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## **ASSESSMENTS OF THE CAUSES & CONSEQUENCES OF EMPLOYEES' TURNOVER IN PIKO JUICE FACTORY PLC**

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**A Thesis Submitted in partial fulfilment of the requirements for  
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**ADDIS ABABA, ETHIOPIA**

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## **DEDICATION**

I would like to take this opportunity to dedicate this work to my beloved late Father Habtamu Kidanemariam and my dear family.

# **Research Title**

**ASSESSMENTS OF THE CAUSES & CONSEQUENCES OF  
EMPLOYEES' TURNOVER IN PIKO JUICE FACTORY PLC**

**Addis Ababa, Ethiopia**

**X**

*ASSESSMENTS OF THE CAUSES & CONSEQUENCES OF EMPLOYEES' TURNOVER IN  
PIKO JUICE FACTORY PLC*

## **ABSTRACT**

This research is aimed at conducting a study to investigate the causes and consequences of high rate of employee turnover within Piko Juice Factory plc in Addis Ababa.

The objective of this study was to assess the impact of employee turnover on organization performance in Piko Juice Factory plc.

A quantitative approach was employed in this research and questionnaires were used to collect data from the respondents. The study used different research articles to develop a model which shows that high rate of employee turnover has an impact on the organization Productivity and also give a recommendation which helps the organization to reduce the high rate of turnover.

The research findings indicated that employee turnover was caused by various factors such as poor salary packages, too much work load, work stress, lack of career advancement, lack of job rotation, work stress and unfair promotion subjective performance evaluation done by supervisor.

The researcher recommends to improve working conditions within the organization, by create opportunities for career advancement in the organisation, involve employees in the decision making process, develop employee assistance programmes in the organization, appreciate employee's input in the organization when they meet organisational goals, paying employees the fair going wage for their work.

## ABREVIATIONS

<b>Term</b>	<b>Definition/Expansion</b>
<b>PJF</b>	Piko Juice Factory
<b>HR</b>	Human Resource

# CHAPTER-ONE

## INTRODUCTION

This chapter comprises background information, statement of the problem, research objectives, research questions, limitation and delimitation of the study, significance and scope of the study.

### 1.1. Background of the study

The workforce or labour force is a group within the organization that is undeniably one of the most important functions that contributes to its success. A business cannot exist without both financial and human capital, (Davis, C.2003). It is the employees who work for the company, performs necessary task to make the company function and are responsible for the profit and growth of the company (Ellis, R, 2000)

Human Resource Managers in organization go through time consuming and expensive process to mobilize workforce for the organization. It is estimated that the costs associated with recruiting and training a new employee average between half and one and a half times the annual salary for the post in question, depending on the approaches (Branham 2005, P.3).

Human Resource Managers therefore seek ways to reduce the time and money spent on trying to ensure that people choose not to leave an organization voluntarily in the first place.

In order to run the organization effectively and to arrive at its established goals and

objectives, it needs the availability of resources; money, machines, materials and human. Among these resources human resources are the most fundamental and decisive factor. Without human resource organization can't exist. A limited rate of mobility is inevitable and it is index of the stability of work force with an organization. However, an excessive movement of worker in and out of the organization is undesirable and expensive analysis of labor movement. In other hand high turnover from certain departments or from the entire organization causes different costs which includes; increased cost for social security and un employment compensation, terminal vacation, severance pay, underutilized facility until the replacement is hired, employee cost such as recruiting advertisement expense, interview test cost(interview time cost) computer record cost and moving expense and administration costs of notification and payroll change and this may suggest a need for improvement. The increasing trend of significance of these costs has stimulated considerable managerial interest in the problem of labor turnover.

Mobley (1982: 68) defines turnover as “the cessation of membership in an organization by an individual who received monetary compensation from the organization”. There are many systems for classifying employee turnover according to Wasmuth and Davis (1983), for this study the dichotomy of voluntary versus involuntary will be used since the research will focus on the employee's intention to turnover. Voluntary turnover is an employee initiated separation from an organization, whereas involuntary turnover is brought on by the organization, death

and mandatory retirement (Mobley, 1982). In theory a person's behavioral intentions should be a good predictor of future behavior according to multiple research studies presented by Mobley. Seven variables were studied as a predictor for turnover including intention to quit by Mobley; he concluded that when all variables were combined, "only intention to quit was significantly related to turnover" (1982: 76).

Another issue that has gained a lot of attention in recent years is planned turnover. According to Lawler not all turnover is detrimental to an organizations ability to be effective (Lawler, 1987). Companies can actually benefit from losing poor performers and the inflow of "new blood". Also, if replacement costs are minimal it could be cost effective to accept a higher rate of turnover for keeping wages suppressed, as can be the case with unskilled labor.

The high turnover of staff is unhealthy for the smooth running of the organization, since it affects the growth, profitability and customer satisfaction whenever it occurs in the workplace.

PIKO Juice is a private limited company owned by Mr. Ziad Chahwan and Prisma Investment Group with a brand name PIKO in Ethiopia. PIKO Juice Company was established in 2007 with a

capital of ETB 5,000,000.00 and now reached more than 26 millions of capital. The juice factory is currently being setup in Kaliti with over 12,000sq meter of compound. Piko Juice Factory is one of fresh Juice producer in Ethiopia. For the past four years, the Company has sold its fresh Juice products in all of the country towns.



Currently the company has 68 permanent and 12 contract employees. According to the information gained from the organization at the time of the preliminary interview, 15 employees are resigning their job voluntarily during 2013/2014 G.C.

Therefore, this paper will investigate the causes of this exodus and the subsequent effects on the running of the organization's operation. The paper discussions and focus on reasons why PJF employees left the employment of the company, the workload for the remaining staff, and the effects or impact of the exodus to the organization's manufacturing process and on services rendered by the companies to the market.

## **1.2 Statement of the Problem**

A company with high turnover gained a negative reputation; contained many new untrained workers, and thus would lose its competitive edge in the market. Therefore, Managing turnover successfully is a must to achieve an organizational long term and short term objectives. Studies have also been carried out in Piko Juice Factory plc to explore and to study the relationship between various variable(s) with employee turnover.

For instance, according to HRM Department Data; at the end of the 2012/13 season, two (2) Department Managers, five (5) Sales, three (3) Accountant, five (5) Machine Operators and as many as 9 laborers facing dismissals, with a few resignations. while by the close of the 2013/14 season two (2) Department Manager, one (1) Accounts Officers, three (3) sales, one (1) secretary and 8 laborers had their appointments

terminated, and about half of them resigned voluntarily due to unsatisfactory working conditions.

Ideally, it is expected that employees will stay on their jobs for a considerable number of years, but the above statistics of the company over the 2 year period present a nagging situation to all stakeholders. The situation therefore needs urgent attention hence, the researcher's quest to undertake this study.

### **Basic Research Questions**

The following are the research questions developed for the course of this study. They are;

- What are the background characteristics and the working conditions of the employees in PJF?
- How often do employees leave the organization?
- What are the reasons employees give for leaving the organization?
- What are some of the effects of the employee turnover on the performance of the organization?
- What measures can help reduce labour turnover?
- Are there measures of curbing labor turnover when organization sees it could halt productivity?
- What are the challenges faced by the Human Resource Manager of PJF in retaining employees.

## **1.3 Objectives of The Study**

### **1.3.1 General Objective**

The general Objective of the study is to investigate and to find out the actual reasons behind turnover and its damaging effects on the productivity and possible recommendations that could be helpful for the company.

### **1.3.2 Specific Research Objectives**

The following specific research objectives would be achieved throughout the study:

- To identify the actual reasons of turnover
- To analyze how turnover affects productivity on organizations.
- To find out the possible solutions of reducing turnover.
- To help business organizations by identifying their problems, analyzing the information's and recommending for possible solutions.

## **1.4 Significance/Value of the Research**

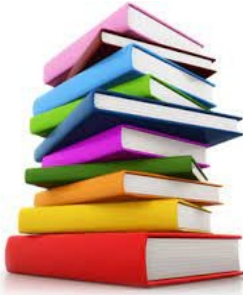
The study laid bare the reasons for labour turnover rates which tend to be alarming among PJF, and their effects on the productivity of Piko Juice Factory. Also, this study has ascertained the rates of labour turnover of the PJF, and suggested measures to mitigate them. Finally, this research would serve as a guide for the Managements of PJF toward their human resource (HR) policy formulation and implementation as far as their effort to hire, train and retain employees is concerned.

