary of findings, conclusions and recommendations.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction

Turnover is voluntarily or involuntarily incoming and outgoing of employees. Involuntary employee turnover occurs through the process of termination initiated by the organization, while voluntary turnover occurs when the process of termination is initiated by the employee (Greyling & Stanz, 2010).

This chapter presents a review of available literature in the area of the study. The first part of the chapter begins with a review of literature on concepts and theoretical framework, defining turnover and its effect. This is followed by the discussion on factors affecting employee turnover, its effect on the performance of the organization and factors affecting employee retention.

2.2 Employee Turnover: Theoretical Perspectives

Theoretical perspectives on the relationship between employee turnover and organizational performance are rooted in multiple disciplines, including psychology, sociology, economics, and generic management (Hancock et al., 2013; Park & Shaw, 2013). The most dominant perspective on the employee turnover–organizational performance relationship emphasizes the dysfunctional effects of employee turnover and predicts a linear negative relationship between employee turnover and organizational performance. That is, “turnover rates at any levels hurt organizational performance” (Park & Shaw, 2013, p. 269). With a recognition that modern organizations need to survive in a knowledge-based economy, scholars predict the potential negative consequences of employee turnover in organizational performance with three different orientations (Hancock et al., 2013). First, employee turnover incurs monetary costs to organizations: Organizations need to spend additional expenditures to hire and train new employees to replace former employees (Allen, Bryant, & Verdaman, 2010; Dalton & Todor, 1979; Staw, 1980). Second, human capital theory suggests that employees’ accumulated knowledge and skills are of great significance in maintaining organizational performance (Becker, 1993; Strober, 1990). For this reason, losing employees who have more experience in their job will lead to a negative outcome in organizational performance. Third, as social capital theory suggests, employee turnover may disrupt the social relations that employees typically use in sharing knowledge and information and these relations

are essential in pursuing organizational goals more effectively (Szreter, 2000). Organizations that experience the loss of employees are thus thought to suffer a decreasing performance. In addition, turnover decisions may involve additional socialization costs for newly hired employees to obtain the equivalent level of social relations which existing employees have (Park & Shaw, 2013). Social capital often acts as a club good by excluding new members in existing social relationships in organizations (Aldridge, Halpern, & Fitzpatrick, 2002; Szreter, 2000).

Variables of Turnover

Psychological Factors

These include factors like:

Job satisfaction

When employees feel they have job stability, career growth and a comfortable work life balance, it can be said that the employees are satisfied with their job. Then, there will be no need for them to leave the organization

Job insecurity

Employees would like to have continued existence of the job in the future that make them feel as a sense of security at their work place. They all like to feel certain that the employment that they have will last long that ensures a stable income. If one is assured of stable income every month then the rate of turnover is reduced and organization performance improved because s/he will focus on their career.

Training and Development

Employees would like to have (continued existence of the job in the future.)a sense of security at their work place. They all like to feel certain that the employment that they have will last long that

Demographic Factors

Age

Age matters a lot to most of the organizations. There are specified ages for some of the roles. For instance, roles performed by young employees are different from the roles performed by aged employees. There is also a certain age when an employee reaches, then he is forced to retire.

Economic Factors

Salary

Employees are highly concerned on the amount of salary they get to stay or leave their work place. If employees are satisfied with their salary and benefit package as well as the reward system is predictable based on performance, it is unlikely that they will leave their work place within a short period of time after their employment.

External opportunities

Employees will be forced to move to other companies in search for better opportunities in terms of wages, better working environment and benefits

A conceptual framework refers to when a researcher conceptualizes the relationship between variables in the study and shows the relationship graphically or diagrammatically, (Mugenda and Mugenda, 2003). The conceptual framework is found significant for it assists the researcher to quickly perceive the relationship established

Many researchers and authors defined turnover in different terms and a number of terms have been used for employee turnover, such as quits, attrition, exits, mobility, migration or succession (Morrell et. al, 2004). To mention some of them; Employee turnover, as defined by (Hom and Griffeth, 1994), is ‘voluntary terminations of members from organizations’. (Loquercio et al. 2006) observed that staff turnover is the proportion of staff leaving in a given time period but prior to the anticipated end of their contract. According to (Singh et al. 1994), staff turnover is the rate of change in the working staffs of a concern during a defined period. (Ivancevich and Glueck 1989) opine that staff turnover is the net result of the exit of some employees and entrance of others to the organization. (Kossen, 1991) defined turnover as the amount of movement in and out (of employees) in an organization. Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment and unemployment (Abassi & Hollman, 2000). Staff turnover that can occur in any organization might

be either voluntary or involuntary. Voluntary turnover refers to termination initiated by employees while involuntary turnover is the one in which employee has no choice in the termination as it might be due to long term sickness, death, moving overseas, or employer-initiated termination. (Heneman, 1998).

Though there are many causes for staff turnover in an organization, all of those do not have negative impact on wellbeing of an organization. Organizations should differentiate between voluntary and involuntary turnover and take actions on the one under their control. Voluntary turnovers are those caused by the employee out of his/ her own choice (e.g. to take job in other organization for better salary) while involuntary turnovers are because of the decision of management (e.g. dismissal for gross misconduct). In general, all resignations not formally initiated by employers are voluntary resignations (Loquercio et al., 2006).

Voluntary turnovers are further distinguished into functional and dysfunctional turnovers. Functional turnovers are the resignation of substandard performers and dysfunctional turnovers refer to the exit of effective performers. Dysfunctional turnover is of greatest concern to the management due to its negative impact on the organization's general performance. Dysfunctional turnover could be further classified into avoidable turnover (caused by lower compensation, poor working condition, etc.) and unavoidable turnovers (like family moves, serious illness, death, etc.) over which the organization has little or no influence (Taylor, 1998). A low level of employee turnover is acceptable in any occupation, in that it offsets potential stagnancy, eliminates low performers, and encourages innovation with the entry of new blood. However, high levels of employee turnover lead to low performance and ineffectiveness in organizations, and result in a huge number of costs and negative outcomes (Ingersoll & Smith, 2003). Several researchers have found that high turnover rates might have negative effects on the profitability of organizations (Aksu, 2004; Hinkin & Tracey, 2000 among others). (Johnson, 1981) viewed turnover as a serious problem having a strong bearing on the quality of products and services and incurring considerable replacement and recruitment costs. (Curtis and Wright, 2001) opined that high turnover can damage quality and customer service which provide the basis for competitive advantage, thereby inhibiting business growth. It has been also observed that people who leave are those who are most talented as they are the ones likely to get an opportunity elsewhere (Hinkin & Tracey, 2000). Turnover often ends up in valuable talent moving to competing entities (Stovel & Bontis, 2002).

Therefore, it is only desirable that management should accord special attention to prevent turnover and puts in place a sound strategy for improving staff retention. For most part, voluntary turnover is treated as a managerial problem that requires attention, thus its theory has the premise that people leave if they are unhappy with their jobs and job alternatives are available (Hom & Kinicki, 2001). Therefore, most studies have focused on voluntary rather than involuntary turnover (Wright, 1993). (Griffith, et al. 2000) conducted a review research on employee turnover and described the most-cited variables that affect turnover. The model developed by them incorporates the factors that explain the turnover process. It includes variables related to both job content and external environment factors that explain turnover. It is generally believed that the process of employees' turnover is the reversed transformation process of employees' retention psychology and behaviors.

