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**St. Mary's University, Ethiopia**

**ST. MARYS UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF EMPLOYEE TURNOVER ON ORGANIZATIONAL  
PERFORMANCE, THE CASE OF WEGAGEN BANK**

**BY**  
**KALKIDAN ALEMU**

**JULY, 2021**  
**ADDIS ABABA, ETHIOPIA**

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## **DECLARATION**

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

Name

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Signature & date

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## **LIST OF ABBRIVATION/ ACRONYM**

- BO** - Branch Operation
- CLRM** - Classical linear regression model
- CRO** - Customer Service officer
- CRM** - Customer Relationship Manager
- FR** - Frequency
- HR** - Human Resource
- HRM** - Human Resource Management
- PLC** - Private limited company

## **ABSTRACT**

*The primary objective of this research was to investigate the effect on employee turnover on organizational performance at Wegagan Bank. The research adopted a descriptive and explanatory research designs. Stratified sampling method was used to select the sample that are representative from different branches of the bank and from those employees were selected randomly. Data from employees was collected using questionnaires which are composed of both close ended which makes the research a mixed (both quantitative and qualitative). The data were gathered through questionnaires were processed via statistical software package called STATA and analyzed using descriptive and inferential statistics. The researcher has found out that in most branches of the bank employees don't have a good relationship with the management of the bank and there is inequality and a miss match between jobs and employees due to this most employees don't like the working condition of their organization. And as to the response of most employees their work is exhausting and boring which increase the level of job dissatisfaction and level of turnover. High rate of employee turnover was observed which highly affect the performance of the organization in several ways. Therefore, the researcher highly recommends that the HR department should give special attention to voluntary turnover and need to make the necessary adjustment as to the attitude of their employees like using an effective way of recruitment and selection process, creating a healthy working environment, make a necessary salary increment; redesign jobs and use exit interviews and other methods to know why their employees leave at the right time and use the information acquired appropriately.*

**Key Words-** *Employee Turnover, Organizational performance, Job satisfaction, Salary and reward*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Employee turnover is a worldwide phenomenon and it is not a new issue to discuss but it is still a serious problem that affects the performances of organizations throughout the world. Employee turnover is one of the most study important issues to organizations, and one that needs special attention. One of the importance is maintaining qualified employees for the success of organization is not a new theme. Turnover intention is a well-known subject to the organization in any business culture and industry. It is one of the most important topics that need due considerations for workplace. Organizations with a high employee turnover rate face expensive recruitment and training cost for the new employee, loss of productivity, public relation cost associated with having a large number of voluntary resignations in the society, spreading gossip about the organizations and a remaining workforce that ends up with work overload and therefore more likely to quit too (Morell et al, 2004).

The rate of turnover varies from company to company. The highest level of turnover normally found in private sectors than public sectors. The levels of turnover also vary from region to region. The highest rates are found where unemployment rate is lower and where it is easy for people to get alternative employment Turnover is a serious and costly problem but it is rarely seen as such by the people who could take action to prevent it. In broader sense, turnover refers to the movement of into and out of the organization. (Phillips, 1945) has showed that an excessive turnover rate clearly has a tremendous negative impact on an organization's performance.

High rate of employee turnover is harmful when skilled workers are leaving or the worker population contains a high percentage of novice workers and also if it's an organization with a high standing. Employee turnover is the rotation of worker around the labor market; between firms, jobs and occupations; and between the states of employment and unemployment (Abassi et al, 2000). The term turnover also defined by (Price, 1977) as: "the ratio of number or organizational members who have left during the period being considered and the average number of people in the organization during the period". Turnover of employees consists of both

voluntary and involuntary. In current studies have showed that, organizations with high rates of voluntary turnover are often found to be harmful to organization performance. Voluntary turnover is turnover initiated by employees themselves and it has an adverse effect on performance, service delivery, profit, and on other outcomes that organization set as objectives. But most managers don't give that much of attention to this problem. There are no profit and loss statements that specifically capture the "cost of voluntary turnover". Instead, the costs are buried in line items like recruitment, selection, temporary staffing and training (Memon et.al, 2016).

Nowadays, employee turnover has been a cause of concern for many countries around the world and a headache for organizations. Employee turnover has captured the attention of many authors over the years due to the impact it has for the organizations. There are many studies that have been held to cover such topic. This is because human capital has an important impact for the organizations now days. Some authors such as (Kreitner, 2003) and (Nuget, 2009), defines the employee turnover as the rate or percentage of the staff leaving the organizations versus the ones actually working for it. On the other hand (Morell et al. 2004) define employee turnover not simply as rate but something more, which relates to the emotional aspect as well. The research aims to analyses mostly the impact of two major categories of the employee turnover, i.e. voluntary and involuntary turnover (Memon et al., 2016).

## **1.2 Background of the Organization**

The banking industry is one of the fast-growing industries in the service sectors which contribute to the economic growth of the country Ethiopia. It contains around 16 private banks and 3 government owned banks. Which give several kinds of service to their customers all around the country including saving money, mobilizing all types of Deposits, Prominent Money Transfer Operation (Western Union, Money Gram, and Express Money), Credit Services, and International Banking Services, Mortgages, Personal Loans and so on Service quality has now become the most important factor in the banking industry since it consists of highly competitive environment.

The first bank in Ethiopia was Bank of Abyssinia which was a private bank established in the year 1906, Feb 15 by Emperor Menelik. After that many banks have been developed and now days, we have 3 government banks and 16 private banks which are found in Addis Ababa. Out of these banks two of them have made to Africa's Top 100 Bank lists according to African business magazine annual

ranking of the biggest banks in Africa in terms of capital. Commercial Bank of Ethiopia (CBE) ranks 54 and the successful performance of this organization has benefited the banking industry. Wegagen bank is one of the biggest banks in Ethiopia, in order to increase its accessibility; the bank opened 43 new branches and making the total branches 393 as at June 30, 2020. Likewise, the number of agents working with the Bank reached 1140, showing a growth of 126% over the preceding year. The total employees of the Bank excluding outsourced staff stood at 4907 as at June 30, 2020. Overall improvement of employee's job performance helps organization keep substantial competitive benefits in the worldwide marketing competition. Performance is an important criterion for organizational outcomes and success.

### **1.3 Statement of the Problem**

Employee turnover is a serious problem of many organizations in the world. It is the headache of many private and governmental organizations in Ethiopia. Turnover is the biggest cost of employers and owners of many organizations to replace the exit employee. Human resource manager faced high problem in today's working environment. Therefore, the researcher had seen the effect of employee turnover on the organizational performance of banks in the banking industry that affect job satisfaction and managers to develop appropriate measures in avoiding factors that leads to job dissatisfaction or retention. On the other side the problem was when well experienced and valuable employees leave the organization. Organizations make investment on their employees by training and developing them, motivate them expecting a return which adds value to the organization performance. However, the researcher knows the employees leave; the organization will face a loss and other difficulties in achieving organizational goals and objectives. Turnover matters are costly and affect business performance. This makes the competitive environment more intense than it already is right now. Turnover affects these organizations in the industry both in financial and non-financial terms.

With regard to financial terms the banks was incurring direct and indirect expenses, which include the cost of advertising, headhunting fees, human resource costs, loss of productivity, new hire training, and customer retention that means they must have to replace an employee this will have a negative impact on the performance of this banks in achieving their goals.

Prior literature (Hackman and Pisano 2006; Shaw et al. 2005a, 2005b, 2009; Sieben and Zubanov 2009) indicates that the same employee turnover can impact organizations differently. Researcher tried to relate mostly due to different factors depending on the quality of the staff leaving the organization for example, costs associated with the recruitment and selection of the replacing employee turnover for the organizations. This study is to analyze the effect of employee turnover on the performance of organizations. This study tries to add for the existing empirical literature and lead to a conclusive decision on the effect of employee turnover on the performance of organization especially in Wegagen bank. Besides loss of productivity, money and time, the organization also losses in terms of some direct costs such as low morale of exiting employees that may occur due to increased work load or due to the arousing dissatisfaction with organization. Wegagen Bank S.C have been experiencing high turnover rate which gets higher every year and there are a lot of studies regarding this but the problem hasn't resolved yet. The research has assessed the gap in the effect of employee turnover on organizational performance.

#### **1.4 Research Question**

- What are the major factors that leads high employee turnover in Wegagen Bank S.C?
- What is the effect of employee turnover on organizational performance?
- How to reduce employee turnover?

#### **1.5 Objective of the Study**

##### **1.5.1 General Objective**

The main objective of this study is to examine the effect of employee turnover on organizational performance of Wegagen Bank.

##### **1.5.2 Specific Objectives**

This research is intended to have the following objectives:

- To determine the factors that leads high employee turnover in Wegagen Bank S.C.
- To examine the effects employee turnover on organizational performance in the case of wegagen bank
- To evaluate the reduction of employee turnover.