## **1.5 Scope/Delimitation of the Study**

This study was carried out in Piko Juice Factory plc on labour turnover. The focus was on labour turnover among Department Managers, Account Officers, Sales, Machine Operator and Laborers in PJF. Therefore, using statistical tools such as cross-tabulations, chi-square and frequency tables, prominent issues delved into included; relationship between labour turnover and background characteristics of employees such as age, sex, educational qualifications and marital status. Further, other relevant subjects looked at were causes of labour turnover, length of service, level of salary and fringe benefits, study leave, promotion, level of motivation and labour turnover perception among employees of PJF. Also, turnover intentions of employees, job security and impacts of resignations and terminations on the public image as well as the operations of the Organization were part of the study.

## **1.6 Potential Limitations**

Data accessibility and availability of sufficient time and funds both aspects may create limitation in research completion. Such issues could create validity related concerns in researcher outcome. Time schedule will be developed and used by researcher in order to limit these issues. Some of the respondents due to language barrier may fail to understand the questions asked and therefore their responses would not reflect on what is required. This obvious deviation might affect the obvious outcome of the research in the long run.



## CHAPTER-TWO

### LITRATURE REVIEW

This chapter seeks to determine and outline the main findings as well as the conclusions of previous studies which served as a yardstick or basis of comparison for the findings of this study.

The chapter therefore looks at existing theories on the subject of labor turnover in an attempt to ascertain established findings and conclusions. Specifically, causes, consequences, rates and suggested remedial measures of labor turnover are the main focus of the chapter.

#### 2.1 Theoretical literature review

According to Timperley (1974), most of the early work on labor turnover was initiated by the Tavistock Institute of Human Relations. This work identified labor turnover as a process that involved an examination of survival patterns and the formulation of survival distributions. Perhaps the most significant thing about this work was the way in which it attempted to put forward behavioral reasons for the various survival distributions, identifying three major phases in the labor turnover process namely; the period of induction crisis, the period of differential transit, and the period of settled connection. Also, the work highlighted a number of important characteristics of the labor turnover process. Additionally, this research strongly advocated that in order to obtain a realistic understanding of labor turnover it is necessary to understand the relationship between organizational policies, conditions, the orientations to work, and careers displayed by individuals. Further, according to the Wachovia Corporation, as cited by Marfo-Yiadom and Boachie-Mensah (2009), concern for employers is to recruit, develop, motivate, reward, and retain personnel of exceptional ability, character and dedication by providing good working conditions, superior leadership, compensation on the basis of performance, an

attractive benefit programme, opportunity for growth and a high degree of employment security.

Furthermore, Ryan (1996) argued that the concept of labor turnover refers to the movement of employees in and out of businesses or other establishments or ongoing jobs. However, the term is commonly used to refer only to 'wastage' or the number of employees leaving. Ryan added that high labor turnover causes problems for businesses as it affects both workers and firms. That is, while workers may need to learn new job-specific skills, firms incur the costs of hiring and training new workers. Further, it is costly, lowers productivity and morale, and tends to get worse if not dealt with. However, on the flip side, labor turnover does not only create costs since incoming workers may be more highly motivated, better educated and more highly skilled. Hence, labor turnover may actually enhance firm performance. Thus, some level of labor turnover is important as indicated earlier, to bring new ideas, skills and enthusiasm to the labor force. For this reason, Ryan (1996) further stated that "natural" level of labor turnover can be a way in which a business can slowly reduce its workforce without having to resort to redundancies (this is often referred to as "natural wastage").

Also, Ryan (1996) continued that longer-serving employees are more likely to stay, mainly because they become used to the work and the business and have an established relationship with those around them. Similarly, the aged nearing retirement have relatively lower labor turnover in order to merit their entitlements and benefits. Alternatively, low turnover may indicate the presence of employee 'investments' (also known as 'side bets') in their position, that is, certain benefits may be enjoyed while the employee remains employed with the organization, which would be lost upon resignation (e.g. health insurance, discounted home loans, redundancy packages, etc). Such employees would be expected to demonstrate lower intent to leave than if such 'side bets' were not present. Thus he said, in New Zealand for instance, the highest rate of labor turnover tends to be among those who

have recently joined a business.

## **2.2 Benchmarking labor turnover**

A benchmark is something which can be measured and used as a standard yardstick that other things can be compared with. In connection with labor turnover however, Armstrong (2006) explained that benchmarking provides a valuable means or yardstick for determining the effectiveness of human resource policies and practices in organizations. Hence, labor turnover rates prove very useful in benchmarking labor turnover. They however do not tell the whole story, but if labor turnover is significantly higher than in comparable organizations, this should stimulate action to investigate why this is the case and to do something about it. As a step further, benchmarking can be carried out by networking with other organizations, possibly forming a ‘club’ to exchange information regularly.

## **2.3 Labor turnover – an international perspective**

Labor turnover is higher in advanced countries as opposed to that of their underdeveloped counterparts, especially in Africa and parts of Asia as a result of low unemployment rates in the developed world coupled with stringent adherence to administrative and legal labor regulations and controls unlike those of the underdeveloped world. Thus, according to Maier (1952), it is a common practice in the USA to see a chunk of new employees quitting their jobs after a short spell. However, there are higher unemployment and dependency rates in the less developed nations which make employees very vulnerable, and in some cases at the mercy of their employers, thereby keeping labor turnover rates down. Consequently, some job seekers would just have to accept certain job offers irrespective of the attached conditions in order to make ends meet for their families as there are simply no alternative employment opportunities since the job market is not a vibrant one. It is therefore understandable that labor turnover in advanced countries tends to be higher than that of the underdeveloped countries.

Further, Organization for Economic Cooperation and Development (OECD) data for the 1970s to the 1990s show relatively high labor turnover rates in most advanced countries. According to these data, New Zealand has been at the top of the ranking and Belgium, the Netherlands and the United Kingdom at the bottom. According to their data the high labor turnover rate for New Zealand was driven by both a very high job loss in the period measured and relatively high job gains. However, in the long-term there was a little upward trend in labor turnover in most nations. For example, in OECD countries, approximately 10-15% of workers quit their jobs every year (OECD Economic Outlook, 1998), with the quit rate for the UK estimated at approximately 10% in 2004 (Quintini and Martin, 2006). Further, the labor turnover rate for all employees as revealed by the Chartered Institute of Personnel and Development (CIPD) UK survey, as cited by Armstrong (2006), was 18.2%. It was 16.3% for full time employees and 21.5% for part-time employees. Overall, young employees as well as those in low paid jobs, have the highest rates of labor turnover. Nevertheless, Canadian researches indicated that in similar paying jobs, men and women's quit rates were similar according to the OECD data.

## **2.4 Review of the causes of labor turnover**

Lewis (1983) advocates the use of exit interviews to assist management in identifying and uncovering the reasons employees quit their jobs. It can help in solving actual or potential personnel problems leading to turnover. Consequently, Ryan (1996) states that in New Zealand, and many other countries high rate of labor turnover could be caused by many factors including the following;

The economy - Inadequate wage levels leading to employees moving to competitors. In exit interviews one of the most common reasons given for leaving (labor turnover) is the availability of higher paying jobs. According to Cascio (1992), some minimum wage workers in the USA for instance, report leaving one job for another that pays only 50 cents an hour more. Obviously, in a better economy the availability of



alternative jobs plays a role in labor turnover, even though, this tends to be overstated in exit interviews.

The organizational culture – (Poor morale and low levels of motivation among workforce). It is sufficient to note here that the reward system, the strength of leadership, the ability of organizations to elicit a sense of commitment on the part of workers, and development of a sense of shared goals, among other factors, will influence such indices of job satisfaction, turnover intentions and labor turnover rate.

Unrealistic expectations (recruiting and selecting wrong employees, making them leave to seek more suitable employment) - this is about the unrealistic expectations and general lack of knowledge that many job applicants have about the job at the time that they receive an offer. When these unrealistic expectations are not met or realized, the worker becomes disillusioned and decides to quit.

The performance of the organization - an organization perceived to be in economic difficulty will also raise suspicion or fears of impending layoffs. Workers believe that it is rational to seek other employment especially when a buoyant local labor market is offering perhaps more attractive opportunities to employees.