Employee retention is recognized as an important subject of inquiry by researchers. The Harvard Business Essentials (2002) defined retention as the converse of turnover being voluntary and involuntary. Retention activities may be defined as a sum of all those activities aimed at increasing organizational commitment of employees, giving them an overall ambitious and myriad of opportunities where they can grow by outperforming others (Bogdanowicz & Bailey, 2002). It is a voluntary move by an organization to create an environment, which engages employees for a long term (Chaminade, 2007). Literature has overwhelmingly proved the importance of retaining valuable workforce or functional workforce for the survival of an organization (Bogdanowicz & Bailey, 2002). (Mak and Sockel, 2001) noted that retaining a healthy team of committed and productive employees is necessary to maintain corporate strategic advantage. Hence, organizations must design appropriate strategies to retain their quality employees. Empirical studies (e.g. Harris, 2000; Kinnear & Sutherland, 2000; Maertz & Griffeth, 2004; Meudell & Rodham, 1998) have explained that key motivational variables that influenced their retention in the organizations frequently cited factors such as competitive salary, friendly working environment, healthy interpersonal relationships and job security.

Herzberg's Satisfaction- Dissatisfaction Continuum

(Herzberg, et al. 1959) classified these job factors into two categories: Hygiene Factors Hygiene factors are those job factors that are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. However, if these factors are absent or if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene

factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. These factors describe the job environment scenario. The hygiene factors symbolize the physiological needs that the individuals want and expect to be fulfilled. Pay or salary is the first and foremost hygiene factor. Pay structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain. The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc. The employees should be offered health care plans, benefits for the family members, employee help programs, etc. The physical working conditions should be safe, clean and hygienic. The work equipment should be updated and well-maintained. The employees' status within the organization should be familiar and retained. The relationship of the employee with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present. The organization must provide job security to the employees. Motivator Factors According to (Herzberg, et al. 1959), the hygiene factors cannot be regarded as motivators.

The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolize the psychological needs that are perceived as an additional benefit. Motivational factors include recognition, i.e., the employees should be praised and recognized for their accomplishments by the managers. In addition, the employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job. There must be growth and advancement opportunities in the organization to motivate the employees to perform well. The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability. The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated. Understanding the different dimensions of a job that may increase satisfaction or, at least, reduce dissatisfaction would be the very first step towards designing a strategy for retention of quality staff (Raju, 2004). (Ewen, et al. 1966) used Herzberg's theory for testing job satisfaction. (Maidani, 1991) used the two factor theory for comparing the job satisfaction amongst

employees of public and private sectors. In another study, Herzberg's theory was used for studying business student satisfaction (Oscar et al., 2005). (Maddox, 1981) used Herzberg's theory to study consumer satisfaction. In the context of employee turnover and retention, the framework of Job Context and Job Content has been used by researchers for studying the reasons why an employee leaves the organization he/she is working for. (Randall et al., 1983) Job-Content factors are those factors for which the individual is responsible. In other words, those factors that are internally controlled such as achievement, responsibility and the quality of work itself are termed job-content factors. Job-Context factors are those factors, which are externally controlled – that is the organization is responsible for controlling those factors. Such factors include job security, salary, benefits, promotions etc. This framework has been used by many researchers in studies conducted earlier, such as for studying the quality of work life of Canadian nurses (Baba and Jamal, 1991) as well as for studying the job satisfaction amongst engineers and assemblers (Armstrong, 1971). Interactive effect of job content and context on the reactions of layoff survivors has been explored by (Brockner et al., 1993).

2.3 Factors Affecting Employee Turnover

Globally, there are two major reasons why turnover is a central issue in the field of HRM. First, turnover is related to low organizational knowledge, low employee morale, low customer satisfaction, high selection costs, and high training costs (Staw, 1980; Talent Keepers, 2004). Research has also shown that high employee turnover is related to lower organization performance (Glebbeck & Bax, 2004; Huselid, 1995; Phillips, 1996). Second, the decision to turnover is often the final outcome of an individual's experiences in an organization (Hom & Griffeth, 1995). Accordingly, many studies have used turnover as a criterion to evaluate the effectiveness of various organizational processes, such as selection (Barrick & Zimmerman, 2005; Meglino et al., 2000), training (Glance et al., 1993) and coaching/ mentoring (Lankau & Scandura, 2002; Luthans & Peterson, 2003; Payne & Huffman, 2005). Thus, understanding the factors that influence turnover gives organizations the opportunity to reduce selection and training costs, increase employee morale and customer satisfaction, and enhance organizational productivity. The study of turnover has a rich theoretical history in which multiple models have been advanced to understand this complex decision (Hom & Griffeth, 1995). Most of these models are based on the premise that if an individual is unhappy with a job and finds another job, s/he is likely to leave the current job

(Lee, et al., 2004). Thus, the focus of most turnover models is on job attitudes (job satisfaction or job commitment) as the primary drivers of turnover (e.g. March & Simon, 1958). The other reason is that human resources are the backbone of an organization (Gerhart & Milkovich 1990, Pfeffer 1998). Moreover, the continuing prosperity of a firm is likely to be enhanced by employees who hold attitudes, value and expectations that are closely aligned with the corporate vision (Borman & Motwidlo, 1993; Cable & Parsons, 2001; Feldman, 2003; Spector, 1997). It implies that hiring capable people is an attractive point of departure in the process, but building and sustaining a committed workforce is more likely to be facilitated by the employment of sophisticated HRM infrastructure (Schuler & Jackson 1987, Beechler et al., 1993). Arguably, HRM policies and practices can be strategically designed and installed to promote desirable employee outcomes that includes the enhancement of the in-role and extra-role behaviors of employees. Yet, companies are continually searching for techniques to improve the linkage between employees and their organizations despite its costly investments and proper implementation of these techniques often facilitate a more committed workforce. Since turnover warrants heavy replacements and training expenses, organizations are now recognizing employee retention as an important issue that merits strategic attention (Glen, 2006). Several studies based on western research (e.g. Boxall et al., 2003; Iverson & Buttigieg, 1999; Malhotra et al., 2007; Meyer & Allen, 1991; Meyer & Smith, 2000; Mowday et al., 1982; Mueller & Price, 1990), have shown that work-related factors are major determinants of job satisfaction, organizational commitment and turnover intentions among employees. (Griffith et al., 2000) have concluded from their studies that when high performers receive inadequate remuneration/rewards, they look out for alternative employment. (Mobley et al., 1979) noted that age, tenure, overall satisfaction, job content, intentions to remain on the job and commitment were all negatively related to turnover.

It is quite evident from the review of past researches that intention to stay/quit, job satisfaction and organizational commitment were among the most consistent, close and commonly researched determinants of employee turnover (Amah, 2009; Mosadeghrad et al, 2008; Ramachandran et al., 2011 among others). Job satisfaction has been acknowledged as the most common antecedent of employee turnover (Griffith et al. 2000; Lum et al., 1998; Murray & Smith, 1988). Job satisfaction is defined as how people feel about their jobs and different aspects of their jobs (Spector, 1997). (Price and Mueller, 1986) analyzed the determinants of turnover and identified job satisfaction as

the most important factor. Meta-analytic research by (Hom and Griffeth, 1995) showed that job satisfaction is a significant predictor of turnover, with overall job satisfaction explaining more variance than the sub-dimensions of job satisfaction itself like satisfaction with the work itself, satisfaction with coworkers and, satisfaction with the supervision etc. considered individually. Later, (Griffith et al., 2000) reaffirmed that the turnover process is indeed caused by job dissatisfaction. Job satisfaction and attrition are strongly linked (Billingsley & Cross, 1992; Gersten et al., 2001; Whitaker, 2000). An employee who is satisfied with his job would perform his duties well and be committed to his job, as well as the organization (Awang & Ahmad, 2010). On the other hand, researchers like (Ahuja et al., 2001) have opined that if employee does not feel satisfied with the job, he will blame the organization and thus possess a lower commitment to the job and is therefore, likely to leave sooner or later. This view finds ample support in the literature.