## **1.6 Scope of the study**

The study was delimited to examine the effect of employee turnover on organizational performance. Geographically this study delimited to Wegagen Bank head office, Addis Ababa and 10 branches. The paper is delimited by analysis and interpretation of data by taking questionnaire of selected current employees only. The scope of the study is limited or reduced to main office of Addis and some branches due to time and cost constraints. The researcher assesses employee turnover that is made by employees themselves which is voluntary turnover.

## **1.7 Significance of the study**

The researcher believed the study revealed the relationship between Employee turnover and Performance of banks in Wegagen Bank by analyzing the primary data collected from the employees. The researcher attempted to come up with a better recommendation to improve the employee policy. The outcome of the research helps to contribute a significant idea in making new policy and procedure on employees and it can be used as a reference for further study.

## **1.8 Organization of the study**

This research paper has five chapters. The first chapters consist the introduction part will describe about back ground of the study, back ground of the organization, statement of the problem, research question, objective of the study, scope of the study, significance of the study. In the second chapter, related literature discussed with the theoretical overview and empirical overview. The third chapter discuss the research deign and method. The fourth chapter discusses data analysis and interpretation. The fifth chapter summarizes the findings, conclusions and recommendations.



## CHAPTER TWO

### LITERATURE REVIEW

#### **I. Theoretical Framework**

##### **2.1 Definition of Employee Turnover**

Different scholars have tried to define employee turnover in different ways. Some of the definitions are (Invancevich & Glueck, 1989) have defined turnover as net result of the exits of employees and entrance of others to the organization.

(Gomez, Balkin& Cardy, 2001) stated that employee turnover occurs when an employee ceases to be a member of an organization. The turnover rate is a measure of the rate at which employees leave the firm. Companies try to monitor and control their turnover rate so that they can, in turn, monitor and control the cost of replacing employees.

As (Mathis & Jackson. 2001) turnover occurs when employees leave an organization and have to be replaced with new ones. Certainly, not all turnovers are negative. Some workforce losses are quite desirable, especially if those workers who leave are lower-performing, less reliable individuals and Personnel employee turnover is usually defined as the influx and exit of individuals into and out of the working force of the organization over a specific period of time. Movement into the organization, ordinarily not an important part of turnover analysis, is called accessions. Movements out of the organization are called separations: voluntary resignations or quits, dismissals, layoffs and death or retirements (Cornog, 1957). This research chooses definition of (Price, 1977) “turnover” as: “The ratio of the employees of organization who left in a particular period of time with the average number of employees in that organization during the same period of time”.

##### **2.2 Types of Turnover**

Employee turnover can be classified into different categories. These turnovers can occur in any organization but the most important point is that organizations should differentiate between the different types of turnovers and take actions on the one that they have control on.

### **2.2.1 Internal Vs External Turnover**

Turnover can be classed as internal or external. Internal turnover involves employees leaving their current position, and taking a new position within the same organization. Both positive enforcement (such as increased employee motivation and commitment) and negative consequences (such as project/relational disruption) of internal turnover exist, and thus this form of turnover may be as important to monitor as its external counterpart. Internal turnover might be moderated and controlled by typical human resource mechanisms, such as an internal recruitment policy or formal succession planning (Gomez et al, 2001).

### **2.2.2 Skilled Vs Unskilled Turnover**

Unskilled position often has higher turnover, and employees can be generally replaced without the organization or business incurring any loss of performance. However skilled turnover rate of skilled professionals can pose as a risk to the organization due to the human capital loss in the form of skills, training and knowledge. The specialization of skilled professionals makes them more likely to be re-employed within the same industry by a competitor. Therefore, turnover of these individuals incurs both replacements cost to the organization as well as resulting in a competitive disadvantage to the business (Gomez et al, 2001).

### **2.2.3 Voluntary Vs Involuntary Turnover**

Staff turnover can also 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 (Herbert, Schwab & Fossum, 1998).

Involuntary turnover refers to permanent withdrawal of an employee from the organization at the organization's will. This turnover may be planned or unplanned. Persons leaving organization on retirement is a planned turnover because the management knows well in advance as to the date of retirement (Kondalkar, 2007).

#### **2.2.3.1 Voluntary Turnover**

Voluntary turnover occurs when an employee decides, for personal or professional reasons, to end the result with the employer. The decision could be based on the employees obtaining a better job, changing careers or wanting more time for family or leisure activities.

Alternatively, the decision could be based on the employees finding the present job unattractive because of poor working condition, low pay or benefit, a bad relation with a supervisor, and so on. In most cases, the decision to leave is a combination if having attractive alternatives and being unhappy with aspects of the current job (Gomez et al, 2001).

Voluntary turnovers are further distinguished as functional and dysfunctional turnovers. Functional turnovers are the resignation of poor performers and dysfunctional turnovers are refers to the exit of effective performers. They also classified dysfunctional turnover, which is the most concern of management due to its negative impact on the organization's general performance, into avoidable turnover and unavoidable turnovers (Loquercio, David, Mark, Emmens& Ben, 2006)

Unavoidable voluntary turnover result from an employee's life decisions that extend beyond an employer's control such as a spouses decision to move to any a new area that requires a reallocation for the employee. However, recent studies show that approximately 80% of voluntary turnover are avoidable, and many of those are due to staffing mistakes. By investing in quality HRM recruiting, selection, training, and development programs companies can avoid many mistakes involving a poor match between the employee and the job.

### **2.2.3.2 Involuntary Turnover**

An involuntary turnover occurs when management decide to terminate its relationship with an employee due to

1. Economic necessity or
2. A poor fit between the employee and the organization.

Involuntary turnover is the result of very serious and painful decisions that can have a profound effect on the entire organization and especially on the employee who loses his or her job. Although managers apply the decision to dismiss an employee, the HR staffs make sure that the dismissed employee receives "due process" and that the dismissal is performed within the letter and the spirit of the company's employment policy. Cooperation and team work between managers and HR staff are essential to effective management of the dismissal process. HR staff can act as valuable advisors to managers in this arena by helping them avoid mistakes that can

lead to claims of wrongful discharges. They can also help protect employees whose rights are violated by managers. There are two types of involuntary turnover: Discharges and layoffs

There are two types of involuntary turnover:

### **1. Discharges**

A discharge takes place when management decides that there is a poor fit between an employee and the organization. The discharge is the result of either poor performance or the employee's failure to change some unacceptable behavior that management has tried repeatedly to correct. Sometimes employees engage in serious misconduct, such as theft or dishonesty, which may result in immediate termination. Managers who decide to discharge an employee must make sure they follow company's established discipline procedures (Gomez et al, 2001).

### **2. Layoffs**

A layoff differs from a discharge in several ways. In a layoff, employees lose their job because a change in the company's environment or strategy forces it to reduce its workforce. Global competition, reductions in product demand, change in technologies that reduce the need for workers and mergers and acquisitions are the primary factors behind most layoffs. In contrast, the actions of most discharged employees have usually been direct causes of their turnover. Layoff exist when three condition occurs

I. There is no work available at the time, and the employee is sent to home.

II. Management expects the no work situation to e temporary

III. Management inserts to recall the employee (Ivanecvich&Glueck, 1989)

### **2.3 Effect of Employee Turnover**

(Singh Chhabra and Taneja, 1994) explained that staff turnover is inevitable and is bound to exist in all industrial units even in those organizations where salary and working conditions are extremely attractive and satisfactory. However high staffs turnover is a serious problem and therefore should be treated carefully.

High staffs turnover adversely affect both employer and employees. The analyses made (Schultz, 2006) show the consequence of staff turnover. They conclude that employee turnover is costly for organizations. Every time an employee quits, a replacement must be recruited, selected, trained, and permitted time on the job to gain experience. These costs are not the only negative effect of turnover. Turnover has a tremendous effect on performance of the organization. Staff turnover can have a negative effect on an organization performance. It can lead to a loss of productivity, profitability, corporate knowledge, and skills and competencies. In addition, staff turnover is not just an issue for the organization experiencing staff turnover; it can also cause headaches for external organizations communicating with them. (Gomez et al, 2001) have stated that Employee turnover have negative as well as positive consequences in the organization. The negative consequences can be seen as costs to the organization while the positive consequences are considered as benefit to the organization.

**The negative consequences are:** Recruiting cost include advertising the job vacancy, campus visit, recruiters time search firm fees and etc; Selection costs: are costs associated with selecting, hiring and placing a new employee in the job which involve interviewing the job applicant, arranging meetings to make selection decisions, testing the employee and conducting reference checks to make sure the applicant's qualification are legitimate.

Training cost: include the costs associated with an orientation to the company's values and culture. Also direct training costs specifically, the cost of instruction, books, and materials for training courses. Finally, while new employees are being trained, they are not performing at the level of fully trained employees, some productivity is lost. These costs are enormous and when a highly trained employee resigns without justifying these huge training expenses, organizations stand to lose all the investments already made. Separation costs: The largest turnover cost involves compensation in terms of pay and benefits. Most companies provide severance pay for laid-off employees. Severance pay may add up to several months of salary for an experienced employee depending on their length of service.