The characteristics of the job - some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenge, danger, perceived importance, status, and capacity to elicit a sense of accomplishment. All these have the tendency to raise the rate of labor turnover.

The person - In addition to the factors listed above, there are also factors specific to the individual that can influence labor turnover rates. These include both personal and trait-based factors. Personal factors are things such as changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. These trait-based or personality features that are associated with labor turnover are the characteristics that predict job performance and counterproductive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's

equipment or production. These traits can be measured and used in employee screening to identify individuals showing lower probability of labor turnover in the long-term.

### **I. Job satisfaction and labor turnover**

Job dissatisfaction leads to thoughts of quitting an organization, which in turn leads to an intention to search for other employment. Search intention also leads to a decision to leave or stay. As a result, intention to leave is the final step to labor turnover. Thus, Robbins (1998) adds that some studies in the USA showed that approximately 17-20% of nurse aides reported an intention to leave and eventually quitted their jobs. It therefore follows that when the job market is good workers move more easily to other positions, if there is the desire to leave. But it is the intent to quit, coupled with greater opportunity to find alternative employment that makes labor turnover more likely. Labor turnover decisions therefore depend on both wanting to leave and being able to do so. Job satisfaction is most often considered the primary factor, but level of commitment to an organization also plays a key role in labor turnover.

Similarly, Lewis (1983) maintains that the basic reason why dissatisfied or satisfied employees remain on a job is inertia. That is, there is no force causing them to leave. Thus, the degree to which employees like their job is influenced by a combination of characteristics of the environment, the job, and the employee's personality. Satisfied employees are those who have freedom to make job-related decisions, work with people who are friendly, believe that working is an important part of life, have mobility within the organization, work for supervisors who actively assist their subordinates, contribute to the organization, and receive adequate monetary compensation. In fact, interpersonal outcomes such as satisfactory treatment by a supervisor, more strongly predict job satisfaction than tangible outcomes such as pay and promotion.

Moreover, among established employees, expectations can be influenced, or altered, by opportunity factors such as changes in the job market. When an employee is presented with an attractive alternative position, his or her expectations of the current job are likely to be increased, making it more difficult for the organization to meet these expectations. As a result, job satisfaction may erode, giving rise to an intent to leave. Even so, the longer employees have been with an organization, the less likely they are to leave. As a consequence, in organizations with high labor turnover, the problem is often attributable to an inability to retain the newest employees.

Further, Porter, Bigley and Steers (2003) emphasize that the rewards an organization offers influence who is attracted to work for it and who will continue to work for it. They contended that, organizations that give the greatest rewards tend to attract and retain employees the most as high reward levels apparently lead to high satisfaction, which in turn leads to low labor turnover. Thus, individuals who are currently satisfied with their jobs expect to remain so, and may want to stay with the same organization. The objective should therefore be to design a reward system that is very effective at retaining the most valuable employees. To do this, the system must distribute rewards in a way that will lead to more valuable employees to feel satisfied when they compare their rewards with those received by individuals performing similar jobs in other organizations. The emphasis here is on external comparisons, so long as it is the prospect of a better situation elsewhere that induces an employee to leave.

## **II. New employees and labor turnover**

Maier (1952) adds that, it is a common experience to find employees quitting shortly after they are hired. This makes labor turnover for new employees highest at the outset. According to Maier (1952), in a study of labor turnover in the USA it came to light that labor turnover was 1,026% for employees of less than one month of

service, but for employees with one to three months of service the labor turnover dropped to 226%. Maier further observed that, although many factors influence the rate of labor turnover, it is apparent that one of the most important factors is the problem of finding a place in a work group. In an interview of employees promoted to new jobs in new work locations, the employees mentioned difficulties such as being lonely, finding the new associates different or aloof, being unsuccessful in finding friends, and being made to feel inferior. Some of them also talk of quitting, and some were trying to find ways to get back on their old jobs (at a reduced pay) without causing their former associates to think that they had failed. Maier continued that the addition of a new person to a group represents a change that involves everyone, and it is for the acceptance of that change that group discussions and decisions are so effective.

### **III. Wage differentials - a reason for labor turnover**

Variations in wages of employees at the same grade in a firm can be very crucial in labor turnover issues. When employees become aware that their colleagues at the same grade or position receive more wages than they do, intention to leave may set in if not addressed. Even where employees make external comparisons and realize unfavorable wage differentials with their colleagues at the same grades or positions in other firms the story remains the same as employees will begin to look elsewhere for better wage regimes. However, Acheampong (2006) argues that wage differential occurs because occupations differ in terms of supply and demand conditions, the nature of the jobs themselves, the degree of security and risk and prospects of future earnings and the non-pecuniary rewards offered together with cash earnings.

### **IV. Skilled versus unskilled employees**

According to Robbins (1988), in the USA unskilled positions often have high labor turnover, and employees can generally be replaced without the organization or

business incurring any loss of performance. The ease of replacing these employees provides little incentive to employers to offer generous employment contracts. Conversely, contracts may strongly favor the employer and lead to increased labor turnover as employees seek, and eventually find more favorable employment. However, high labor turnover rates of skilled professionals can pose a risk to the business or organization, because of the intellectual property (such as skills, training, and knowledge) which are eventually lost.

Also, given the natural specialization of skilled professionals, they are likely to be re-employed within the same industry by a competitor. Therefore, labor turnover of these individuals incurs both replacement costs and competitive disadvantage to the business. However, unskilled workers are at least three times as likely as other workers to say they were glad to have a job and the money they earned. A typical comment such as ‘I get my daily bread through it’ does not necessarily indicate job satisfaction, but it is enough in many cases to keep the man on the job, especially if the alternative is unemployment.

#### **V. Profitability and labor turnover**

In the wake of a profit downturn, boards and managements of certain organizations resort to job cuts. However, job cuts also come with their attendant problems. Key among them being employee low morale and a feeling of job insecurity which in turn gives rise to turnover intention.

#### **VI. Push factors**

These stem from dissatisfaction with work or the organization. Issues relating to this problem include low wage levels, insufficient development opportunities, boredom, ineffective supervision, low level of employee involvement in decision-making, personality clashes among others. Also, if there is no opportunity to voice out grievances, employees who are unhappy will inevitably begin to look elsewhere.

## **VII. Pull factors**

The flip side of the above situation is what other employers do, which tends to attract employees of rival organizations. Higher or favorable wage differentials, better opportunities elsewhere and high employee morale are some of the factors that account for this problem.

### **2.5 Effects of labor turnover**

As stated earlier, high labor turnover rates can have detrimental effects on clients and remaining staff members who struggle to give and receive quality services when positions are vacated and then filled by inexperienced personnel (Powell and York, 1992). Also, high rates can bring about clients' mistrust and discourage workers from remaining loyal to the organization or even those seeking to enter it.

Additionally, labor turnover is costly and unproductively time-consuming, and it is responsible for the weary cycle of recruitment-employment-orientation-production-resignation/dismissal that is detrimental to the reputation of organizations which are entangled in it (Geurts, Sabine, Schaufeli, and Rutte 1999). The following are therefore some of the nagging effects of labor turnover on organizations:

#### **2.5.1 Low level of employee commitment**

Job security takes away the fear which prevents total commitment of employees to the organization. The employment security debate rests upon the crucial question of how much value the company places on stability of employment within its overall philosophy. Whether organizations really believe that job stability gives the business a competitive advantage is determined by their rates of labor turnover. Obviously, where job insecurity is the order of the day, employees tend not to give off their best at the workplace as they mostly live in fear of losing their jobs.

#### **2.5.2 Low productivity**

A high rate of labor turnover has the tendency to bring about low productivity where

employees are aware that their positions are not secure. Employees who are not under intense supervision devote much productive time on rumor mongering about impending layoffs which may be unfounded.

### **2.5.3 High recurring training and development costs**

Once new employees come on board, they would have to go through the company's laid down training/orientation/induction programmes. These activities are organized at an extra cost to the organization depending on their frequency. However, with a low rate of labour turnover, a greater percentage of this cost could be avoided.

### **2.5.4 Lost of experienced and skilled personnel**

Labour turnover results in the lost of some of the very experienced and skilled employees either through voluntary or involuntary turnover. This adversely affects the organization since quality of output tends to suffer. It will therefore take some time for new employees to have control over their respective roles whereas existing employees would not have to go through that process. In terms of performance or output, however, it is the organization that loses.