Several recent researchers (e.g. Falkenburg & Scyns, 2007; Summer & Niederman 2004; Rajendran & Chandramohan, 2010) have upheld the traditional hypotheses that job satisfaction has a significant negative impact on employee turnover. Job satisfaction plays an important role in determining turnover of employees (Mudor & Tooksoon, 2011). High job satisfaction leads to low turnover. In general, dissatisfied workers are more likely to quit than those who are satisfied. (Delfgaauw, 2007) suggested that self-reported level of job satisfaction is a good predictor for job mobility and employee attrition. Thus, frequent satisfaction surveys act as smoke detectors and help in uncovering potential turnover intentions.

Turnover versus organizational commitment

Apart from job satisfaction, organizational commitment is also frequently related to turnover (Bluedorn, 1982; Mobley 1977; Price, 1977). (Griffith et al., 2000) identified lack of commitment as an important precursor to employee-quit process. Previous research supports the idea that attitudes related to organizational commitment are strongly associated with turnover (Dunham et al., 1994; Newton, et al., 2004; Somers, 1995). Organizational commitment is found to be strongly negatively related to both turnover intention as well as actual turnover (Addae et al., 2006; Addae & Parboteeah, 2006; Goldman et al., 2008; Wright & Bonnet, 1997; Zhao et al., 2007). (Lacity, 2008) and (Tang et al., 2004) concluded that organization commitment is one of the significant factors that affect turnover intention. (Griffeth et al., 2000) who identified job satisfaction as a possible antecedent of turnover noted that organizational commitment was a better predictor of

turnover than even job satisfaction. He opined that commitment had a very strong negative effect on turnover. Committed employees have been found to be less likely to leave an organization than those who are uncommitted (Angle & Perry, 1981). (Samad, 2006) also found organizational commitment to be negatively correlated with turnover intentions.

Other important causes of turnover include limited career and financial advancement, organizational climate, and work–family conflict (O’Leary & Deegan, 2005; Stalcup & Pearson, 2001). (Aggarwal and Bhargava, 2009) have investigated how aspects of compensation strategies are related to various key organizational variables such as psychological contract, affective organizational commitment, and turnover intention. Many of the respondents of the study conducted by (O’Leary and Deegan, 2005) reported that they left the industry because of the incompatibility of work and family life and that the incompatibility hampered their advancement in the industry. (Stalcup and Pearson, 2001) reported that long working hours and regular relocation are additional reasons for hotel management turnover, but participants in their study emphasized that the primary concern regarding work time was not having to spend too much time on work, but not having enough time to spend with family. Other variables that cause employee turnover include heavy workloads and work stress (Ramrup & Pacis, 2008).

Other Factors of turn-over

Many other factors such as insufficient pay, fringe benefits, job dissatisfaction, poor quality of supervision, availability of better opportunities and possibility of a better offer, personal adjustment to work situation (grievances), sexual harassment, inadequate orientation, lack of training, dead end (no chance for promotion), job insecurity, relocation from area, health problems and home responsibility were also identified by researchers as primary causes of turnover. Employee perceptions regarding the family supportiveness of their organization also become reasons to leave the organization (Allen, 2001; Anderson et al., 2002; Thompson et al., 1999). (Glance et al., 1997) studied the relationship between turnover and productivity and reported that lower turnover rate is definitely correlated with productivity. (Altarawmneh and Al-Kilani, 2010) examined the impact of human resource management practices on employees’ turnover intentions. The employees have tendency to change their job when they have poor supervision (Keashly & Jagatic, 2000), do not receive adequate or relevant training (Poulston, 2008) and most important of all, low wage (Martins, 2003). (Abdul Rahman et al., 2008) reported that availability of

alternative job opportunities had significant positive impact on turnover intentions. A study of turnover by (Boxall et al., 2003) in New Zealand confirmed the view that motivation for job change is multidimensional and that no single factor can explain it. (Khatri et al., 2001) in a study on employee turnover used three groups of factors influencing employee turnover, viz., demographic, uncontrollable and controllable factors. Demographic factors include age, gender, education, tenure, income-level, managerial and non-managerial positions. Uncontrollable factors are the perceived alternative employment opportunity and job-hopping. Controllable factors include pay, nature of work, supervision, organizational commitment, distributive justice and procedural justice. (Arthur, 2001) also gives a list of reasons behind voluntary resignation such as; incompatibility with corporate values, feelings of not being appreciated or valued, not feeling as part of the company, lack of feedback, inadequate supervision, lack of opportunity for growth, lack of training, unequal salaries and benefits, lack of flexible work schedules, unsatisfactory relationships at work, too much work and not enough staff, inadequate or substandard equipment, tools, or facilities. etc..

Researchers have opined that there are compelling reasons why a certain level of staff turnover should be encouraged. When turnover is too low, fresh blood and new ideas are lacking and an organization can quickly find itself turning into an ageing machine, unable to cope with change. Some staff turnover has benefits, and can help increase productivity by ensuring better matches between jobs and workers, as well as offering more flexibility to promote and develop valued staff (Loquercio et al., 2006). It can also allow an organization to adapt to market changes without going through costly layoffs. Certain organizations accept a relatively moderate level of staff turnover because it keeps the organization dynamic (EPN, 2003).

2.4 Factors affecting Employee Retention

Unnecessary employee turnover costs an organization needless expense (Buck & Watson, 2002). Replacements and training expenses have a direct impact on organizational costs, productivity and performance, and as such, an increasing number of organizations are now recognizing employee retention as a key strategic issue (Glen, 2006). The main purpose of retention is to prevent the loss of competent employees from the organization as this could have adverse effect on productivity and service delivery (Samuel & Chipunza, 2009). Retention activities may be defined as a sum of all those activities aimed at increasing organizational commitment of employees, giving them an

overall ambitious and myriad of opportunities where they can grow by outperforming others (Bogdanowicz & Bailey, 2002). From a managerial perspective, the attraction and retention of high-quality employees is more important today than ever before. A number of trends (e.g., globalization, increase in knowledge work, accelerating rate of technological advancement) make it vital that firms acquire and retain human capital. While there are important differences across countries, analysis of the costs of turnover as well as labor shortages in critical industries across the globe have emphasized the importance of retaining key employees for organizational success (Hinkin & Tracey, 2000). (Hinkin & Tracey, 2000) noted that even for jobs that do not require high level of skills, a retention strategy can positively affect the engagement, turnover and ultimately financial performance, especially, for positions that involve interaction with customers. When a significant share of employees only stays for a limited time with a company that is a pointer towards underlying problems that need to be explored and addressed by determining the most adequate measures. In response, managers have implemented HR policies and practices to actively reduce avoidable and undesirable turnover (Fulmer et al., 2003; Hom et al., 2008; Kacmar et al., 2006; Michaels et al., 2001). While strategic human resource researchers are still investigating the causal mechanisms between HR practices and organizational performance (Collins & Clark, 2003; Hatch & Dyer, 2004), most include voluntary turnover as a critical component of the equation (Shaw et al., 2005; Ulrich & Smallwood, 2005). To put it differently, the topic of voluntary turnover is a vital bridge between macro strategies and micro behavior in organizations. It is one variable that conceptually connects the experiences of individuals in organizations to critical measures of success for those organizations. Extant literature has so far overwhelmingly proved the importance of valuable workforce or functional workforce for the survival of an organization (Bogdanowicz & Bailey, 2002). (Mercer, 2004) advised that turnover costs ranging anywhere from 50 to 150 percent of annual salary, compounded by the skills shortage and the ageing workforce.