Employers incur a cost if a position remains vacant and the work doesn't get done. The result may be deduction in output or quality of service to the firm's clients or customers. Regular customers may be dissatisfied with the slow service and go to different once with better service.

The common way of investigating employee's resignation is by conducting an exit interview which also is another cost to the organization. (Gomez et al, 2001) also has showed that turnover has some benefits. When turnover rates are too low, few new employees will be hired and opportunities for promotion are sharply curtailed. A persistently low turnover rate may have a negative effect on performance if the work force becomes complacent and fails to generate innovative ideas. A certain level of employee turnover is a good and necessarily part of doing business, and the benefits of employee turnover to the organization include the following: Reduced labor costs, Replacement of poor performance, Increase innovation and the opportunity for greater diversity.

### **2.3.1 Positive Effects of Turnover**

Employers actually encourage some turnover particularly involuntary turnover. Involuntary turnover is important to the organization in a different way: it refers to employees, who have been dismissed from the company, generally due to a failure on probation, poor performance or misconduct. It is extremely damaging to an organization to leave poor performing employees on the books, or fail to deal with misconduct appropriately and in a timely fashion. Inaction is not only detrimental to morale and work group relations, but could cost far more in terms of employer liability. Employers should distinguish between voluntary and involuntary turnover and monitor the separate percentages on a regular basis. If involuntary turnover is unusually low, there are probably some poor performers being allowed to slide by, and if it is extremely high, this could possibly indicate issues with the recruitment process, right candidates are not being selected or signify a change in management tolerance levels.

### **2.3.2 Negative Effects of Employee Turnover**

This negative effects of employee turnover are the first one is expensive this means employee turnover can be very costly for an organization, particularly if it is a voluntary resignation of human capital investment from the organization and the subsequent replacement process, second it result in the loss of experienced employees by building a culture that encourages knowledge transfer and succession for the growth and sustainability of an organization, third it affects productivity by performance can be negatively affected when there is high employee turnover and also leads to loss of experience and trained staff that know the policies and goals of the organization and their individual roles in achieving these goals and the fourth is it affects profits aside from the cost of replacing an employee other negative effects stated here and others not

discussed could combine to affect a firm's profit which ultimately affects the overall profit of the firm and revenue will almost certainly reduce profit.

#### **2.3.2.1 Effects of Staff Turnover**

The net result is an improvement in productivity as poorer employees quit, leaving a higher proportion of good performers to enhance organizational effectiveness. They also note that high turnover gives employers more opportunity to promote and develop valued staffs and reduces the need to make costly redundancy when there is a downturn in bank. High turnover is probably least worrying in industries employing people in relatively low skilled occupation that nevertheless required high levels of customer service. Despite these points it is safe to conclude that for most banks in turnover more valuable the employees when they move on to work for a competitor. These include productivity losses, impaired quality service, lost business opportunities, an increased administrative burden and employee demoralization.

#### **2.3.2.2. Effects on Employers**

- Direct recruitment costs (advertising, use of agents etc.)
- Recruitment administration (responding to enquires and sending out application forms)
- Selection costs (checking references)
- Development costs (training the new employee using formal and informal development, induction training)
- Administrative costs (payroll arrangement, calculations of holiday entitlements, pension transfers, conducting exit interview)
- The market reputation of the employer is adversely affected due to high staffs turnover. Turnover may not be able to meet customer order and expectations on timely manner. (Stephen, 2004) CIPD

### **2.3.2.3 Effects on Workers**

- Due to shifting of employment, a worker has to sacrifice the benefits of his previous services. Such benefits include pension, provident fund, yearly increment, leave and so on. All benefits go once workers give up his stable job.
- A worker develops special skills and ability due to long and continuous service in industry.
- The worker may not be able to adjust on a new job in a new organization.
- The work environment changes when a worker shifts from one unit to another. (Stephen, 2004) CIPD

### **2.4 Reasons for Employee Turnover**

There are many reasons that cause employees to leave their organization. According to (Redman and Wilkinson, 2006), better pay and prospects, personal reasons, career-related issues, company-related issues, market factor, job-related issues are the main reasons for employees to leave their organization. As (Shukla and Dr Sinha, 2013) stated relationship between employees and management or the nature of the management is also another reason for most employees to quit. A poor relationship with the management can be an important reason for the employees to leave their jobs. It is relatively rare for people to leave jobs in which they are happy even offered by higher salary elsewhere (Shamsuzzoha & Sumon, 2010) cited by Shukla and Dr Sinha. Employer-employee relationship plays a vital role on turnover.

According to (Sherratt, 2000) employees voluntarily resign their employment in an organization for various reasons which can be either the pull or push factors and sometimes, it can also be the mixture of both the pull and push factors. The pull factors include the attraction of a new job especially in a growing economy. In such cases, it is the availability of alternative jobs that attracts an employee to withdraw from a particular organization while the push factor may be dissatisfaction with the present job that motivates an employee to seek alternative employment elsewhere. Job satisfaction is the attitude of employees towards his/her job. Job satisfaction is a major factor to analyze performance of an individual towards his work.



Satisfied workers are productive workers who contribute towards building an appropriate work culture in an organization and have low level of turnover. An analysis of the reasons for leaving derived from exit interviews will also provide useful information on which to base retention plans. Exit interviews aim to establish why people are leaving, not to persuade them to stay. The reasons for leaving can be more pay, better prospects (career move), more security, more opportunity to develop skills, better working conditions; poor relationships with manager/team leader; poor relationship with colleagues; bullying or harassment; personal – pregnancy, illness, moving away from area etc. Sound HR practices are also associated with lower turnover and increased productivity (Mathis & Jackson, 2001). (Abdali, 2011) has clearly showed some of the major reasons to why most employees leave. Some of them are:

**1) Demographic and Personal Characteristics of an employee:** The demographic and personnel characteristics of an employee may be reason of leaving from the organization. These characteristics are age, gender, qualification, marital status, experience and tenure. Different researches proved different demographic characteristics for reason of leaving. Kinship association and number of children improved turnover while the number of relatives in the community increase organizational exits. Older employees who have long stay in the company depart unusually than younger and short tenure employees.

**2) Job Satisfaction:** employees having job dissatisfaction leave their current employer more easily. The relation between job satisfaction and employee turnover is reciprocal to each other and this relationship is high when unemployment rate is low in the society and similarly low when unemployment rate is high.

**3) Organization and Work Environment:** The organization and work environment can be a combination of a lot of factors like compensation, disruptive justice or equity, leadership and supervision, peer-group relation, role states, company climate and promotion. This all have are somehow related to why most employees leave.

**4) Job Content:** the content of the job can lead an employee to quit. Job content includes job scope which is the density and challenges of the job contents and this depend upon strength of growth need; it's a repetitiveness of a job, professionalism which is related to bureaucratic

involvement in the organization conflict with professional standards and ethical codes, deteriorating people's commitment to an organizational and job stress.

## **5) Reward and Salary**

This plays an important role to retain employees. Researchers believed that displeasure with salary and pay robustly motivate employee cited by Abdali. The lack of different compensation packages like fringe benefits and incentive pay definitely create an impact on retaining employee or departing from the organization.

These were not the only reasons why employees leave. ASAE, the center for association leadership, has reasoned out other reasons for turnover in many organizations. These reasons may be related to the work environment or personal reasons. Some of them are:

- When the job or work place is not as expected. Many workers have unrealistic expectation about the job or work place or in some cases are deliberately mislead during the interviewing process. The problem usually starts with managers hiring in such a big hurry that they don't take the time to give a realistic preview of the job.
- There is a miss much between the job and the person every CEO (chief executive officer) should know by now that getting the right people on the bus and into the right seats is a prerequisite for business success. Some of the reasons miss much is:
  1. The need to hire quickly
  2. Managers think that the skills that make people eligible for the job are more important than the talent that makes them suitable for the job
  3. Managers think that anyone can do the low-level jobs well and by doing so; they disrespect the excellence it takes to keep customers coming back
  4. Managers wrongly think that training transform the wrong people to the right people

There is too little coaching and feedback lots of company's talk about their managers aren't better coaches.

- There are too few growth and advancement opportunities
- Workers feel devaluated and unrecognized by inequality of pay for similar work, not being acknowledged for a job well done, being treated with disrespect, having their references regarded as negative rather than prized, not receiving the right resources and having to work in an acceptable physical work environment are few.
- Workers suffer from stresses due too over workload and work-life in balanced “doing more with less”.
- There is a loss of trust and confidence in senior's leaders

### **2.5 The Main reasons that people leave their existing jobs**

- The induction crisis – inadequate recruitment, poor induction, and being lied to or misled about the job or other aspects of working in the company can lead people to resign very soon after starting work.
- The attraction of a new job at the same or a similar level – some aspect of a new job may simply be more attractive than the existing job.
- Even doing the same job for the same reward but in a different organization

And with different colleagues can seem attractive at times.