### **2.5.5 Lost of public confidence**

When labor turnover rates become so alarming the public will begin to lose confidence in the operations of the organization. The future or survival (going-concern concept) of the organization will be in doubt to the public once they see employees moving in and out voluntarily or involuntarily. This is obvious because it is the employees who demonstrate what the organization represents through the delivery of quality output or service to the public. And if these same employees have uncertain future in the organization then eyebrows will surely be raised.

## **2.6 Measures that help reduce labor turnover**

According to Lewis (1983), guidelines for reducing labor turnover in an organization should include communication and encouragement. This could be done by keeping

employees informed on organizational matters, establishing clear channels of communication between employees and management, and encouraging employees to creativity and self-improvement. Lewis further stated that results of numerous studies suggest four functional components to assist labor turnover reduction. These include the following:

When interviewing, match applicants to the job - two basic questions should receive affirmative answers before the supervisor hires someone; does the job match the person reasonably well? And, will this person be likely to stay with any job he or she takes? The person hired should be neither under nor overqualified and should show a reasonable degree of interest in the job activities required. The best predictor of all is the person's past performance.

Involve the employee in restructuring a job or a set of jobs - both labor turnover and group productivity is related to participation. The more the employee participates in job design, the higher the productivity and the lower the labor turnover. View employees as human beings to be treated with human dignity- supervisors need to avoid viewing employees in mechanistic terms such as person-hours, units of production, or units of costs as outlined by McGregor's Theory Y. Each person has a degree of self-respect and will respond differently to different types of treatment. Supervisors must fit their methods of managing to the needs and motivations of the individual employees.

Establish an equitable and competitive wage and salary program - Employees must believe they are receiving fair treatment in relation to others doing the same work. Otherwise, they will become dissatisfied and turnover could eventually result. In addition, a fair, competitive program is basic in keeping turnover within acceptable limit.



## **CHAPTER-THREE**

### **RESEARCH METHODOLOGY**

This chapter discusses the methodology and procedures used in this study. It also explains the research design, methods of data collection, and Data presentation.

#### **3.1 The Research Strategy**

##### **3.1.1 Research Design**

Research designed shows the detailed plan of how the research work will be conducted. For the purpose of this study, case study design was used. This research design was found to be useful as it narrowed the area of study and provided adequate and relevant information to the research problem. A case study design is simple and in expensive as compared to other research designs.

##### **3.1.2 Selection of the Study Area**

This research study was conducted in Piko Juice Factory to assess the impact of employee turnover on organization performance.

The Factory is located at kality, in Addis Ababa city. The rationale for choosing as a case study is that: the Factory has been facing a serious problem of employee turnover.

#### **3.2 Target Population**

The targeted groups for this study were the Piko Juice Factory employees. However given both time and resources constraints for the purpose of this study sampling technique used Purposive sampling method for terminated and management staffs in which resigned, existing and senior officials of organizations will select based on the

availability and reach-ness of the respondents. Accordingly 7 terminated, 3management and 10 non management staffs will participate on the research project.

### **3.3 Sample Size**

Sample size depends largely on the degree to which the sample approximates qualities and characteristic of the overall population, including the degree of precision required. In addition, sample size depends on population variability and sampling methods together with analysis to be applied and operational feasibility. A representative sample helps to generalize results. It must be chosen at random, large enough to satisfy the needs of the investigation undertaken and unbiased. Some studies consider that sample size larger than 30 and less than 500 is appropriate of any research study.

#### **3.3.1 Sampling Procedures/Techniques**

In order to reach the desired number of the respondents, purposive sampling techniques was used. The benefit of this approach is customizing the benefits of this technique to reach a targeted sample quickly, and improving the quality of data to be collected.

### **3.4 Data Collection Techniques**

This study involved a number of techniques of data collection in order to achieve both primary and secondary data. These techniques include interview and questionnaires through personal (face to face) interviews, or self administered questionnaires.

#### **3.4.2 Interview**

Interview was conducted with some of the top employees like department managers, some of the human resource and a few from the finance and accounts department.

But The collected data through interiew is considered as an insignificance and unrealistic. Most of employees ae not willing to expess freely their feeling. Therefore, The researcher coulddnot use it.

### **3.4.2 Questionnaire**

This study adopted self administered questionnaires, whereby lists of questions were given to a number of persons for them to answer and give their opinions accordingly. Questionnaires secure standardized results that can be tabulated and treated statistically.

The questionnaire was pre-tested for accuracy and completeness. The pre- test of the questionnaire was intended to enable the researcher to improve the questions as their accuracy was essential in collecting good quality information.

### **3.4.3 Types of Data**

#### **(a.) Secondary Data**

Secondary data were gathered through documentary source like, official company reports, various reports, an online source and organizational magazines.

#### **(b.) Primary Data**

The reasons of using this method are to get original information from the field which is very useful in addressing the problem under this study. This is the best way of knowing how the situation is in the field, and unlike the published information, this source gave valid information which was specifically collected for purpose of this study. Primary data was collected through questionnaires.

### **3.4.4 Documentation Method**

Documentation method will be used by gathering data from secondary source. The

documentary sources of data for research purposes include published books, manuscripts, journals, research reports, newspapers and other unpublished literary works (Ndunguru, 2007).The researcher used this method to collect already gathered information from books, reports, and written materials from respective organizations.

### **3.5 Data Presentation**

Data collected from interview, questionnaire, and documentary sources were presented using various statistical tools such as tables. The reason of using these approaches is to simplify the interpretation and understanding of the findings which is an important quality of any good research work.

## CHAPTER-FOUR

### ANALYSIS OF THE DATA AND DISCUSSIONS OF THE FINDINGS

In this chapter the analysis and discussion of the findings are presented. The analysis and discussion in this chapter is based on the responses from research questionnaires, and secondary data information. The research intended to assess the impact of employee turnover on organization performance at Piko Juice Factory. Main areas of concern in the research were to assess the impact of employee turnover on organization performance in the factory; investigate the causes of staff turnover in Factory and finally recommend strategies that can be used to reduce the high level of employee Turnover in PJF and this was according to the research objectives.

#### 4.1 Data Reliability and Data validity

To ensure reliability, this study employed questionnaires and a pretest of questionnaire was carried out to guarantee a common understanding of questions among respondents.

To ensure validity of measures, the data was gathered from higher rank, middle rank and lower staff as units of analysis. The different units ensured adequate representation of age, gender, and seniority of respondents hence validation.

#### Piloting of Instruments

Before the creation of the final questionnaires, the survey was administered to a group of randomly selected employees. From their responses, it was seen that the questions as written did not elicit sufficiently, the type of information needed for this study. Thus the wordings of the questions were adjusted, sent for approval to my supervisor and re-administered.

### 4.3 Analysis of Demographic Data

This section analyses the demographical details of the respondents using appropriate baseline computations.

**Table 4.1: Analysis of Demographic Data**

Age	Male		Female		Total	
	Count	%	Count	%	Count	%
Below 18	0	0	0	0	0	0
18 - 25	2	15.4%	1	14.3%	3	15%
26 - 30	6	46.1%	3	42.8%	9	45%
31 - 40	4	30.8%	1	14.3%	5	25%
Above 40	1	7.7%	2	28.6%	3	15%
Total	13	100%	7	100%	20	100%

As shown in table 4.1, 15 percent of the respondents are in the age between 18 and 25; 45 percent between 26 and 30; 25 percent between 31 and 40 and 15 percent above 40 respectively.

Age is consistently and negatively related to turnover. Younger employees are more likely to resign than older employees. The data shows majority of the respondents are young and hence more probability of turnover.

**Table 4.2: Qualification of the Respondent**

Description	Measurement	Respondents	
		No	%
Qualification	Grade 10/12 or below	0	0%
	12+2/10+2	2	10%
	BSc/BA	16	80%
	MSc/MA	2	10%
	PhD	0	0%
Total	32	20	100%

As indicated in table 4.2, 10 percent of respondents are 12+2/10+2; 80 percent of respondents were qualified at first degree level; 10 percent of respondents are qualified at second degree level. This indicates that almost all of the respondents are

graduates of colleges and universities.