It has been seen that turnover is accompanied by heavy replacement and training expenses and therefore, organizations need to take a serious relook at the turnover rates and put a replacement strategy in place (Glen, 2006). (Mak and Sockel, 2001) noted that retaining a healthy team of committed and productive employees is necessary to maintain corporate strategic advantage. Hence, organizations must design appropriate strategies to retain their quality employees. These

strategies may range from lucrative compensation packages to involving employees in every sphere of the functioning of the organization (Mak & Sockel, 2001).

Empirical studies (Kinnear & Sutherland, 2001; Maertz & Griffeth, 2004; Meudell & Rodham, 1998) have revealed that factors such as competitive salary, good interpersonal relationships, friendly working environment, and job security were reported by employees as key motivational variables that influenced their retention in the organizations.

It is important to recognize the commitment of individuals to an organization, as well as the organization's need to create an environment in which one would be willing to stay (Harris, 2000). It is often believed that an organization is only as good as its people (Templer & Cawsey, 1999). Organizations failing to retain high performers will be left with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rappaport et al., 2003). Therefore, worldwide, retention of skilled employees has been of serious concern for organizations in the face of ever increasing high rate of employee turnover (Samuel & Chipunza, 2009). Globally, managers admit that one of the most difficult aspects of their jobs is the retention of key employees in their organizations (Litheko, 2008). Retention is a critical element of an organization's approach to talent management (Lockwood, 2006). Other empirical studies such as (Stovel and Bontis, 2002) have shown that employees, on an average switch employers every six years. Replacing existing employees is detrimental to organizations and may have adverse effects on service delivery. It is therefore imperative for management to reduce, to the minimum, the frequency at which employees, particularly those that are crucial to its operations quit (Samuel & Chipunza, 2009). (Branch, 1998) contends that the objective of retention policies should be to identify and retain committed employees for as long as is profitable to both the organization and the employee. It can be further categorized as functional or dysfunctional. When non-performers leave and performers stay, it is identified as functional, and can in fact assist organizations to increase optimal performance. On the contrary, when non-performers stay and performers leave, retention is 30 highly dysfunctional, and damages organizational innovation and performance (Abbasi & Hollman, 2000). (Samuel and Chipunza, 2009) noted that the main purpose of retention is to prevent the loss of competent employees from leaving the organization as this could have adverse effect on productivity and profitability. Similarly, (Guarino et al., 2006) maintained that studies focusing on retention might identify factors that relate to teacher attrition. Similarly,

(Bogdanowicz and Bailey, 2002) noted that organizations try to provide their workforce benefits and a holistic motive to stick to the current organization and making the decision to leave the organization difficult and pointless. (Certo and Fox, 2002) found that “reasons for leaving and reasons for staying often acted as inverse variables (for example, a teacher may leave because of poor administration or stay because of quality administration)”. Extant literature reveals that there is a multiplicity of suggested methods for retaining talent, approaching retention on many different levels, and in many different ways; as (Ettore, 1997), notes that ‘at its most effective, corporate retention is a sophisticated juggling act’. Provided this, it can be assumed that employee retention and employee turnover are two faces of the same coin. Both the concepts are inseparable and each from the point of view of research is impractical to study in isolation or independently. (Hom and Griffeth, 1995), as cited by (Taylor, 1998), in their comprehensive review of US research into the management of turnover, describe nine areas for employers to consider. The first six are described as ‘robust’ methods of controlling turnover and include realistic job previews, job enrichment, workspace characteristics, induction practices & leader-member exchange. According to (Taylor, 1998), there is strong research evidence that final three viz. employee selection practices, reward practices and demographic diversity are promising methods for staff retention. Staffs turnover can be reduced by giving the true picture of the job to candidates (Decenzo & Robbins, 1999). Researches indicated that large open-plan offices with few dividing walls or partitions tend to reduce employees significance and autonomy, overcrowding and darkness make matters worse. Therefore, as far as possible, employers should consider making workspace attractive to employees (Taylor, 1998). Proper orientation is one of the mechanisms that reduces turnover especially the one that occurs in the first months of employment. The induction packages include proper orientation about terms of employment, security issues, health and safety regulations, wage and benefits, organizational rules and policies, employee development opportunities, sufficient information about the organization and the industry, job performance issues including job description, standards, appraisals, and role within the department (Marchington, & Wilkerson, 2000). However, (Breuer, 2000) reminded that there is no one size fits all strategy and every retention program has to be tailor made to suit a particular company. One of the companies cited as an example by the author in the study had made senior executives accountable for retention of those employees who directly reported to them. At the same time, new managers had been given better orientation and training, not only as a way to retain them but also use their improved people

management skills as a retainer for those they manage. (Aryee et al., 1998) found a significant positive correlation between satisfaction with work flexibility and organizational commitment and thereby good rate of retention. (Mano-Negrin and Kirschenbaum, 2000) indicated that turnover is affected by organizational size. They suggest that organizational size impacts turnover primarily through wage rates but also through career progression paths. Developed internal organizational labor markets produce lower departure rates since promotion opportunities have a strong negative influence on departures for career-related reasons. Turnover may also be influenced by certain other factors, such as attitudinal, behavioral and organizational factors. A number of researchers have also identified work related factors, personal characteristics and external factors as determinants of employee turnover tendency (Wotruba & Tyagi, 1991).

In today's competitive world, high-performing employees are looking for more than compensation packages and benefits. More specifically, what the employees nowadays are looking for is interesting work, employer flexibility, feeling valued and having training and advancement opportunities which finally, become the major factors influencing their decision to change jobs (Cunningham, 2002). (Nagaraj, 1999) noted that organizations are trying many innovative ways to attract employees to workplace, be it multi-cuisine spread provided at the office, or a multi-gym right at the office premises, or a small crèche where female employees could safely leave their young ones while they work. The key to preventing employee turnover is to have a positive work environment where employees are recognized and rewarded for good performance, where there is good communication, and where everyone shares in the excitement of being part of a successful organization (Cunningham, 2002). (Hausknecht, 2008) listed 12 major retention factors that have been published in the literature over the last 60 years which helped in explaining employee retention. The study revealed that job satisfaction, extrinsic rewards, constituent attachments, organizational commitment, and organizational prestige were the most frequently mentioned reasons for staying. Advancement opportunities and organizational prestige were reasons that are more common for staying among high performers and extrinsic rewards was more common among low performers. The use of financial inducements has been recognized as extremely important in retaining employees and it has been considered an important reward to motivate the behavior of employees (Brewer, 1996; Koh & Neo, 2000; Taylor & Vest, 1992). A number of studies suggest that higher wages reduce quit propensity positively and are related to decisions to continue (Gritz