- Promotion or career development opportunities being provided by another organization that is not available with the current employer.
- The lack of training or career development opportunities within the current organization.
- The prospects of higher pay or a superior benefit package (more holidays, a bonus, etc.).
- Dissatisfaction with some aspect of the existing job, colleagues, management, or organization.
- Exit interviews although widespread can be notoriously unreliable for many reasons often only partially truth.
- The existence of poor, ineffective, or aggressive management style or policies, procedures, and practices.

- Personality clashes or interpersonal conflicts with colleagues and co-workers.
- The Creation of expectations during recruitment that are not delivered creating resentment and a feeling of being cheated, misled, or lied to.
- The existence of poor working relationships with colleagues, subordinates, or managers.
- The existence of poor or ineffective HR policies, procedures, and practices.
- Employees continually assessing the organization's direction and future prospects in order to judge how they fit into that predicted future.
- Personal reasons including family commitments, changes in circumstances and relocation.
- Following the offer of early retirement, or when other entitlements.
- In health which can result in an individual having to leave their current job or employer.
- Death in service.
- Dismissal for reasons associated with conduct, capability, or legal bar.
- Dismissal for redundancy.
- Dismissal for some other reason (fairly or unfairly) and potentially subject to a Compromise Agreement or an Employment Tribunal claim. (John Martin,2010)

## **2.6 Measuring Turnover**

Employee turnover rates can serve as a useful management tool. Their interpretation, however, requires a great deal of care. Low turnover can signal good employee-employer relations or stagnation. High turnover can mean costly loss of experienced personnel or the introduction of needed fresh talent and new ideas. Increases and decreases in turnover rates can indicate changes in labor market conditions and employee reaction to alterations in working conditions, management practices, and compensation policy. Turnover rates are generally expressed as a percentage for a specified period of time. Like any other percentage, turnover rates are a function of what goes into the numerator and denominator CIPD (2006).

## **2.7 Methods to Minimize Employee Turnover**

For many years the HR staff was there to provide advice and assistance and have used different techniques as needed to reduce turnover. Many organizations conduct exit interviews with employees who are voluntarily leaving. These interviews provide important information for

changing HR and retention policies and practices to decrease employee turnover and improve organization performance. (Phillips, 1945)

Retention could be improved by many factors like better recruitment effort, selecting right man for the right job, continuous review of job specifications and job descriptions, compensation practices, leadership and supervision, career planning and development, working condition, team building, centralization, organization communication and commitment, counseling leavers, flexible working hours, employee participation, turnover policies and appreciations (Mobley, 1982).

During the recruiting process, the job should be outlined and a realistic preview of the job presented, so that the reality of the job matches the expectations of the new employee. A good way to eliminate voluntary turnover is to improve selection and to better match applicants to jobs. Good employee orientation also helps to reduce turnover, because employees who are properly inducted into the company and are well-trained tend to be less likely to leave, a fair and equitable Compensation system can help prevent turnover, inadequate rewards may lead to voluntary turnover, Career planning and internal promotion can help an organization keep employees, because if individuals believe they have no opportunities for career advancement, they may leave the organization. (Mathis & Jackson, 2001)

It is clear that the general features of any potential HR program contribute to good retention. Most of these are directly related to creating a satisfactory work environment for employees and thus, in turn, to good retention. A stimulating work environment that makes effective use of people's skills and knowledge, allow them a degree of autonomy on the job, provides an avenue for them to contribute ideas, and allow them to see how their own contribution influence the company's well-being.

- Opportunities for learning and skills development and consequent advancements in job responsibilities.
- Effective communications, including channels for open, two-way communication, employee participation in decisions that affect them, an understanding of what is

happening in the organization and an understanding of the employer's main business concerns.

- Good compensation and adequate, flexible benefit plans.
- Recognition on the part of the employer that employees need to strike a good balance between their lives at work and outside of work.
- Respect and support from peers and supervisors.

Even though some turnover is inevitable, organizations must take steps to control turnover, particularly that caused by organizational factors such as poor supervision, inadequate training, and inconsistent policies. HR activities should be examined as part of the turnover control efforts. (Invancevich & Glueck, 1989)

## **2.8 Factors that affect performance**

Important factors that affect the performance of an individual in the workplace are goal clarity, repertoire, and knowledge of structures, feedback, mental models, motivation and environment. In the other hand there are factors that affect employee performance in an organization.

### **2.8.1. Job fit**

Employees must be qualified to perform a job in order to meet expectations; the best fit for a job is identified by skills, knowledge and attitude towards the work. If an employee is in the wrong job for any of these reasons, results will suffer.

### **2.8.2. Technical Training**

Employees can bring skill to a position but there are likely to be internal, company- or industry-specific activities that will require additional training. If a process requires a new software package it's unrealistic to expect employees to just figure it out, they should receive adequate training.

### **2.8.3. Clear Goals and Expectation**

When everyone understands the targets and expected outcomes, it is easier to take steps to get there and measures performance along the way. Organizations without clear goals are more likely to spend time on tasks that do not impact results.

#### **2.8.4. Tools and Equipment**

Just as a driver needs a vehicle in operating condition, employees must have the tools and equipment necessary for their specific jobs. This includes physical tools, supplies, software and information. Outdated equipment or none at all, has a detrimental effect on the bottom line.

#### **2.8.5. Morale and Company Culture**

Morale and company culture are both difficult to define but employees will be able to report when they are poor or positive. Poor morale exists when there is significant whining, complaining and people just don't want to come to work. On the positive end, the workplace is energized by a sense of purpose and teams that genuinely want to work together.

### **2.9 Controlling Mechanisms of turn over**

Avoidable turnover can be controlled in a number of ways. Some of these are as follows

- Hire the right people in the organization
- Fire people who don't fit
- Encourage generosity and gratitude
- Recognize and reward employees
- Prioritize employee happiness
- Regularly monitor employee turnover in your organization
- Improve your hiring practice
- Provide realistic job premium
- Orient new employees properly and give them the support they need
- Make sure your training programs are effective
- Evaluate employees consistently and fairly 'Improve selection and to better applicants to see jobs to avoid voluntary turnover'
- Bonus helps to retain employees from leaving the organizations
- Internal promotion can help an organization keep employees because individuals believe they have opportunities for carried advancement to stay in the organizations (Mitchell, 2002).

## **2.10 Organizational Performance**

Organizations have an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Thus, many economists consider organizations and institutions similar to an engine in determining the economic, social and political progress. Organization performance can be measured using indicators in efficiency, effectiveness, relevance to stakeholders and financial viability. The article by (Mitchell, 2002), showed that how human resource has created strategic worth in organization performance.

(Richard, Devinney, Yip. And Johnson, 2009) has showed that organizational performance encompasses three specific areas of firm outcomes: (1) financial performance (profits, return on assets, return on investment, etc.); (2) market performance (sales, market share, etc.); and (3) shareholder return (total shareholder return, economic value added and profit). Profit is one of the common means of measuring organizations performance. We can say that an organization is successful by the level of profit it makes every year. To gain the expected level of profit the organization should give attention for each and every resource it has. Organization performance is affected by a number of factors like job satisfaction, motivation and turnover.

There are a numerous factors that affect the performance in the working area. According to some researchers and practitioners, the factors that may affect the performance of employees at work place are the exclusive nature and function of job satisfaction change, or systematic development or weakening in job satisfaction over spell. It was concluded that turnover negatively affected by job satisfaction and performance at the same time. The higher the level of satisfaction; the lower the turnover rate is (Saeed, Mussawar Lodhi, Iqbal, Nayab, and Yaseen, 2013).

There were so many ways to evaluate employee work performance. According to (Rowold, 2011) high performance work system and practices have need identified as playing a key role in the achievement of business goals and improved organizational effectiveness. Performance can be demarcated as firm's capacity on achieving set objectives in an efficient and effective manner with evenness without looking resolution from analysis.



### **2.11 Methods to Minimize Employee Turnover**

For many years the HR staff was there to provide advice and assistance and have used different techniques as needed to reduce turnover. Many organizations conduct exit interviews with employees who are voluntarily leaving. These interviews provide important information for changing HR and retention policies and practices to decrease employee turnover and improve organization performance. (Phillips, 1945)

Retention could be improved by many factors like better recruitment effort, selecting right man for the right job, continuous review of job specifications and job descriptions, compensation practices, leadership and supervision, career planning and development, working condition, team building, centralization, organization communication and commitment, counseling leavers, flexible working hours, employee participation, turnover policies and appreciations (Mobley, 1982).