**Table 4.3: Length of Service of Respondents**

Description	Years of service	Respondents	
		No	%
Experience in PJF	Less than one year	0	0%
	1 - 2 Years	1	5%
	2 - 5 Years	16	80%
	5 - 10 Years	3	15%
	Above 10 Years	0	0%
Total		20	100%

With regard to the the above table, that summarizes tenure of the respondents in the organization, 5 percent of the respondents served the organization for 1 - 2 years, 80 percent served between 2-5 years, and 15 percent of the respondents served the organization for 5-10 years . As it can be seen, the majority of the respondents (85 percent of the respondents) have served the organization for less than five years.

#### 4.4 Study Findings

##### 4.4.1 Objective 1: The causes of Staff turnover in Piko Juice Factory

###### (a) Salary Satisfaction

According to primary and secondary data the following are the causes of employee turnover in PJF:- Salary Satisfactions, No opportunity for career advancement, Satisfaction with working conditions, Employee involvement in decision making, input not appreciated, and lack of work-life balance are among the causes of employee turnover in PJF.

**Table: 4.4 Salary Satisfaction**

Description	Measurement	Respondents	
		NO	%
Are you satisfied with the amount of pay you get?	YES	2	10%
	NO	18	90%
Total		20	100%

In relation to table 4.4, 90 percent of respondents were dissatisfied with the amount of pay they get. In response to a similar question by the personnel manager, whether the organization payment system is poor or not, said that though the Company is working on it to revise the salary scale to make it competitive, the salary scale is relatively in par when compared to other private limited companies but not as good as the private institution which most of the ex-employees have joined. There is evidence to support that there is negative relationship between wage or salary level and turnover. The data indicate that majority of the respondents are dissatisfied with the wage they are getting which is resulting in turnover in the Company.

In order to be able to retain staff, the rewards that the staff members get from their compensation must be satisfactory. Grobler, et al. (2002) state that compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment package. According to Nel, et al. (2004), the classical objectives of any compensation system are to attract, retain and motivate employees in the organization. According to Nel, et al. (2004), although financial incentives will encourage employees to stay over the short term, over the long term they need opportunities for growth. According to Grobler, et al. (2002), employee compensation and retention is directly related to employee satisfaction. In good times and bad, employees have a basic need to work where they feel their efforts, expertise and input are appreciated. According to Nel, et al. (2004), remuneration is one of the causes of absenteeism and staff turnover, if employees are not satisfied by what they are paid then they normally leave to seek greener pastures (Nel, et al., 2004).



**Table 4.5: Job Satisfaction**

Description	Measurement	Respondents	
		NO	%
Are you satisfied with the sense of achievement you get from your work?	YES	5	25%
	NO	15	75%
<b>Total</b>		<b>20</b>	<b>100%</b>

Of those respondents who said they did not get a sense of achievement from their job, when replying why it is so, 75 percent said that the job is monotonous and mechanistic

respectively. This indicates that they are dissatisfied with the kind of job they are doing. Job dissatisfaction is one of the causes of turnover in the Company. Dissatisfied employees stay with the Company until they get other job offer.

**Table 4.6: Opportunity for Career Advancement ( Training)**

Description	Measurement	Respondents	
		No	%
There is an opportunity for career Advancement (Training)	Strongly Agree	0	0%
	Agree	0	0%
	Neutral	4	20%
	Disagree	9	45%
	Strongly Disagree	7	35%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.6 above illustrates that 35% and 45% of respondents disagreed that there was an opportunity for career advancement and 20% of the respondents were neutral.

According to Ichniowski (2004) another tool for staff retention is staff training. Training may help staff to become more competent and to enjoy their work even better. By providing staff with training and development they are more likely to be

keen to take on greater responsibilities more suited to promotion or career progression. Staff may become confident and motivated and they may not rely too much on supervision (Ichniowski, 2004). In a study by Nel, et al. (2004), more than 40 percent of the respondents said they would consider leaving their present employer for another job with the same benefits if that job provided better career development and greater challenges.

**Table 4.7: Employee Involvement in Decision Making ( Training)**

Description	Measurements	Respondent Employees	
		No	%
Employees are involved in decision making.	Strongly Agree	0	0%
	Agree	0	0%
	Neutral	2	10%
	Disagree	10	50%
	Strongly Disagree	8	40%
Total		20	100%

Table 4.7 above illustrates that a total of 50% and 40% of respondents disagreed that employees involved in decision making and 10% of the respondents were neutral.

Grobler, et al. (2002) state that steps should be taken to identify and eliminate workplace hazards and to train and educate workers in job safety and health. Crow and Hartman (2007) state that when the work environment is not conducive to the employee’s wellbeing and expectations it can contribute to job dissatisfaction and employee turnover.

If employees are happy with the current working conditions they will enjoy coming to work every day, but if the working conditions are not conducive they will leave the organisation.

**Table 4.8: Reasons for employees Turnover**

Description	Measurement	Respondents	
		NO	%
What do you think on the reason for employees' resignation in the Organization?	Low pay	17	85%
	Lack of opportunity for promotion	1	5%
	Poor management	1	5%
	Lack of training & development opportunity	1	5%
<b>Total</b>		<b>20</b>	<b>100%</b>

In relation to table 4.8, 85 percent of the respondents were dissatisfied with the amount of pay they get. One of the most common reasons given for leaving the job is the availability of higher paying jobs. Some minimum wage workers reported for leaving one job to another that pays only 50 cents an hour more.

**Table 4.9: Job Securities**

Description	Measurement	Respondents	
		NO	%
How would you assess the security of your job?	High	8	40%
	Low	12	60%
<b>Total</b>		<b>20</b>	<b>100%</b>

Regarding to job security as per table 4.9, 60 percent of the respondent were not secured. They may not have a guarantee to keep on their jobs.

**Table 4.10: Management style**

Description	Measurement	Respondents	
		NO	%
How do you perceive the management style in PJF?	Good	7	35%
	Poor	13	65%
<b>Total</b>		<b>20</b>	<b>100%</b>

In relation to table 4.10, 65 percent of the respondents were not satisfied. In order to minimize the employees' dissatisfaction the management should considering different preventive measures. These may include providing training to the line managers for an effective supervision before appointing or upgrading them, providing security of jobs with good working environment etc. There may be an offer for retraining the existing managers who have a poor record at keeping their staff happily. Supervising managers could be accountable for employee turnover in their teams. Maximization of opportunities for individual employees such as accommodate individual preferences on working hours, regular appraisals, providing as much job security as possible can help to reduce job dissatisfaction.

**Table 4.11: Pre-placement orientation**

Description	Measurement	Respondents	
		NO	%
How would you rate your pre-placement orientation program?	Excellent	0	0%
	Very good	5	25%
	Good	4	20%
	Bad	11	55%
<b>Total</b>		<b>20</b>	<b>100%</b>

In relation to table 4.11, 55 percent of respondent did not get pre-placement orientation program. When new employees' starts with PJF, the first few months are honeymoon period. The employees' should get to know each other, working out what makes each other indicate and the employees' must learn detail information about PJF. In PJF there is incorrect indication, they did not explain the company and how their particular role fits into the biggest picture. Employees' were not welcoming. They did not explain basic internal process and rules and the person insolvent the rules.

**Table 4.12: Leadership skills**

Description	Measurement	Respondents	
		NO	%
How do you rate the leadership skill of your bosses?	Very good	1	5%
	Good	4	20%
	Below Average	15	75%
Total		20	100%

In relation to table 4.12, 75 percent of the respondent did not pleased by the leadership skill of their bosses.

#### **4.4.2 Objective 2; Performance Evaluation**

Employees' satisfaction with performance evaluation is very important. Employees were asked about visibility and level of understanding of performance evaluation methods. The responses are as shown below.

**Table 4.13: Job performance**

Description	Measurement	Respondents	
		NO	%
How do you assess your own job performance?	Very good	1	5%
	Good	5	25%
	Below Average	14	70%
Total		20	100%

In relation to table 4.13, 70 percent of the respondent did not pleased based on their job performance. It is obvious that, Employees with low job satisfaction can negatively affect a company because they typically lack motivation, perform poorly and possess negative attitudes. These symptoms can directly affect a company's bottom line. Managers should understand the reasons employees are unhappy at work. Understanding the causes can help managers find the right solutions.

**Table 4.14: Methods of Performance Evaluation**

Description	Respondents	
	NO	%
Agree to understand the methods	1	5%
Disagree to understand the methods	6	30%
Methods are ambiguos	7	35%
Methods are very ambiguos	6	30%
<b>Total</b>	<b>20</b>	<b>100%</b>

As seen in the table above, only 5 percent respondents agreed that performance evaluation methods were visible and understandable. 30 percent of respondents were of the view that these methods were not very visible and understandable, while 35 percent of respondents indicate that the performance evaluation methods were ambiguous and the other 30 percent of the respondents said the performance evaluation methods were very ambiguous and not understandable. Therefore, this analysis shows the dissatisfaction of employees with the performance evaluation methods.