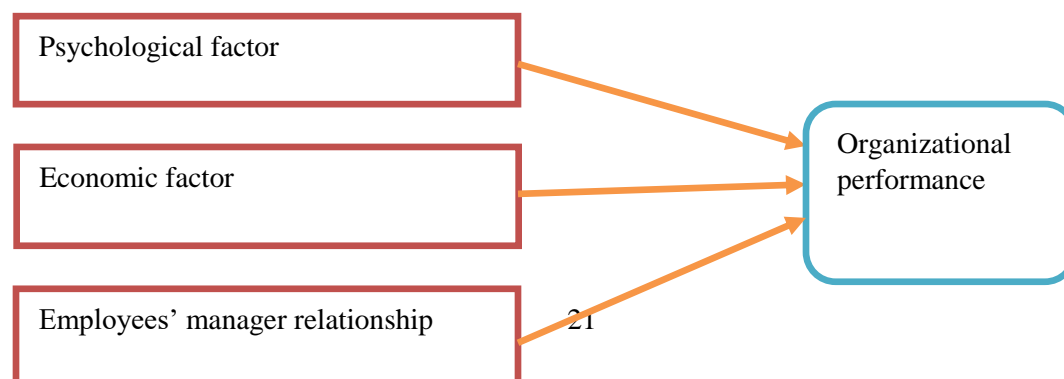
& Theobald, 1996; Theobald, 1990). (Paré and Tremblay, 2000) opine that employees will willingly remain in organizations where work is stimulating and challenging, chances for advancement are high and if they feel reasonably well paid. Further, (Taylor, 1997) pointed out that in order to retain employees, organizations must offer career advancement opportunities, failing which they may find it difficult to retain qualified employees. (Saporta and Fajourn, 2003) too support this view. (Casper and Buffardi, 2004) stated that the availability of organizational work–life benefits, supportive supervisor and a favorable organizational climate play a pivotal role in attracting and retaining human resources. The role of an effective supervisor in arresting attrition rates has been highlighted by others too (e.g. Amey, 2002; Creamer & Winston, 2002; Schneider, 2002). Good quality supervision contributes to employee satisfaction (Keashly & Jagatic, 2000) and helps in enhancing an employees' well-being at work (Peterson et al., 2003), thereby resulting in retention (Bauer et al., 2006). Work-life quality was found to be a significant predictor of job satisfaction, commitment and longer stays (Rhoades & Eisenberger, 2002; Dixon & Sagas, 2007). (Aryee et al., 1998) found a positive correlation between satisfaction with work flexibility and intentions to stay.

This literature review of the research presents the subject matter of the study with an explanation of the key study variables, rationale of the problem being studied as well as what research has already been done and how the findings relate to the problem at hand. The literature is reviewed from different journals, published books and internet. The chapter explained the theoretical orientation, empirical review and conceptual framework.

2.5 Conceptual Framework

Based on the different literatures review and empirical studies, this conceptual framework is developing to answer the research question.

Figure 1.1 Conceptual framework of the study



CHAPTER THREE

RESEARCH DESIGN AND METHODS

3.1. Introduction

This chapter presents the research methodology, outlining the research design, target population, sample size and sample selection technique. It also depicts the source of data and data collection instruments. Moreover, the chapter also focuses on the procedure for data collection, methods of data analysis and presentation in the research.

(Zikmund, 2000) asserts that methodology is a systematic way to solve the research problem. Methodology enables or gives the researcher direction towards gathering information and arranging them. It also allows the researcher to participate in the field by using different techniques for the collection of data for a particular problem.

3.2. Research Design

According to (Churchill, 2002), a research design is a master plan specifying methods and procedures for collecting and analyzing the required data. It is a means that is to be followed in completing a study. The research design helps the researcher to obtain relevant data to fulfill the objectives of the study (Churchill and Lacobucci, 2002).

There are three types of research design namely; descriptive, exploratory and causal research designs. Descriptive studies are concerned with specific predictions, narrations of facts and characteristics concerning individuals, groups or situations. Therefore, this study adhered to the descriptive and explanatory research design.

3.3. Research approach

This study was used quantitative approach. Quantitative approach is preferred because interpreting data and presenting those findings is straightforward and less open to error and subjectivity. In addition to that, it creates a better response rate because people have more time and less pressure to complete the work.

3.4. Study Population and Samples

According to (Mugenda and Mugenda, 2003), a target population describes an accessible population to which the researcher wants to generalize the results of the study.

The study population included existing employees of save the children international organization at different departments in Ethiopia country office, Addis Ababa. The total population for the study comprised of 370 employees working at save the children International organization in Ethiopia country office, Addis Ababa. Target respondents are selected using simple random sampling techniques. The target population are 79 employees currently working in different capacities.

For the purpose of this study, the researcher selected respondents using the simplified formula of Taro Yamane below among 370 current employees and few among former employees of the organization.

$n = \text{Sample size}$ $N = \text{Population Size}$ $e = \text{the desired level of precision}$

Save the children organization has 370 employees; the required sample size is as follows:

$$n = 370 \approx 79$$

$$n = \frac{370}{1 + 370(0.10)^2}$$

$$= 79$$

3.5. Sampling Procedures

A sample is subset of a particular population, (Mugenda, 2003). Due to time and finance constraints, it is difficult to consider all the population as respondents. Therefore, probability and sampling is used to select the respondents. For probability method, simple random sampling is used to select sample respondents. This method is adopted in order to ensure that the right employee were indeed sampled so as to address the question of interest and to give equal chance of employees' participation in the study.

3.6. Data Collection Methods

Primary data will be collected using structured questionnaires.

The study used both primary and secondary data collection procedures. In order to collect complete and accurate data Primary data collection method is used through questionnaires. Moreover, secondary data is collected through reading different research, journals and staff records from the Human Resources Department of the organization.

3.6.1 Primary Data

3.6.1.1. Questionnaires

Primary data is gathered by using questionnaires that is administered to the targeted respondents. The choice of using questionnaires as method of data collection is considered for the fact that not to take much of employees working time. Therefore, questionnaires having mixed type of structures is developed and distributed among the respondents.

3.6.2. Secondary Sources

3.6.2.1. Documentary Review

Documentary review is conducted to obtain various information from various literature including books, journals, research papers and other documentary source relating to the field of study. Normally, it helps to gather data and measure the consistency of information obtained through other techniques (Kothari, 2004). The collected Data is coded and carefully checked for correctness before analyzed. Then, the data is presented in tables and interpreted accordingly. The Software Package for Statistical Science (SPSS) is used. Data was analyzed using descriptive statistics (that includes frequency distribution tables) and inferential statistics (correlation and regression).

Validity

According to (Streiner and Norman, 2006), validity is a judgment regarding the degree to which the components of the research reflect the theory, concept, or variable under study. (Kothari, 2003) also stated that validity refers to the extent to which a measurement does what it supposed to do. Validity of instruments is critical in all forms of research and the acceptable level is dependent on logical reasoning, experience and professionalism of the researcher. In order to ascertain reliability of this study a pilot study is conducted to some of the employees by distributing the questionnaire to few respondents to identify if there are questions that might be unclear or ambiguous to them.

The questions that have ambiguous answers were revised and restated again so that they could give reliable answers during the final process of data collection. In this study data is checked by computerized way and checked for its accuracy to make sure that they give valid results.

Reliability

Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects (Cohen *et al*, 2000). (Kothari and Pal, 1993) and (Gay, 1987) concur with (Amin, 2005) that reliability is the extent to which the study instruments produce consistent results under similar circumstances. (Polit and Hungler, 2004) refer to reliability as the degree of consistency with which an instrument measures the attributes it is designed to measure.

CHAPTER FOUR RESULTS AND FINDINGS

4.1 Introduction

In this chapter data analysis discussion and interpretation of the findings is presented based on the collected responses from respondents using questionnaires. The responses to the questionnaires were firstly captured to form a data set and then analyzed using Statistical Package for Social Science (SPSS).

4.2 Response rate

A total of 79 questionnaires were distributed to the respondents through web based data collection called Google form. Table 4.1 shows the response analysis. Among the 79 respondents, 69 respondents that are 87% have responded that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population.

Table 4.1: Response Rate

Rate Category	Frequency	Percentage
Response	69	87%
Non response	10	13%
Total	79	100%

4.3 Demographic Information

The demographic information of the respondents such as gender, age, work experience, education level, and their position in the organization was collected and the results are presented as follows.

4.3.1 Gender of the respondents

According to the results for gender of the respondents on table 4.2 above, the total numbers of the respondents were 69. The majority of the respondents were male with the percentage of 58%, while the female were 42%.