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It is clear that the general features of any potential HR program contribute to good retention. Most of these are directly related to creating a satisfactory work environment for employees and thus, in turn, to good retention. A stimulating work environment that makes effective use of people's skills and knowledge, allow them a degree of autonomy on the job, provides an avenue for them to contribute ideas, and allow them to see how their own contribution influence the company's well-being.

- Opportunities for learning and skills development and consequent advancements in job responsibilities.

- Effective communications, including channels for open, two-way communication, employee participation in decisions that affect them, an understanding of what is happening in the organization and an understanding of the employer's main business concerns.
- Good compensation and adequate, flexible benefit plans.
- Recognition on the part of the employer that employees need to strike a good balance between their lives at work and outside of work.
- Respect and support from peers and supervisors.

Even though some turnover is inevitable, organizations must take steps to control turnover, particularly that caused by organizational factors such as poor supervision, inadequate training, and inconsistent policies. HR activities should be examined as part of the turnover control efforts. (In Vancevich & Glueck, 1989)

## **II. Empirical Literature**

There are a number of negative consequences in an organization if turnover is frequent and have high rate. These costs of the organization are not only direct or indirect costs in terms of recruitment and training but also in terms of work disruption, customer service delay and demoralization of the remaining employees is a major expense for the organization.

Different researchers have showed the adverse relationship between turnover and performance. The notion that turnover decreases the organizational performance was supported by the most of researchers (Rehman, 2012). Also (Mobley, 1982) suggested that turnover interrupt job performance when an employee who planned to quit become inefficient. As to the study made by (Glebbeck & Bax, 2004) has showed that there is a negative relationship between turnover and performance.

As to the reason to why most employees leave, a study made on the banking industry by (Shukla & Sinha, 2013) has indicated that the prime factors for employee to leave were job satisfaction and work environment. The high significance level for both variables show that, whether there is a salary compensation or not, employees have a gigantic desire to opt for new ventures in need of

better work environment and job satisfaction. Another study made by (Butaliet al, 2013) has clearly showed that staff turnover creates gaps in an organization's establishment. When one staff leaves the organization, all the work that is supposed to be done by that staff is either shared or transferred to the remaining staff. In most cases, where the organization has a lean staff, the work usually becomes overburdening to the remaining staff proxy. This study shows that staff turnover negatively affects customer satisfaction. Whenever staffs leave an organization, services rendered to customers are interfered with. Customers are not attended to in time due to shortage of staff.

A study made by (Dr.Dwomoh & Korankye, 2012) on "The effect of employee turnover on performance of in the banking industry" point towards that labor turnover has a major effect on performance of banks in terms of increase in customer complaints. It was indicated that, when employees leave and join other organizations, it takes time for their banks to recruit new ones and it is not always organizations get the recruitment and the selection process right. Even when organizations get them right, when new employees are employed, it takes time for them to acquaint themselves with the core values, processes, procedures and technology adopted by the banks. At the same time as they are in the process of learning, they render services to the dissatisfaction of customers in terms of mistakes. They are also not able to render the services as fast as customers may expect and this makes the customer to complain a lot as services rendered do not meet expectation. A Meta-Analysis made by (Cotton and Tuttle, 1986) have clearly showed that overall job satisfaction, satisfaction with the work itself, pay satisfaction, satisfaction with supervision, and organizational commitment also produce highly significant meta-analyses, indicating that these are negatively related to turnover. And finally the study will concluded that Performance was found to be negatively related to turnover.

## **2.12 Conceptual Framework of the Study**

The conceptual frame work of the study shows that organization performance is a dependent variable and employee turnover the independent variable of the study.

Demographic characteristics, job Satisfaction, organization and work environment, salary and reward and job content these elements lead to employee turnover to organizational performance. We can see the relationship of the above factors which affect the level of turnover in the workplace and this turnover affects organizational performances. The different factors that affect

the level of turnover in the workplace will be in demographic characteristics; Job satisfaction; organization and work environment; salary and reward and job content. These factors will have a significant relationship with the rate of turnover and are the most common reasons to why employees leave. Because of these factors most organizations face a high level of turnover that affects their performance in different ways.

Figure 1 Conceptual Framework



According to the above fig we can see the relationship of the above factors which affect the level of turnover in the workplace and this turnover has a direct effect on organizations performances. The different factors that affect the level of turnover in the workplace are demographic characteristics; Job satisfaction: Organization and work environment; salary and reward and Job content. These factors have a significant relationship with the rate of turnover and are the most common reasons to why employees leave. Because of these factors most organizations face a high level of turnover that affects their performances in different ways.

### **Research Hypothesis**

H1: *There is a positive relationship between Employee turnover and Organizational performance in Wegagen bank*

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter presents the research methodology applied for the study. It includes study research approach, design, and data collection instrument, procedures of data collection, sample size and sampling techniques, data analysis techniques and ethical considerations. Most studies on research methodology are that the selection of methodology that will be based on the research problem and stated research question. Research methodology tries to comprise the theoretical analysis of the body of methods and principles associated with a branch of knowledge and depending on their historical development. Conducting any type of research should be governed by a well-defined research methodology based on scientific principles.

#### **3.1. Research Approach**

Research approach is selected by researchers based on the research purpose. There are three basic types of research approaches namely mixed, quantitative and qualitative approach. Mixed methods research is an approach to inquiry that combines or associates both qualitative and quantitative forms. A mixed methods design is useful when either the quantitative or qualitative approach by itself is inadequate to best understand a research problem or the strengths of both quantitative and qualitative research can provide the best understanding. Quantitative research approach uses statically methods in describing patterns of behavior and generalizing findings from samples to population of interest, and employs strategies of inquiry. Qualitative research approach tend to use open ended questions so that participants can express their views and meanings are constructed by human beings as they engage with the world they are interpreting (Creswell, 2003). In this study only quantitative research approach was used.

#### **3.2. Research design**

There are three types of research design depending on the problem and nature of the research studies. Exploratory research design is dealing with unknown problem, descriptive research design describing the situation and explanatory research design new ideas and thoughts that need further explore their theories.

The research design helps the researcher to obtain relevant data to fulfill the objectives of the study. This study used a descriptive quantitative research design and it also discusses the statistical tools and necessary diagnostic tests within the regression that was in this study. This is because descriptive studies are concerned with specific predictions, narrations of facts and characteristics concerning individuals, groups or situations. In addition, the statistical analysis was useful to show the significant determinants of bank performance. Therefore, this study adhered to the explanatory and statistical research design.

### **3.3. Source of Data**

This study was primarily based on primary data sources. A structured questionnaire used to collect the data. The questionnaire includes details on employee turnover and other factors that affect the performances of banks. Therefore, the data was collected primarily from first hand sources questionnaires.

### **3.4. Population, Sample size and Sampling Techniques**

The population of the study was the total employees in the Wegagen bank. According to the annual report of the bank the total number of employees in 383 branches is 4907 Thus, the researcher selects 370 respondents based on (Yamane Taro, 1967) statistical formula.

The Yamane Taro formula is:

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = sample size

N = Total population

e = error of margin

1 = constant

$$n = \frac{N}{1 + N(e)^2}$$

Thus,  $4907 / [1 + 4907(0.05)^2]$

$$= \underline{\underline{370}}$$

10 branches were selected from the total 383 branches of the bank using convenience and snowball sampling methods. Then, 370 respondents were taken from this 10 branches using probability (simple random) sampling technique from places where the bank exists.

### **3.5. Measurement Instrument**

Different researchers have used different types of measurement instruments which are relevant to their study. The researcher has used questionnaires which were close-ended questions to gather relevant data to the study. The questionnaires of this research are adopted from (Abdali, 2011) and (National Center of Social Research, 2004) and were modified according to the specific title of the research. In addition to this the researcher has added some relevant questions which are important to achieve the objective of the research.

### **3.6. Data Analysis Technique**

#### **A) Descriptive Analysis**

The study used descriptive analysis tools to obtain information about the relationship between performances of bank and turnover of employees by using mean, median, mode, deviation from the mean, variation, percentage.

#### **B) Regression Analysis**

In order to determine the relationship between performances of banks and turnover of employees, the researcher used linear regression analysis to analyze the data processed via STATA Version 14 statistical package. It is an econometric model which seeks to explain the variation in the values of the dependent variable on the basis of changes in the independent variables. The assumption is that, the dependent variable is a linear function of the independent variables.