#### **4.4.3 Objective 3; the Impact of Employee Turnover on Organization Performance in PJF**

According to primary and secondary data the following are the impacts of employee turnover on organization performance in Piko Juice Factory:- Reduction in work productivity, reduction in the quality of product produced, wastage of resources, employee not meeting deadlines, decline in service delivery, loss of customers, increasing work load for each employee, increasing work stress to present workers, work overtime as the cause of high staff turnover rate, and high staff turnover affects team work are among the impacts of employee turnover on organization performance in Piko Juice Factory.

**Table 4.15: Consequences of employees turnover**

Description	Measurement	Respondents	
		NO	%
What consequence does employees' turnover have on productivity of PJJ?	Positive	0	0%
	Negative	20	100%
<b>Total</b>		<b>20</b>	<b>100%</b>

In relation to table 4.15, all of the respondent agree on negative penalty of labor turnover. They were also further elaborated as follows: Turnover deeply related with the productivity of an organization. Employee turnover can hamper the overall productivity of an organization and is often a symptom of other difficulties. Productivity is the measures of an organization to achieve its targeted production with the means of workforce, authority's strategies, machineries, equipments and assets. Authorities must have plans to increase their productivity. Various terms affect productivity such as incentive scheme, line balancing, scheduling, etc. Production of a manufacturing organization is hampered due to labor turnover. This problem is one of the main factors for Piko Juice Factory (PJJ). Small percentage of turnover may cause considerable amount of production lost. Turnover directly affects the production and productivity. It causes a replacement which is costly and time consuming. So many formalities have to maintain to replace a person.

**Table 4.16: Reduction in work productivity**

Description	Measurement	Respondents	
		NO	%
High Staff turnover causes reduction in work productivity.	Strongly Agree	15	75%
	Agree	2	10%
	Neutral	1	5%
	Disagree	2	10%
	Strongly Disagree	0	0%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.16 above shows that a total of 75 percent plus 10 percent of the respondents agreed that high staff turnover causes reduction in work productivity, while 5 percent of the respondents were neutral. The remaining 10 percent of the respondents disagreed. According to Neo, et al. (2006), organisations that do not retain a loyal base of employees then they constantly place an inexperienced group of non cohesive units in the front lines of the organisation. Ensuring the good employee stays with the organization will help them compete effectively within an industry.

In addition, when an organisation loses a valuable employee, there is a negative impact on innovation, consistency in providing service to guests may be jeopardized, and major delays in the delivery of services to customers may occur. A decline in the standard of service provided to customers could also adversely affect the satisfaction of internal and external customers and consequently, the profitability of the organisation (Neves, 2009). According to McConnell (2004), companies having an investment perspective of human resource management view training as an opportunity to increase long-term productivity. According to Neo, et al. (2006), training may also be viewed as a solution to a number of problems, such as substandard quality resulting from skills deficiencies and voluntary turnover of employees seeking more rewarding jobs.

**Table 4.17: Reduction in the quality of product produced**

Description	Measurement	No of respondents	
		NO	%
High staff turnover causes reduction in the quality of product produced.	Strongly Agree	11	55%
	Agree	5	25%
	Neutral	1	5%
	Disagree	3	15%
	Strongly Disagree	0	0%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.17 above highlights that a total of 55 percent and 25 percent of the respondents strongly agreed and agreed respectively that high staff turnover causes reduction in the quality of product produced, while 5 percent of the participants



were neutral. The remaining 15 percent of the respondents disagreed. According to Taylor (2007), the quality of service in the organization decreases as a result of staff shortage. According to Taylor (2007), customer’s evaluation of service quality is affected not only by the end service received, but also by the service delivery process itself, which includes waiting time. Allen, et al. (2007) state that it is a straight forward case that dissatisfied employees cannot give their best performance as their mind is on the things that make them dissatisfied and they feel their effort is not appreciated. Such employees produce not only poor quality work but also less amount of work to the detriment of the organisation and clients (Allen, et al., 2007).

**Table 4.18: Wastage of Resources**

Description	Measurement	No of respondents	
		NO	%
High staff turnover causes too much wastage of resources.	Strongly Agree	0	0%
	Agree	14	70%
	Neutral	2	10%
	Disagree	4	20%
	Strongly Disagree	0	0%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.18 above demonstrates that a total of 70% of the respondents agreed that high staff turnover causes too much wastage of resources when new staff settles in, while 10% of the respondents were neutral. The remaining 20% of the respondents disagreed. Rothwell and Kazanas (2006), state that new staff members make too many mistakes as they are settling in the organisation. Johnson and Redmond (2006) state that new employees cause a great deal of wastage. Moreover, organisations experience wasted time owing to inexperienced replacement staff. Management and other staff spend valuable time not doing their job but trying to train and orientate the replacement staff. Kreitner and Kinicki (2007) state that if an employee is not familiar with the organisation, errors may occur while learning to use equipment.

**Table 4.19: Employee not meeting deadlines**

Description	Measurement	No of respondents	
		NO	%
High staff turnover causes employees not to meet their deadlines.	Strongly Agree	6	30%
	Agree	7	35%
	Neutral	3	15%
	Disagree	3	15%
	Strongly Disagree	1	5%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.19 above shows that a total of 30% of the respondents strongly agree and 35% agreed that staff turnover causes employees not to meet their deadlines, while 15% of the respondents were neutral. The remaining 15% and 5% of the respondents disagreed. According to Taylor (2007), employees were not meeting deadlines because there was a lack of manpower due to staff turnover. There might be delay in terms of response while waiting for the replacement staff to arrive. Again there might be some delays while assigning and aligning replacement staff. Gaylor (2001) states that lack of resources and too much workload in the organization can contribute to employees not being able to meet their deadlines in the organisation.

**Table 4.20: Disruption of service Delivery**

Description	Measurement	No of respondents	
		NO	%
High staff turnover causes a disruption in service delivery.	Strongly Agree	5	25%
	Agree	9	45%
	Neutral	2	10%
	Disagree	4	20%
	Strongly Disagree	0	0%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.20 above highlights that a total of 25% plus 45% of the respondents agreed that staff turnover causes a disruption in service delivery, while 10% of the

respondents were neutral. The remaining of the respondents disagreed. According to Hopkins (2005), employee’s disruptions while performing their work have a negative impact on the service delivery. If there are employees who are not at work, the service provided will be reduced compared to when all employees are at work. According to Raliphada (2007), employees in the organization are working hard to balance their work but the quality in the service delivery is not easy to avoid if there are still staff members who are not on duty.

**Table 4.21: Loss of Customers**

Description	Measurement	No of respondents	
		NO	%
High staff turnover causes loss of customer.	Strongly Agree	0	%
	Agree	8	40%
	Neutral	6	30%
	Disagree	5	25%
	Strongly Disagree	1	5%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.21 illustrates that a total of 40% of the respondents agreed that poor service provided results in loss of customers, while 30% of the respondents were neutral. The remaining of the respondents disagreed. Duchessi (2002), states that one of the reasons for consumer frustration is waiting for efficient service. Locke (2009) states that a programme to measure customer satisfaction should be a permanent ongoing process that satisfies what customers want.

**Table 4.22: Increasing Work Load for each Employee**

Description	Measurement	No of respondents	
		NO	%
High staff turnover causes increases work load for each employee.	Strongly Agree	1	5%
	Agree	11	55%
	Neutral	3	15%
	Disagree	5	25%
	Strongly Disagree	0	0%
<b>Total</b>		<b>20</b>	<b>100%</b>

Table 4.22 above illustrates that a total of 5% and 55% of respondents agreed that high turnover increases work load for each employee, while 15% of the respondents were neutral. The remaining of respondents disagreed that high turnover increases work load. Tyani (2001) states that high staff turnover places unnecessary pressure on staff that are at work. According to Russell and Bvuma (2001), shortage of staff in an organisation at any given time implies that the quality and quantity of service is most likely to be different if compared to the time when an organisation has all the staff it needs to meet its strategic objectives.