Table 4: 2 Respondents Gender

Gender	Frequency	Percent
Valid Male	40	58.0
Female	29	42.0
Total	69	100.0

4.3.2 Age of the respondents

The response from the respondents in regard to their age is summarized in a table below.

Table 4: 3 Respondents Age Group

Age group	Frequency	Percent
Valid 18-25	3	4.3
26-35	21	30.4
36-45	37	53.6
46-55	7	10.1
>56	1	1.4
Total	69	100.0

As illustrated in Table 4.3 above, majority of the respondents are at the age of between 36 and 45. Next to them are between 26-35, followed by 46-55 and 18-25. The least is greater than age 56. Thus, it can be said that majority of the respondents are in the productive age group and reasonably with sufficient work experience.

4.3.3 Work Experience of respondents

Respondents were requested to indicate their length of stay in the organization and their response is presented in a table below.

Table 4: 4 Work Experience

Year of service	Frequency	Percent
Valid <1 year	10	14.5
1-3 year	16	23.2
4-6 year	22	31.9
7-10 year	13	18.8
>10 year	8	11.6
Total	69	100.0

Majority of the respondents, 31.9 % said they have worked in the organization for 4- 6 years. Others, 23.2 % indicated that they have worked in the organization for 1-3 years. Out of the total respondents, the second more experienced employees are found to be 18.8% followed by 14.5 % respondents worked for less than one year. Finally, the most experienced respondents, 11.6% are worked more than 10 years. This indicated that most of the respondents are having remarkable working experience for the organizational productivity followed by new comers who may receive the baton.

4.3.4 Educational qualification

The study attempted to know the level of education of the respondents by requesting to indicate their education qualification and the result is shown in the table below.

Table 4: 5 Education Level

Level of Education	Frequency	Percent
Valid Diploma	1	1.4
Degree	35	50.7
Masters	32	46.4
Other	1	1.4
Total	69	100.0

Table 4.5 shows that 50.7%, which are the highest number, of respondents are Degree holders followed by nearly closed Masters Holders (46.4%). The rest similar 1.4% respondents are Diploma holders and other qualification. This indicates that most of the respondents were academically qualified in their respective job undertakings and hence will have better contribution on the performance of the organization.

4.3.5 Respondents Position in the organization

Basically, there are four positions in the organization in different units. Those respondents from different positions were requested to indicate their current position.

Table 4:6 Position of respondents in the organization

Position	Frequency	Percent
Valid Officer	8	11.6
Coordinator	34	49.3
Manager	24	34.8
Unit head	3	4.3
Total	69	100.0

Majority of the respondents, that are 49.3%, are at coordinator level. The next higher rate of respondents are Managerial level position holders who are expected to execute their expertise and leadership to those under them. Then, of the total respondents, officers are 11.6%. Finally, only 4.3% of the respondents are head of units responded to the questionnaire. Therefore, it can be said that different position holders have participated in the research.

4.4 Psychological Factor

The respondents were requested to indicate their feeling on psychological factors such as job assignment, work-life balance, career advancement, job security in the organization and their level of job orientation. Likert scale, composed of 1-5 labels where 1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and 5 implies strongly agree. The response are

presented in the below table 4.7 in their detail containing Mean, standard deviation, Frequency and percentage.

Table 4.7 Descriptive statistics of Psychological factor

Psychological Factor	Mean	SDV	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Totals	
			Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
I am satisfied on my job	4.28	0.705			2	2.9	4	5.8	36	52.2	27	39.1	69	100
I am comfortable on the work-life balance of the organization	3.62	0.788			7	10.1	18	26.1	38	55.1	6	8.7	69	100
I don't have a plan to leave the organization	3.17	1.212	6	8.7	17	24.6	15	21.7	21	30.4	10	14.5	69	100
There is a career advancement in the organization	3.64	0.747	2	2.9	3	4.3	15	21.7	47	68.1	2	2.9	69	100
I feel secured on my job	3.26	0.980	4	5.8	8	11.6	29	42	22	31.9	6	8.7	69	100
I have enough orientation on my job	3.91	0.919	1	1.4	6	8.7	8	11.6	37	53.6	17	24.6	69	100

The first objective in this study was to assess the extent to which the respondents' psychological factors are in a good condition. From the analysis, the respondents agree that there is a career advancement, they are satisfied on their job and are comfortable on the work-life balance of the organization as well as having enough orientation on their job with the range of mean value 4.28 to 3.62. Moreover, according to the above table of Frequencies distribution ranges from 30% - 32% of respondents to the questioner were revealed in Agreement that they don't have a plan to leave the organization feel secured on their job. Of all, 22% to 42% of respondents are neutral about comfortableness of their work-life balance, plan to leave the organization, career advancement and their job security. Respondents were disagreed not to leave the organization that

is indicated by the frequency percentage of 24% and 46% respectively. There are also respondents who strongly agreed on job satisfaction and having enough job orientation on their job with frequency percentage of 25% and 39%.

4.5 Economic Factor

The respondents were requested to indicate their feeling/opinion on economic factors such as the organization's salary and benefit package, reward system, financial & non-financial incentives and competitiveness of wages and salaries paid to employees related to other organizations. Likert scale, composed of 1-5 labels where 1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and 5 implies strongly agree. The response are presented in the below table 4.8 in their detail containing Mean, standard deviation, Frequency and percentage.

Table 4.8 Descriptive statistics of Economic factor

Economic Factor	Mean	SD	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Totals	
			Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
The salary and benefit package of the organization is motivating	3.01	1.036	7	10.1	13	18.8	23	33.3	24	34.8	2	2.9	69	100
The rewards system in the organization is systematic, predictable and based on employee performance	3.07	0.773	2	2.9	10	14.5	40	58	15	21.7	2	2.9	69	100
The reward system is based on performance	3.1	0.807	2	2.9	11	15.9	36	52.2	18	26.1	2	2.9	69	100
The organization provides financial and non-financial incentives	3.62	1.016	2	2.9	10	14.5	11	15.9	35	50.7	11	15.9	69	100
Comparable and competitive wages and	3	1.111	6	8.7	19	27.5	18	26.1	21	30.4	5	7.2	69	100

salaries are paid to employees relative to other organization members and the market															
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The second objective in this study was to assess the extent to which the respondents' economic factors are fulfilled. From the analysis, the respondents agree that the organization provides financial and non-financial incentives, salary and benefit packages is motivating and competitive salary is paid to employees' relative to other organization with the range of mean value 3.62 to 3. Moreover, according to the above table of Frequencies distribution ranges from 22% & 26% of respondents to the questioner were revealed in Agreement that the organization's systematic and predictable reward system. Amongst, 26% to 58% of respondents are neutral about salary and benefit package of the organization, systematic & predictability of the reward system and competitiveness of salary relative to other organizations. Respondents were disagreed on the competitiveness of salaries paid to employees' relative to other organizations that is indicated by the frequency percentage of 27%. However, the figure of standard deviation further reveals that the respondents had varied opinion about the economic factors and this could also mean that even though agreeing about the factors mentioned, they could also be in disagreement with the impact that adversely affect employees' turnover.

4.6 Employees' - Manager Relationship

The respondents were inquired to indicate their feeling/opinion on employee-manager relationship issues; such as the manager's genuine interest in fixing problems encountered by employee, manager's help when needed, respectful treatment of managers, giving freedom to exercise and supportive feedback. Likert scale, composed of 1-5 labels where 1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and 5 implies strongly agree. The response are presented in the below table 4.9 in their detail containing Mean, standard deviation, Frequency and percentage.