### **3.7. Reliability**

Reliability is the extent to which a measurement procedure yields the same answer however and whenever it is carried out. Reliability was invented by Samuel Taylor Coleridge. To ensure the reliability of the instrument in this case of study and the researcher has tested the reliability using Cronbach's Alpha ( $\alpha$ ). Cronbach's Coefficient ( $\alpha$ ) is calculated to estimate the internal consistency of reliability of a measurement scale. Cronbach's Coefficient is a reasonable

indicator of the internal consistency of instruments that do not have right or wrong marking schemes, thus it is used for questionnaires scales such as rating (Black & Leslie, 1999). Cronbach's alpha coefficients should fall within a range of 0.70 to 1.00. (Sun, Chou, Stacy, Ma, Unger and Gallaher, 2007)

Cronbach's alpha coefficients are calculated to estimate the reliability of the employee turnover and organizational performances instruments of this research. The variable coefficients less than 0.6 are considered poor, coefficients greater than 0.6 but less than 0.8 are considered acceptable and coefficients greater than 0.8 are considered good. This is concluded from the result of reliability. (Kirk and Miller, 1986).

Table 1 Cronbach's alpha reliability coefficients

No	Variable name	Reliability Statistics			
		Item-test correlation	Item-rest correlation	Average Interim covariance	Alpha
1.	Demographic characteristics	0.1236	-0.0315	.1967437	0.7599
2.	Job satisfaction	0.7562	0.5762	.1079455	0.6411
3.	Organizational & work environment	0.8792	0.7245	.0742058	0.5915
4.	Salary and reward	0.5499	0.3562	.147232	0.7015
5.	Job content	0.1324	-0.0075	.1943471	0.7531
6.	Organizational performance	0.7040	0.5849	.131735	0.6542
7.	Employee turnover	0.9878	0.9833	.1162449	0.6038
	Overall			.1383505	0.7169



### **3.8. Validity**

“Validity refers to the extent to which a test measures what we actually wish to measure” (Kothari, 2004). Validity is the strength of our conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement. It is believed that validity is more important than reliability because if an instrument does not accurately measure what it is supposed to, there is no reason to use it even if it measures consistently. To check the validity the initial questionnaire has been given to a group of referees to judge its validity according to its content, clearness of its meaning, appropriateness to avoid any misunderstanding and to assure its linkage with the study objectives.

First, the researcher examine that the underling theory of the study has a strong conceptual basis and be based on well-validated constructs. Consulting subject matter experts in the area like research advisor and course instructors and Feedback collected from the selected friends by the sample of questionnaire distributed to check the validity.

In this research content, the research was questionnaires that their validity is checked and modified according to the specific topic. Prior to the actual data collection, pilot test was tried to conduct by distributing sample questionnaires to 20 respondents in the bank.

### **3.9. Ethical Considerations**

While conducting the study, ethical issues will be mainly considered. Before the data collection process all the necessary information about the study like who is conducting the study and for what purpose is the study conducted and other necessary information that respondents like to know will be needed to provide so that it can help them to decide whether to participate or not in this study. There is also a notified participation in the study which will be on voluntary and also that they will have the freedom to withdraw from the study at any time without any unfavorable consequences, and they are not harmed as a result of their participation or non-participation in the study. They are also guarantee for their anonymity and confidentiality of their response.

### **3.10. Model specification**

Our aim is to calculate the effect of turnover on the performance of Wegagen bank. In order to understand the effect of turnover on the performance of Wegagen bank, we used the following regression model to test the hypothesis:

$$Y = a_0 + a_1 X_1 + X \lambda + U$$

Where,  $X_1$  is total turnover

Y- Performance of the bank

U- Random disturbance term

$a_1$  - the coefficient of total turnover

$\lambda$  - The coefficient of all other independent variables

X- The vector of independent variables including: -

### Specification Test

Before proceeding to the regression analysis, some tests were conducted so as to check whether the data and the model fit with classical linear regression model (CLRM) assumptions. Therefore, to ensure that the data used in the model estimation is appropriate, normality, multicollinearity, heteroskedasticity and autocorrelation tests were conducted.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

The first section presents descriptive statistics of variables used in the model then the second section reports the outcome of diagnostic tests conducted. The third section discusses findings from the estimated model.

#### **4.1 DESCRIPTIVE ANALYSIS**

##### **4.1.1. Demographic Characteristics of Survey Respondents**

The data were collected using five point Likert scale which is non-parametric in nature was converted in to parametric one by computing the sum and taking the average of each variable. As previously indicated in chapter three a sample of 370 employees was targeted from a population 4970. A total result of employees 300 (81%) questionnaires were completed and returned.

As it is shown in table1 below 64% of the employees are below age 40 and the majorities are in the age group of 30-39 and only 11% is above the age of 50. These represents that the majority of the employees are in the active, energetic and productive groups which is good if the bank can properly utilize this productive workforce group. The proportion of employees' single marital status is 73% and married employee representing 27% of respondents. Family responsibility is a factor that may affect turnover as they are predisposed to leave their job for better pays and benefits to support their families and on the other hand family responsibility may also be related to job security so they may even stay at their job placement avoiding disturbance of turnover. Male respondents are 42% and female respondents are 58% that is female employees are greater than male with 16% and the gap is not as such significant. This shows that the bank provides relatively equal job opportunity for male and female which is good.

About 37% of respondents have work experience in Wegagen bank for more than 5 years and the remaining 63% of the respondents have worked for less than 5years. All of the interviewed employees are having the educational level above first degree. Among which the majorities 55% are first degree holders, 45% are Master's Degree holder. These data represent that the company is run by the educated work groups but it is believed that the educated work groups are the threat for turnover in competitive business industry. The educated employees have good level of perception to an event before making decision so they are likely to be linked to turnover.

Table 2 Demographic characteristics of survey respondents

<b>Variable</b>		<b>Frequency</b>	<b>Percent</b>
Sex	Male	126	42.00
	Female	174	58.00
Age	20-30	36	12.00
	31-40	156	52.00
	41-50	75	25.00
	greater than 50	33	11.00
Marital status	Single	219	73.00
	married	81	27.00
Educational Background	1st degree	165	55.00
	masters	135	45.0
Year of Experience	1-5 years	189	63.00
	5-10 years	78	26.00
	Greater than 10	33	11.00
Salary (in birr)	2500-5000	18	6.00
	5001-7500	84	28.00
	7501-10000	90	30.00
	Greater than 10000	108	36.00
Source: Own survey, STATA 14			

#### 4.1.2. Descriptive statistics for Employee Turnover

Table 3 Descriptive statistic summary of Turnover and its Implication to Performance

Variable	N	Mean	Std. deviation
Turnover	300	3.28	.342
Organizational Performance	300	3.46	.792

Source: Own survey, STATA 14

From Table above, we may infer that the response obtained from employees indicates that the majority of respondents were admitted the existence of turnover with and its influence on organizational performance as the mean scores 3.2.

On the other hand, the degree of dispersion among the responses given to turnover is 0.342 which indicates that there exists an agreement as far as the existence of turnover is concerned. Whereas the degree of dispersion seems relatively higher in case of organizational performance which indicates the differences in perception and ratings as to how turnover influences performance i.e. 0.792.in other words, as there would be a lot more other factors that might influence organizational performance, it is no wonder if the employees rated the challenge caused by turnover differently.

#### 4.1.3. Demographic and personal characteristics

Table 4 Demographic and personal characteristics

No	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Female employees are more loyal than men; they don't quit their job as men do.	19%	65%	6%	10%	0.00%
2	A turnover intention of younger employees is higher than older employees in the organization.	67%	33%	0.00%	0.00%	0.00%
3	Turnover intention of high level income employees are higher than low level income employees	48%	44%	0.00	8%	0.00%

Source: Own survey, STATA 14

As per the table 4 above, 19 % and 65 % of the respondents were strongly agree and agree on the statement that Female employees are more loyal than men but 6 %, and 10 % of the respondents were neutral and agreed. Regarding to the statement, a turnover intention of younger employees is higher than older employees, majority of the respondents (67 %) were strongly agree and 33 % of the respondents were agreed.

Based on the above table, majority of the respondents were strongly agree on the statement, turnover intention of high level income employees are higher than low level income employees(48 %) and 44% of the respondents were agreed but 8 % of the respondents were neutral.

#### 4.1.4. Job Satisfaction

Table 5 Job satisfaction

No	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	working in the organization gives comfort	0.00	36	18	33	13
2	I feel the job fits me	6	23	2	60	9
3	I am satisfied with my Job	7	16	17	48	12
4	I am dissatisfied with my job	13	28	19	16	24

Source: Own survey, STATA 14

Based on table 5 above, majority of the respondents were agree on the statement, Change in material prices/price escalation (46.81 %), Low productivity and efficiency of construction equipment (40.43 % ), Absence quantity and quality of labors (46.81 % ), Low working permit of labors (46.45 %), Lack of high technology mechanical equipment ( 53.19 %) and inefficient use of equipment (40.07 %).