#### **4.5 Discussion of the Findings**

##### **4.5.1 Main Reasons for Employees to Leave Their Jobs**

During the course of data collection, the researcher noted that, the impact of turnover had received considerable attention by senior management. In short, turnover proved to be one of the most costly human resource challenges confronting the organization. The main research objective was to find out the causes and later impact of employee turnover at Piko Juice Factory

The question sought opinions from the respondents as to what they thought were reasons for their colleagues to leave the organization. Based on the findings, several factors were attributed to the phenomenon; it included salary scale, unsatisfactory performance evaluation, job satisfaction, lack of recognition, poor working condition and work boredom.

##### **4.5.2 Salary Scale**

This is the most common cause of employee turnover proved by respondents. Employees are in search of jobs which pay well. If the companies in which they work do not pay well, they tend to hunt for jobs that pay them considerably well. Management alienates staff by promoting someone who lacks training and or the necessary experience to supervise. Employees tend to favor an organization in which

the opportunities for advancing are wisely managed. The findings exemplified that promotional procedures are not clear and fair to all employees. An employee in the organization might have the proper qualifications to fill a vacant position but the organization will hire a fresh employee for the position.

It was found that, the most common reason for leaving is the availability of higher paying jobs. It was discovered that an employee could leave the current job for the increase of salary between 5% and 10%. It was explained by one of the respondents that ‘in a better economy the availability of alternative jobs plays a role in employee turnover.

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

#### **4.5.3 Lack of Recognition**

Poor recognition methods make employees leave their employer the study noted. The desire for fair recognition and improved status is very essential to everyone regardless of position, age, sex, education and the like. Every employee needs to be recognized by his peers, supervisors and other people. It is kind of embarrassing when someone’s effort is not recognized or appraised. It was found that people want to work in a place where they can succeed and feel their contribution is appreciated. The absence of this environment can push people to explore other opportunities, hence employee turnover rate increases.

#### **4.5.4 Lack of Career Advancement or Training**

When employees were asked about career advancement and training effectiveness, they seemed to be unsatisfied. Some employees explained that due to lack of job rotation, the employer did no give them time to attend training because they knew

that business would not continue due to time spent on training, as a result, they thought of finding another job where they hoped they could get career advancement. Martin (2003) detected a complex relationship between turnover and training. He suggested that establishments that enhance the skills of existing workers have lower turnover rates. However, turnover is higher when employees are trained to be multi-skilled, which may imply that this type of training enhances the prospects of workers to find work elsewhere. The literature on the link between lower turnover and career advancement has found that off-the-job training is associated with higher turnover presumably because this type of training impacts more general skills, Martin (2003)

#### **4.5.5 Lack of work-life Balance**

It was discovered that lack of work life balance is a source of employee dissatisfaction. Some of the respondents complained that after job, they do not get enough time to spend with their families and for their personal activities, they are therefore de-motivated and this fact forces them to think of leaving their employers.

They argued that every person in life has his/her own life to which they want to give proper time other than work life, so whenever employees find any conflict in between both lives they prefer to move to somewhere else, where they could avoid such conflicts. In the present conditions of competition among different employers in the industry, there is a possibility that the employees are stretched to give maximum output and this may cause imbalance between work and employee's personal life.

It was further noted that from the interview that, employees turnover was lower when employees had a shorter working hours and were given a choice of work schedules, even though their work load was higher. It was advised that organizations that provide employees with flexible work schedules had the advantage of reducing employee turnover.

Employers can offer a range of different programs and initiatives, such as flexible working arrangements in the form of part-time, casual and telecommuting work. More proactive workers can provide employees not to work after official working

hours. The study also found out that some employees including the managerial workers, take work at home almost everyday. In the review of documentary sources, the researcher found that there is a legal provision issued in the labor law to govern work-life balance. The exiting provisions include, annual leave, such that all employees be entitled to a minimum of 14 days of paid annual leave. Similarly, the working week is limited to 48 hours that is 8 hours a day. All women are also entitled to 90 days paid leave on the time of child birth. However, the important point to note is, an effective work –life balance strategy is not simply about complying with the law, it is actually finding out about employees’needs and priorities and considering how they can be met in ways that are consistent with the needs of the business. Employers are increasingly concerned to protect their reputation and employer’s brand. Work-life balance policies are an important way for employers to identify their commitment to quality and social responsibility.

#### **4.6 Measures taken by Management to reduce Turnover**

Respondents were asked whether they were any efforts made by the management to retain employees. The findings showed that the management had started retaining qualified employees by giving them an increment in salary once they presented their resignation letters as one of the retention strategies. However, this caused low morale to other staff as it created a big income gap. The management also started to effectively use the exit interview procedure to identify reasons for employees leaving the organization, but this study noted that some employees were not saying the truth while filling the forms.

As for performance appraisal system, the factory had started to adopt a joint process in which both the supervisor and subordinate sat together set common goals and targets to be achieved for the year, compared performance versus targets to be achieved in that year, and identified training needs. The supervisor was also encouraged to counsel the subordinates and make them aware of their respective strengths and weaknesses.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

In this chapter, summary of the study findings, conclusions, recommendations and need for further research are presented. The main objective of the study was to assess the impact of employee turnover on organization performance in Piko Juice Factory plc. The study was conducted through secondary literature review and data were collected and analyzed. Four important areas of the study concern were to assess the impact of employee turnover on organization performance; investigate the causes of staff turnover in PJF and finally recommends recommend strategies that can be used to reduce the high level of employee Turnover in the Organization.

#### **5.1 Summary of the Research Findings**

##### **5.1.1 Main causes of Employees turnover in Piko Juice Factory**

The research findings indicated that employee turnover is a major problem with manufacturing industry, not only Piko Juice Factory as evidenced by some employees but also many other manufacturing organizations.

This was caused by various factors such as poor salary packages, too much work load, work stress, lack of career advancement, lack of job rotation, work stress and unfair promotion subjective performance evaluation done by supervisor.

##### **5.1.2 Efforts Done by the Management to Retain their Employees**

The findings showed that the management was more concerned with the quality of the personnel leaving the organization, which were considered as the key talents of the organization, who had left no room for negotiations. It was discovered that, the management concern was not merely the number of employees leaving the organization that was relevant, but rather the quality of personnel who left the organization. As a result, high rate of turnover increased work load and stress to



others, reduced morale to team work and at the end, employees whom management believed were high performer also resigned. This increased the rate of turnover of the organization.

Retention strategies should be based on understanding the factors that determine whether the employees leave or stay. For early-career employees (less than 30 years of age) career advancement is significant. For mid career employees (between age of 31 and 50 years old) the ability to manage their career and satisfaction from their work are important. Late career employees (over 50 years old) will be interested in security. It is also the case that a younger workforce will change jobs and employers more often than an older workforce, and workforce with a lot of part-timers are less stable than those with full time employees.

The researcher also noted that from the study of Holbeche (1998) of high flyers, who found out that the factors that aided the retention and motivation of high performers included providing challenge and achievement opportunities, mentors, realistic self assessment and feedback processes. The study also summarized three employee retention explained below:

Exit turnover survey: This survey found out why employees left the organization, where they went and why, what could have been done to improve their work experience and keep them with the company, and other pertinent information and insight. These surveys are typically conducted semi-annually or annually and may be sent to all former employees that left the organizations on their own initiative.

Exit interview survey: In this type of survey, employees complete the employees exit interview survey prior to leaving the organization. Exit interview survey establish why employees are leaving the organization, where they are going and why, what could have been done to improve their work experience at the organization and other pertinent information and insight.

Employee retention survey: This survey is highly effective for an organization with high employee turnover throughout the organization, or with high turnover in one particular department such as sales, or call centre etc. This survey assesses the key employees' satisfaction and employees' engagement and the likelihood that the employees will stay with the organization for the foreseeable future. This employee survey also identifies reasons employees are likely to leave your organization and what can be done to reduce voluntary employee turnover.

These surveys provide a wealth of information and insight regarding why employees are thinking of leaving your organization. Acting on this information, the organization can reduce unwanted employee turnover, generating a strong payback on the survey and bottom line results.