Table 4.9 Descriptive statistics of Employee- Manager Relationship

	Mean	SDV	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Totals	
			Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Employees'- Manager Relationship														
My manager shows a genuine interest in fixing the problems I encounter in my job role	4.06	0.856	1	1.4	3	4.3	8	11.6	36	52.2	21	30.4	69	100
My manager is available to me when I need help	4.16	0.834	2	2.9			7	10.1	36	52.2	24	34.8	69	100
My manager keep me well informed on work issues	4.01	0.831	1	1.4	2	2.9	11	15.9	36	52.2	19	27.5	69	100
My manager always ask suggestion from me	3.65	0.888	3	4.3	2	2.9	19	27.5	37	53.6	8	11.6	69	100
My manager treats me respectfully	4.38	0.597					4	5.8	35	50.7	30	43.5	69	100
My manager gives me freedom to exercise	3.96	0.629			1	1.4	12	17.4	45	65.2	11	15.9	69	100
The feedback I receive from my manager is supportive	4.19	0.692			2	2.9	5	7.2	40	58	22	31.9	69	100

The third objective in this study was to assess the level of employee-manager relationship. From the analysis, the respondents agreed that manager shows a genuine interest in fixing the problems, managers are available when needed, managers informs work related issues, manager always ask suggestion from employees under them, treats respectfully, gives freedom to exercise and supportive feedback with the range of mean value 4.38 to 3.65. Moreover, according to the above table of Frequencies distribution ranges from 11% & 43% of respondents to the questioner were revealed in Strong Agreement on all factors mentioned above. Amongst, 5% to 27.5% of

respondents are neutral about manager shows a genuine interest in fixing the problems, managers are available when needed, managers informs work related issues, manager always ask suggestion from employees under them, treats respectfully, gives freedom to exercise and supportive feedback. Respondents were disagreed on manager shows a genuine interest in fixing the problems, managers informs work related issues, manager always ask suggestion from employees under them, gives freedom to exercise and supportive feedback by the frequency percentage of 1.4% to 4.3%.

4.7 Organizational performance

The respondents were asked to indicate their feeling/opinion on factors affecting organizational performance; such as the impact of high staff turn-over on the wastage of resources, delivering the work timely, work-load on other staffs, quality of work and recurrent cost of staff development for new staffs. Likert scale, composed of 1-5 labels where 1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and 5 implies strongly agree. The response are presented in the below table 4.10 in their detail containing Mean, standard deviation, Frequency and percentage

Table 4.10 Descriptive statistics of Organizational Performance

Organizational Performance	Mean	SD	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Totals	
			Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
High staff turnover causes too much wastage of resources for new staff in many ways	4.38	0.806	2	2.9			2	2.9	31	44.9	34	49.3	69	100
Staff turnover causes a decline in delivering the work timely	3.67	1.133	2	2.9	11	15.9	14	20.3	23	33.3	19	27.5	69	100
Staff turnover leads to workload on other staffs	4.45	0.631					5	7.2	28	40.6	36	52.2	69	100
Staff turnover affects the quality of the work	3.75	1.130			15	21.7	9	13	23	33.3	22	31.9	69	100

Staff turnover causes recurrent cost of staff development for new employees	4.26	0.585					5	7.2	41	59.4	23	33.3	69	100
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The fourth objective in this study was to assess the level of employee-manager relationship. From the analysis, the respondents agreed that High staff turnover causes too much wastage of resources for new staff in many ways, a decline in delivering the work timely, leads to workload on other staffs, affects the quality of the work, and recurrent cost of staff development for new employees with the range of mean value 4.45 to 3.67. Moreover, according to the above table of Frequencies distribution ranges from 27.5% to 52% of respondents to the questioner were revealed in Strong Agreement on all factors mentioned above. Amongst, 2.9% to 20.3% of respondents are neutral about High staff turnover causes too much wastage of resources for new staff in many ways, a decline in delivering the work timely, leads to workload on other staffs, affects the quality of the work, and recurrent cost of staff development for new employees. Respondents were disagreed on the impact of staff turnover to decline in delivering the work timely and quality of work by the frequency percentage of 15.9% & 21.7%.

4.8 Correlation Analysis

Correlation is a technique to investigate the relationship between two quantitative continuous variables. Pearson's correlation coefficient (r) is a measure of the strength of the association between the two variables. The correlation between two variables can be positive (i.e., higher levels of one variable are associated with higher levels of the other) or negative (i.e., higher levels of one variable are associated with lower levels of the other) or zero (i.e. no relation). The strength of correlation is not dependent on the direction or the sign. Thus, a positive correlation coefficient indicates that an increase in the first variable would correspond to an increase in the second variable and a negative coefficient indicates that an inverse relation, where one variable increases the other will decrease

Table 4.11 Correlation

		Psychological factor	Economic Factor	Employees Manager_ Relationship	Organizational Performance
Psychological factor	Pearson Correlation	1	.688**	.414**	-.247*
	Sig. (2-tailed)		.000	.000	.040
	Sum of Squares and Cross-products	841.072	631.493	384.246	-179.942
	Covariance	12.369	9.287	5.651	-2.646
	N	69	69	69	69
Economic Factor	Pearson Correlation	.688**	1	.411**	-.357**
	Sig. (2-tailed)	.000		.000	.003
	Sum of Squares and Cross-products	631.493	1002.551	416.275	-283.406
	Covariance	9.287	14.743	6.122	-4.168
	N	69	69	69	69
Employees_ Manager_ Relationship	Pearson Correlation	.414**	.411**	1	-.073
	Sig. (2-tailed)	.000	.000		.554
	Sum of Squares and Cross-products	384.246	416.275	1022.638	-58.203
	Covariance	5.651	6.122	15.039	-.856
	N	69	69	69	69
Organizational Performance	Pearson Correlation	-.247*	-.357**	-.073	1
	Sig. (2-tailed)	.040	.003	.554	
	Sum of Squares and Cross-products	-179.942	-283.406	-58.203	629.246
	Covariance	-2.646	-4.168	-.856	9.254
	N	69	69	69	69

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The above table shows that there is a positive strong relationship between employee-manager relationship and psychological factor with organizational performance at .554 and 0.40 respectively, whereas the relationship between economic factor and organizational performance is positive and weak, i.e. .03.

4.9 Regression Analysis

Regression analysis helps in order to measure the relative strength of independent variable on dependent variable. Thus, in order to determine the statistically significance effect of the independent variables on the dependent variable, the researcher carried out a multiple regression analysis. As defined by (Kothari., 2004), multiple regression analysis is used when the researcher has one dependent variable, which is presumed to be a function of two or more independent variables. The objective of this analysis is to make a prediction about the dependent variable based on its covariance with all the concerned independent variables.

Table 4.12 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.366 ^a	.134	.094	2.89492	1.585

a. Predictors: (Constant), Employees_Manager_Relationship, EconomicFactor, Psychologicafactor

b. Dependent Variable: Organizational Performance

The model analysis includes the independent variable (psychological factor, economic factor and employee-manager relationship) and dependent variable (organizational performance). As indicated in the above model summary and below ANOVA table, the linear combination of the independent variable was related to the dependent variable, $R=.366$, adjusted R square= $.094$, $F=23.65$ ($p=0.000$). An estimated 89.3% of total variation in the dependent variable, - organizational performance, is jointly explained by the predictors, i.e., psychological factor, economic factor, and employee-manager relationship where as 10.7% is explained by other factors.

Table 4.13 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	84.510	3	28.170	3.361	.024 ^b
	Residual	544.736	65	8.381		
	Total	629.246	68			

a. Dependent Variable: OrganizationalPerformance

b. Predictors: (Constant), Employees_Manager_Relationship, EconomicFactor, Psychologicalafactor

The F-ratio in the ANOVA Table 4:12 tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, $F(3, 65) = 3.61, p(.024) < .05$ (i.e., the regression model is a good fit of the data).