#### 4.1.5. Organization and work environment

Table 6 Organization and work environment

No	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	I like the working condition of my organization.	23	7	13	55	2
2	The coordination between managers or supervisors with their subordinates creates an impact on employee turnover.	29	27	0.00	15	29
3	There is a good relationship between the workers and the management in the bank.	31	18	5	39	7
4	I receive new training which are related with my work	5	17	15	33	30
5	working in the organization gives comfort	11	3	34	19	33

Source: Own survey, STATA 14

Based on table 6, 55 % and 2 % of the respondents were disagreed and strongly disagreed on the statement; I like the working condition of my organization. But the remaining 23 % and 7 % of the respondents were strongly agreed and agreed respectively and 13% of the respondents were neutral. Regarding to the statement, the coordination between managers with their subordinates creates an impact on employee turnover, 27 % and 29 % of the respondents were agreed and strongly agreed but 15 % and 29 % of were disagreed and strongly disagreed respectively.

Based on the above table, 18 % and 31 % of the respondents were agreed and strongly agreed on the statement, there is a good relationship between the workers and the management in the bank. But 39 % and 7 % of the respondents were disagreed and strongly disagreed respectively and 5% of the respondents were neutral. On the statement that receiving new training related with their work, 17 % and 5% of the respondents were agreed and disagreed respectively and 33 % and 30% of the respondents were disagreed and strongly disagreed. But most of the respondents (34%) were neutral.

#### 4.1.6. Salary and Reward

Based on table 7 below, 15 % and 82 % of the respondents were agreed and strongly agreed on the statement, receiving any reward makes motivation butte remaining 3% of the respondents were neutral. Regarding to the statement, the performance bonus structure fairly rewards their effort , 20% and 6 % of the respondents were agreed and strongly agreed but 43 % and 31 %of the respondents were disagree and strongly disagree respectively.

Table 7 Salary and Reward

No	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Receiving any reward makes motivation	82	15	3	0.00	0.00
2	I feel that the performance bonus structure fairly rewards my effort	6	20	0.00	43	31
3	The salary of the bank is good according to the work you are performing.	11	3	8	53	25
4	Most employees leave their organization because of low salary in search of better salary	27	41	7	25	0.00

Source: Own survey, STATA 14

Based on Table 7 above 11 % of the respondents were agreed and strongly agreed on the statement, the salary of the bank is good and 53 % and 25 % of the respondents were disagreed and strongly disagreed respectively. But 8% of the respondents were neutral. On the statement that most employees leave their organization because of low salary in search of better salary, 41 % and 27 % of the respondents were agreed and strongly agreed respectively but 25 % and 7 % of the respondents were disagreed and neutral. Therefore, based on the above discussion it can be concluded that most of the employees were leave the organization because of low salary and reward.

#### 4.1.7. Job content

Based on table 8 above, 63 % and 22 % of the respondents were agreed and strongly agreed on the statement, the job that I do consists of a more routine task which is tired some and tedious. But the remaining 15 % of the respondents were disagreed. Regarding to the statement,



Employees who are involving in routine work were most likely to quit their job, 32 % and 11 % of the respondents were agreed and strongly agreed but 22 % and 21% of the respondents were disagreed and strongly disagreed respectively. The remaining 14% of the respondents were neutral.

Table 8 Job content

No	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The job that I do consists of a more routine task which is tired some and tedious.	22	63	0.00	15	0.00
2	Employees who are involving in routine work were most likely to quit their job.	11	32	14	22	21
3	You agree that insufficient challenges in a job make you think for changing the company?	30	46	24	0.00	0.00
4	HR department provide career counseling on your job progression	12	54	7	24	3

Source: Own survey, STATA 14

As per Table 8 above, 46 % and 30 % of the respondents were agreed and strongly agreed on the statement, you agree that insufficient challenges in a job make you think for changing the company. But the remaining 24 % the respondents were neutral. Regarding to the statement, HR department provide career counseling on your job progression, 54 % (majority) and 12 % of the respondents were agreed and strongly agreed but 24 % and 3 % were disagree and strongly disagree.

Therefore, based on the forgoing discussion it can be concluded that most of the respondents believe that the job they do consists of a more routine task which is tired some and tedious and because of this most employees quite their job.

## 4.2 Correlation Analysis

Here, the inferential statistical method specifically Pearson Correlation Coefficient is used so as to assess the existence of correlation and its level of statistical significance between turnover and organizational performance. In the table 9 below, the analysis of their correlation and the coefficients calculated for each variable and its respective level of significance

Table 9 Pearson correlation between employee turnover and organizational performance

Employee Turnover	Organizational Performance	
Employee Turnover	1	
Organizational Performance	-0.76**	1

---

Source: Own survey      \*\*\*. Correlation is significant at the 0.01 level (2-tailed)

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

                                 \* . Correlation is significant at the 0.1 level (2-tailed)

From Table, the correlation analysis shows employee turnover had significant negative correlation with organizational performance ( $r = -0.76$ ) which are statistically significant at 95% confidence level. This indicates that these two variables are strongly related since  $r$  (Pearson Correlation) is so close to 1 and are also negatively related meaning when the level of turnover increases, the performance decreases at the same time.

## 4.3 Regression Results and Discussions

Regression analysis is a statistical measurement used for estimating the relationships among the dependent and independent variables. It enables to determine the strength of the relationship between variables and the predictive power of the independent variables on the dependent variable. In short, regression helps a researcher understand to what extent the change of the value of the dependent variable causes the change in the value of the independent variables, while other independent variables are held unchanged. Regression analysis is a way of statistically sorting out the variables that have indeed an impact. While there are many types of regression analysis, at their core they all examine the influence of one or more independent variables on a variable

After conducting various diagnosis tests presented in the next section estimation technique that produce consistent and unbiased results are selected.

### **Regression Diagnostics Test Results**

To ensure that the data used in the model estimation is appropriate, Multicollinearity, autocorrelation, heteroskedasticity and normality tests are conducted.

#### **4.3.1. Test for Heteroskedasticity**

The concept of **heteroskedasticity**- the opposite being **homoscedasticity**, describe the case where the variance of errors or the model is not the same for all observations, while often one of the basic assumptions in modeling is that the variances are homogeneous and that the errors of the model are identically distributed (Wooldridge, 2004). As shown below, the value was statistically insignificant at a 5 percent level of significance and hence the null hypothesis of constant variance was strictly accepted or did not have the problem of heteroskedasticity.

```
. hetttest
```