## **5.2 Conclusion**

The objective of this study was to assess the impact of employee turnover on organization performance in Piko Juice Factory plc. Data were collected and analyzed. The study revealed the following based on the purpose of the study. Staff turnover may be caused by lack of opportunities for career development, remuneration and working condition. Staff turnover if not taken into consideration will damage the image of the organisation, where customers will lose trust in the organisation. Moreover, productivity of the organisation will also decrease, while employees will be demotivated to work for a company with high staff turnover rate. Paying employees a market related salary may help management in retaining valuable employees. The manufacturing process by the Factory will end up being compromised due to high staff turnover and this may cause customers to move to other organisations. This study therefore makes recommendations arising from the empirical analysis, to reduce staff turnover in the organization.

### 5.3 Recommendations

Arising from the empirical analysis of results, the following recommendations are made for the Piko Juice Factory:

*(i.) Top management should create opportunities for career advancement in the organisation;* Creation of opportunities for career advancement may help staff to become more competent and to enjoy their work even better.

*(ii.) Top management should give due recognition to its internal employees when there are new positions within the organisation;* Clear, achievable goals and standards for each position should be set and should be known to employees. Individuals should also receive regular, timely feedback on how they are doing and should feel they are being adequately challenged in their jobs (Mathis and Jackson, 2007).

*(iii.) Top management should improve working conditions within the organisation;* The working environment should be conducive for employee's health and safety in the department. To motivate the workforce, it is important to ensure a hazard free and safe environment which also enhances efficiency and productivity. When the adverse effects of the physical work environment are not attended to by management, employees may lose interest in the work and might leave the organisation (Del Val, and Fuentes, 2003).

*(iv.) Top management should involve employees in the decision making process;* Top management should involve employees in any issue that will affect them in the organisation. Employee involvement may be through meeting with their representatives.

*(v.) Top management should develop employee assistance programmes in the organisation to assist employees with problems to eliminate absenteeism or staff turnover;* Top management should also make sure that employees are aware of these programmes in the organisation.

*(vi.) Introduction of Employee Assistance Programme;* According to Erasmus, et al. (2003), the introduction of Employee Assistance Programme is of vital importance whereby troubled employees could get-in-house assistance in order to be able to cope with problems that have a negative impact on their performance that may affect service delivery.

*(vii.) Top management should also appreciate employee's input in the organisation when they meet organisational goals;* Appreciation can be through announcement or writing a letter of commendation and placing it in the notice board or provide some incentives.

*(viii.) Top management should reduce work boredom to employees by revisiting employee's job description in order to add some challenge job tasks on the employee's job description;* If there is no match between employee and the job, the employees become bored by the job that provides no challenges or one that provides unrealistic challenges. These realities are the ones that make people leave the organisation (Erasmus, et al., 2003).

**(ix) Keep compensation and benefits current**

Be sure that you are paying employees the fair going wage for their work (or better) and offer them competitive benefits, or—really—who can blame them for ditching you? This might seem like a no brainer but you'd be surprised how few companies offer raises that keep up with an employee's development and actual rising worth.

**5.4 Direction for Further Research**

A quantitative approach was employed in this research and questionnaires were used to collect data from the respondents. In this study, the majority of respondents had different opinions on the impact of employee turnover on organization performance and there is also a need to conduct further research which can focus on employee retention strategies.

Further research could be done in this field of study using qualitative methods.

Qualitative methods could allow the researcher to use interviews to collect rich data from the respondents.

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## 1. APPENDICES

### Appendix 1: Questionnaire for Master's Degree Course Research To Piko Juice Employees

The purpose of this questionnaire is exclusively for academic purpose as a requirement for MBA.

It's administered to assess your views about your working conditions, experience, and general working environment about your organization. The collected data will be analyzed in terms of Causes and Consequences of Employees turnover in Piko Juice Factory. I assure you that, all your responses will be kept in absolute confidentiality and you will not be held responsible for the research outcome.

Therefore, your genuine, frank and timely responses are quite vital to determine the success of this study. So, I kindly request your contribution in filling the questionnaire honestly and responsibly.

#### **NB.**

1. No need of writing your name;
2. Answer the alternatives by encircling your choices(s) and/or by filling the space provided for narration or descriptive questions.
3. Please respond as accurately as possible and at your earliest possible time.

#### **Part A. Personal Data and Job History**

##### 1. Sex:

M                      F

##### 2. Age (Years)

- A. Below 18
- B. 18 - 25
- C. 26 - 30
- D. 31 - 40
- E. Above 40

##### 3. Educational Qualification

-50-

- A. Grade 10/12 or below
- B. 12+2/10+2
- C. BSc/BA
- D. MSc/MA
- E. PhD

**Part B. Questionnaire to respondents**

1. Your work experience in the PJF (in years)
  - A. Less than one year
  - B. 1 - 2 Years
  - C. 2 - 5 Years
  - D. 5 - 10 Years
  - E. Above 10 Years
2. Are you satisfied with the amount of pay you get?
  - A. YES
  - B. NO
3. Are you satisfied with the sense of achievement you get from your work?
  - A. YES
  - B. NO
4. There is an opportunity for career Advancement (Training)
  - A. Strongly Agree
  - B. Agree
  - C. Neutral
  - D. Disagree
  - E. Strongly Disagree
5. Employees are involved in decision making.
  - A. Strongly Agree
  - B. Agree
  - C. Neutral
  - D. Disagree



E. Strongly Disagree

6. What do you think on the reason for employees' resignation in the Organization?

- A. Low pay
- B. Lack of opportunity for promotion
- C. Poor management
- D. Lack of training & development
- E. opportunity

7. How would you assess the security of your job?

- A. High
- B. Low

8. How do you perceive the management style in PJF?

- A. Good
- B. Poor

9. How would you rate your pre-placement orientation program?

- A. Excellent
- B. Very good
- C. Good
- D. Bad

10. How do you rate the leadership skill of your bosses?

- A. Very good
- B. Good
- C. Below Average

11. How do you assess your own job performance?

- A. Very good
- B. Good
- C. Below Average

12. Methods of performance Evaluation

- A. Agree to understand the methods
- B. Disagree to understand the methods
- C. Methods are ambiguous
- D. Methods are very ambiguous

13. What consequence does employees' turnover have on productivity of PJF?

- A. Positive
- B. Negative

14. High Staff turnover causes reduction in work productivity.

- A. Strongly Agree
- B. Agree
- C. Neutral

- D. Disagree
  - E. Strongly Disagree
15. High staff turnover causes reduction in the quality of product produced.
- A. Strongly Agree
  - B. Agree
  - C. Neutral
  - D. Disagree
  - E. Strongly Disagree
16. High staff turnover causes too much wastage of resources.
- A. Strongly Agree
  - B. Agree
  - C. Neutral
  - D. Disagree
  - E. Strongly Disagree
17. High staff turnover causes employees not to meet their deadlines.
- A. Strongly Agree
  - B. Agree
  - C. Neutral
  - D. Disagree
  - E. Strongly Disagree
18. High staff turnover causes a disruption in service delivery.
- A. Strongly Agree
  - B. Agree
  - C. Neutral
  - D. Disagree
  - E. Strongly Disagree
19. High staff turnover causes loss of customer.
- A. Strongly Agree

- B. Agree
- C. Neutral
- D. Disagree
- E. Strongly Disagree

20. High staff turnover causes increases work load for each employee.

- A. Strongly Agree
- B. Agree
- C. Neutral
- D. Disagree
- E. Strongly Disagree

## **Appendix II: Interview for Master's Degree Course Research To Piko Juice Factory plc**

Dear Respondent

The following are the interview questions to be asked intending to collect data basing on the following topic: Assessment of the impact of employee turnover on organization performance at Piko Juice Factory plc region. You are requested to assist in responding questions as you know them.

The information obtained in this interview session will be confidential, and only for research purposes I anticipate my gratitude to your assistance.

### **Part A: General Information**

1. Sex:

M                      F

2. Age (Years)

- A. Below 18
- B. 18 - 25
- C. 26 - 30
- D. 31 - 40
- E. Above 40

3. Educational Qualification

- A. Grade 10/12 or below
- B. 12+2/10+2
- C. BSc/BA
- D. MSc/MA

**Part B: Interview Questions**

1. What inspired you to join this organization?

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2. Do you think of leaving your current employer? If yes, why?

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3. In your opinion, what do you think are the reasons why your colleagues choose to leave this organization?

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4. What makes you continue working with this organization?

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5. How do you think employee turnover has affected the organization?

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6. What measure does the management take to reduce the level of turnover in this organization?

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7. In your opinion, what makes an employee stay with one employer until the end of the prescribed contract?

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**Thank you in Advance for your Cooperation**