Table 4.14 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	23.654	2.904		8.144	.000	17.854	29.455					
Psychological factor	-.023	.140	-.027	-.167	.868	-.304	.257	-.247	-.021	-.019	.506	1.975
Economic Factor	-.298	.128	-.377	-2.326	.023	-.555	-.042	-.357	-.277	-.268	.508	1.969
Employees_Manager_Relationship	.073	.101	.094	.724	.472	-.129	.276	-.073	.089	.084	.798	1.253

a. Dependent Variable: Organizational Performance

Given that, the t-value and corresponding p-value are in the "t" and "Sig." columns of Table 4.14 above, the tests tell us that economic factor $P(.042) < 0.05$ is significant, but psychological factors and employee-manager relationship are not significant $P(.868) > 0.05$ and $P(.472)$. This means that the explanatory variables psychological factors and employee-manager relationship are not more useful in the model. In other words, psychological factors and employee-manager relationship factors do not have a substantial contribution to organizational performance.

CHAPTER FFIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

In this chapter, summary of the study findings, conclusions and recommendations are presented. The chapter also discusses possible areas for further research in view of the limitations of the study.

5.2 Summary of Findings

The summaries were organized into separate sub-headings as was formulated in order of the study objectives.

5.2.1 Psychological factors

The result shows that most of the respondents are agreed that they are satisfied on their current job assignment, work-life balance, and work advancement. However, there are paramount number of employees who are not sure about their plan to stay in the organization, career advancement as well as their job security.

5.2.2 Economic Factor

The study revealed that majority of respondents are indifferent on whether the reward system of the organization is systematic and predictable. The study also showed that similar number of respondents have agreed and neutral view on motivating salary and benefit package of the organization. It has been viewed on the study that the organization provides financial and non-financial incentives with a large no of respondents while, a higher number of respondents have neutral view on whether the reward system is based on performance or not. The finding of the study also showed that comparable respondent replied neutral, agree and disagree on competitiveness of salaries paid to employees in related to other organizations.

5.2.3 Employee- Manager relationship

The research identified that majority of respondents have agreed on employee-manager relationship in terms of showing a genuine interest in fixing problems encountered by the employees, availability to help as needed, keep informing on work issues, treating respectfully and

giving supportive feedback. However, there are also respondents who disagreed and have neutral aspect.

5.2.4 Organizational performance

As per the result obtained from the research, most of the respondents in the have agreed that high staff turn-over causes too much wastage of resources for new staffs in many ways, a decline in delivering the work timely, leads to workload on other staffs, affects the quality of work and recurrent cost of staff development for new staffs. However, there are significant number of respondents who are indifferent on the in declining in delivering quality work due to of staff turn-over.

5.3 Conclusion

Based on the findings of the study, the following conclusions are obtained.

The research concludes that job security is one of factors that may lead employees to think of leaving the organization. However, it can be said that the organization is in good condition for its employees in terms of other factors like job assignment, work-life balance and job orientation.

As can be seen from the findings, it can be concluded that the salary and benefit package of the organization is not satisfactory. In addition to that, the reward system in the organization lacks predictability based on merit. The research has also concluded that the organization is good for its employees in providing financial and non-financial incentives, while less comparable salaries are being paid to employees as compared to other organizations.

It can also be concluded that employee-manager relationship is found interesting in many ways like fixing problems encountered by employees, giving their hand as needed, treating respectfully and supportive feedback. On the other hand, there are managers who don't keep informing work related issues and ask for suggestion from employees under them.

The other conclusion drawn from the research finding is that with regard to the organization performance due to employee turn-over. According to the research, staff turn-over has a major impact on incurring much resource wastage for new employees, workload on other staffs as well as recurrent cost of staff development for new staffs. The research also ascertained that, staff turn-over has less impact on a decline in delivering the work timely and the quality of work.

5.4 Recommendation

In order to be in a better position, the organization should have a clear and transparent strategy that will be applicable for all employees across the organization. Job security is very vital for employees to stop thinking of leaving the organization. Therefore, the organization should think of ways to make employees feel secured.

The other thing for retaining experienced employee is offering competitive salary and benefit package which is considered to be one of the motivating factor. There should also exist systematic and predictable way of rewarding system based on merit that is competitive with related to other organizations which otherwise may create feeling of neglected and conflict. By cultivating the good experiences like providing financial and non-financial incentives, it will be easier to encourage employees who can be witnesses in the job market.

Furthermore, by keeping all existing qualities, managers should be able to keep informing the employees under them on job related issues which can create valuableness and belongingness.

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APPENDIX A



QUESTIONNAIRE

ST. MARY'S UNIVERSITY

MASTERS OF BUSINESS ADMINISTRATION

Questionnaire to be filled by Employees of Save the children Organization

I am a postgraduate student at St. Mary's university in the MBA General department. The questionnaire is prepared for partial accomplishment of MBA Degree entitled "The Effect of employee turnover on organizational performance: In the case of Save the children International organization".

Please complete all sections of the questionnaire with your utmost honesty. Your genuine answers are essential in getting accurate information. The information given will be treated confidential and will only be used for academic research purpose that does not affect your carrier in any ways.

No need of writing your name, please indicate your responses by putting " X "mark in the box and also you are expected to write clear and precious words or sentences for open-ended questions.

Thank you in advance for your unreserved cooperation.

Yours Sincerely,

Yosef Habte

Yosefhabte10@gmail.com

PART I

Demographic Data

Please fill your personal information for the demographic data by ticking “X”

1. Gender Male Female

2. Age

18 – 25 26-35

36-45

46-55 56 & above

3. Your work experience in this organization

Less than 1 4 – 6 including

1- 3 including 7 – 10 including

More than 10

4. Qualification

Certificate Diploma

Degree Masters

PhD

Others: _____

5. What is your position in your organization?

Officer Manager

Coordinator Unit Head

Part II. Employee Turnover and Organizational Performance Questions

Please look at the following statements and indicate the extent of your agreement by putting “√” in relation to your organization in accordance with the scale given alongside of the question below.

Key: 1 = Strongly Disagree (SD) 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A) 5 = Strongly Agree (SA)

N o.	Employee Turnover Questions	Scales				
		SD	D	N	A	SA
	Psychological factor					
1	I am satisfied on my job assignment					
2	I am comfortable on the work-life balance of the organization					
3	I don't have a plan to leave the organization					
4	There is career advancement in the organization					
5	I feel secured on my job					
6	I have enough orientation on my job					
	Economic factor					
1	The salary and benefit package of the organization is motivating					
2	The rewards system in the organization is systematic, predictable and based on employee performance					
3	The reward system is based on performance					
4	The organization provides financial and non-financial incentives					
5	Comparable and competitive wages and salaries are paid to employees relative to other organization members and the market					
	Employees'-Manager Relationship					
1	My manager shows a genuine interest in fixing the problems I encounter in my job role					
2	My manager is available to me when I need help					
3	My manager keep me well informed on work issues					
4	My manager always ask suggestion from me					
5	My manager treats me respectfully					
6	My manager gives me freedom to exercise					
7	The feedback I receive from my manager is supportive					
	Organizational Performance Questions					

1	High staff turnover causes too much wastage of resources for new staff in many ways					
2	Staff turnover causes a decline in delivering the work timely					
3	Staff turnover leads to workload on other staffs					
4	Staff turnover affects the quality of the work					
5	Staff turnover causes recurrent cost of staff development for new employees					