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
```

```
Ho: Constant variance
```

```
Variables: fitted values of OP
```

```
chi2(1)          =      2.43
```

```
Prob > chi2     =      0.1188
```

#### **4.3.2. Autocorrelation Test**

Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. As shown below, the Durbin Watson statistic value is 2.049316 and this value approaches 2 therefore, there is no autocorrelation problem in this model.

. estat dwatson

Durbin-Watson d-statistic( 6, 130) = 2.049316

#### 4.3.3. Test for Multicollinearity

Multicollinearity generally occurs when there are high correlations between two or more predictor variables. In other words, one predictor variable can be used to predict the other. If there is multicollinearity in the model, the estimated coefficients possess large standard errors (in relation to the coefficient themselves), which means the coefficients cannot be estimated with great precision or accuracy (Gujarati, 2004). To alleviate this problem one or more of the correlated variables must be dropped from the model (Veerbek, 2000). Accordingly, all variables of this study were with a correlation coefficient below 0.8 which is acceptable; the test was shown in Appendix C. Moreover, according to appendix A, the mean-variance inflation factor (VIF) for the model is 0.03 which is less than 10, and 1/VIF which is the tolerance level is more than 0.10 for all explanatory variables of the study.

#### 4.3.4. Normality test

Multiple regressions require the residuals to be normally distributed. Checking the normality assumption is necessary to decide whether a parametric or non-parametric test needs to be used. Different ways are suggested in literature to use for checking normality. Skewness and kurtosis values are one of them. The absolute values of skewness and kurtosis less than 1.0 as slight non normality, the values between 1.0 and about 2.3 as moderate non normality, and the values beyond 2.3 as severe non normality.” Similarly, Bulmer (1979) pointed skewness, in absolute values, between 0 and .5 shows fairly symmetrical, between .5 and 1 shows moderately skewed and larger than 1 shows highly skewed distribution. According to appendix C the individual tests for normality in both components of error terms indicated not reject the null hypothesis of normality because the P-value is greater than 5%.

#### 4.4 Regression Result Analysis and Discussion

The subsequent steps after correlation analysis were to investigate whether the employee turnover has effect on organizational performance or not. Multiple linear regressions were made in order to show the distinct effect on performance of the employee performance. In our case the main independent variable is turnover and the dependent variable is organization performance and according to table 4.10, 68.3% of the variation in performance in the bank is explained by our explained variables.

Table 10 Regression output

Org Per	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]		Sig
Age	.076	.050	1.50	0.035	-.023	.176	**
Mart sta	-.006	.090	-0.07	0.946	-.184	.172	
Educ Bac	.114	.045	1.33	0.002	-.283	.054	***
Exp.	.08	.034	0.13	0.000	-.134	.118	***
Salar	.056	.053	1.06	0.000	-.048	.161	***
Employee							
Turnover	-.113	.067	-1.68	0.04	-.246	.019	**
Cons	3.11	.315	9.86	0.000	2.494	3.737	***
Number of obs		300					
R-squared		0.6833					
Prob> F		0.0003					
Adj R-squared		0.6435					

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

Source: author's computation in STATA

Out of the 6 independent variables entered into the model, only 5 of them have significantly predicted organizational performance in Wegagen Bank. Controlling the effect of other factors, employee turnover had significantly and negatively predicted organizational performance at -0.113 Wegagen Bank ( $p < 0.05$ ). The finding by this and many other studies reveals the negative effect of employee turnover on the performance of the organization.

The results of the regression indicate that all variables except marital status of the respondents are statistically significant. Several other variables other than employee turnover were also observed to have significant effect on the organizational performance.

As per the regression output of model one table 4.10 above, the coefficient of age is positive and statistically significant at 5 percent level of significance. This implies that an increase in age of the respondents leads to a good performance of the bank. This is due to the fact that age is directly related with the experience of employees. On the other hand, the variable marital status is statistically insignificant.

Levels of education have also significant effect on organizational performance score because education enables them to boost knowledge, skills and attitude which enhance them to accomplish their duties more efficiently. Therefore an increase in educational background will improve the performance of the organization. Experience is another factor that affects organizational performance. The results of multiple regressions, as presented in Table 4.10 above, revealed that employees experience had a positive and significant effect on organizational performance. Salary also has positive and significant effect on organizational performance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATION**

This chapter presents the summary of major findings, conclusion and recommendation based on the findings of the study. Summary of findings and conclusions from the estimated results is presented in the section 5.1 whilst section 5.2 presents recommendation on the basis of the findings of this study.

#### **5.1 Summary and conclusion**

The aim of this study was to contribute to previous investigations of the relationship between employee turnover and organizational performance, considering the gap in the academic literature specifically at Wegagen bank. Based on the literature review discussed in chapter two, seven variables have been established to the main determinants of organizational performance. These variables are Employee turnover sex, age, experience, salary, marital status, educational background.

Before going to the main analysis of the study, a reliability test was administered to check whether the questionnaire is reliable or not. In this regard as per Table 3.2 illustrates all the questionnaires were reliable and acceptable with overall Cronbach's Alpha result 0.716. Related to the demographic characteristics for the respondent's Table 4.1 specifies that majority of the employees 58.00 % were female. Regarding their age level majority of them were between age group of 52.00 % (30 - 40). Regarding educational level again illustrated that all of the employees were Masters and above degree holders. Moreover, Table 4.1 indicates that majority of the respondents have between 1 – 5 years of work experience in the organization.

From correlation analysis, employee turnover have a negative correlation with organizational performance. The correlation between the dependent variable (organizational performance) and independent variables (employee turnover) was strong and 0.78. The multiple regression assumptions like multicollinearity, Autocorrelation, normality and Heteroskedasticity tests are meeting accordingly in the model.

In addition, the result of regression analysis was made. From Table 4.10, the multiple linear regression analysis of the independent variables and dependent variables shows that in the model out of six independent variables 5 variables have statistically significant effects on organizational performance. That is, from the independent variables all (turnover sex, age, experience, salary, educational background) are statistically significant except marital status. The result shows that the model tested is significant with the R square 0.683. This value indicates that 68.3 % of the variation in organizational performance is explained by the six independent variables entered into the regression. The remaining 31.7 % of the variation in the organizational performance is unexplained by this model. Age of the respondent, experience, salary and educational background has positive and significant effect on organizational performance. On the other hand employee turnover has negative and significant effect on organizational performance.

## **5.2 Recommendation**

Based on the findings of the study and the conclusions; there searcher makes the following recommendations:

- First and foremost, HR managers in the Wegagen bank should give attention to turnover. There is a big problem in the organization if experienced employees frequently leave the bank.
- The bank should make a further analysis to identify the underlying causes of turnover rather than the mere comparison of its pay and reward scale with other similar firms as the kind of motivation that employees seek differ greatly in their personality and area of priority in life. In fact, salary and benefit packages are among the basics of almost all employees but they are not the only motivating factors when it comes to retaining employees.
- Creating good working environment this helps the organization as a motivating factor to have permanent and effective employees. Therefore the organization should create conducive environment that can help employees of the organization to be good performers and achieve the organization.
- It would be better for Wegagen bank to undertake a study on how turnover affected its performance considering by comparing the productivity of each department to one another in relation to the kind of employee leave the department in a given period of time.



- The organization can make the employees to forget about leaving a job by providing different motivating mechanisms like bonus, overtime, incentives and different financial and non-financial rewards for their performance. These make employees not to think about turnover to other organizations. This kind of benefits also helps the organization to reduce corruption because employees will have enough salary and other benefits.
- The employees of Wegagen therefore, tend to work hard to strengthen the relationship between them and the supervisors hence improve their performance towards achieving organizational goals since good relationship is a result of socialization.
- I recommend employees performance by investing more in training programs.

Moreover to improve organizational performance the organization should reduce the employee turnover by continues follow up towards the basic reasons that force employees to leave the bank, For instance salary, working environment, job load, staff relation and other factors.

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## Questionnaire:

**ST MARYS UNIVERSITY**  
**MASTERS OF BUSINESS ADMINISTRATION**  
**QUESTIONNAIRE TO BE FILLED BY EMPLOYEES**

Dear Respondents,

I am Masters` program Student in St. Marys University. I would like to express my sincere appreciation for your generous time, honest and prompt responses. I am conducting a study entitled “The effect of Employee Turnover on the organizational performance in case of Wegagen Bank”. This questionnaire is developed in order to conduct a thesis for the award of MA in Business Administration so the researcher would like to seek your assistance in order to make the study successful. The study will only be used for academic purposes and certainly you are assured of the confidentiality and anonymity of your participation in the study. I will be looking forward to receive your reply.

Thank you very much, for your cooperation and timely response in advance.

Sincerely yours,

### General Instruction

- No need of writing your name.
- Please put (√) this sign in the appropriate box or bracket.
- For the open ended questions that demands your opinion, please try to honestly describe as per the questions on the space provided.

### Section 1 Personal data

1. Sex

A. Male

B. Female

2. Age

A. 20-30

B. 31-40

C. 41-50

D. >51

3. Marital status

A. Single  B. Married  C. Divorced

4. Educational background

A. Diploma  B. 1<sup>st</sup> Degree  C. Masters  D. PHD

5. Length of service

A. <1 year  B. 1-5 Years  C. 5.10 years  D. >10 years

6. Salary

A. 2500-5,000  B. 5,001-7,500  C. 7501-10,000  D. >10,000

**Section 2 Reasons for employee turnover**

. Please mark “√” on one, answer assuming **1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = strongly agree**

No	Question	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
	<b>Demographic and personal characteristics</b>					
1	Female employees are more loyal than men; they don't quit their job as men do.					
2	A turnover intention of younger employees is higher than older employees in the organization.					
3	I am satisfied with my current job.					
4	Turnover intention of high level income employees are higher than low level income employees					
	<b>Job satisfaction</b>					
5	working in the organization gives comfort					
6	I feel the job fits me					
7	I am dissatisfied with my job					
	<b>Organization and work environment</b>					
8	I like the working condition of my organization.					

9	The coordination between managers or supervisors with their subordinates creates an impact on employee turnover.					
10	There is a good relationship between the workers and the management in the bank.					
11	I receive new training which are related with my work					
12	working in the organization gives comfort					
	<b>Salary and Reward</b>					
13	Receiving any reward makes motivation					
14	I feel that the performance bonus structure fairly rewards my effort					
15	The salary of the bank is good according to the work you are performing.					
16	Most employees leave their organization because of low salary in search of better salary					
	<b>Job content</b>					
17	The job that I do consists of a more routine task which is tired some and tedious.					
18	Employees who are involving in routine work were most likely to quit their job.					
19	You agree that insufficient challenges in a job make you think for changing the company?					
20	HR department provide career counseling on your job progression					
	<b>Effect of turnover on performance</b>					
21	The Bank is experiencing a high rate of employee turnover.					
22	There is a big loss when experienced employee leaves from this bank.					

23	There is a work load due to task shift that will be made when an employee leaves.					
24	Different staffs spend their time helping new employees to adapt the work.					
25	I will likely actively look for a new job next year					

### Section 3: Measures of organizational Performance

Here are items that help to measure employee performance. Please give them a rank based on a five point Likert Scale. Select No. 1 if you are strongly disagree with the statement and 5 if you are strongly agree with the statement.

No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	My performance gets better because of working with employees of different work experience					
2	Good employee performance is important for the future growth of my organization					
3	The quality of products and services delivered to customers has increased					
4	The level of efficiency among employees has increased					
5	The returns of our organization has increased					

Thank You for Your Kind Response and Cooperation