



**ST. MARY'S UNIVERSITY COLLEGE
SCHOOL OF GRADUATE STUDIES**

**ANALYSIS OF THE CAUSES, CONSEQUENCES AND MANAGEMENT
OF EMPLOYEES' TURNOVER IN THE COMMERCIAL BANK OF
ETHIOPIA**

**BY
AYALKBET AMDEMARIAM**

**FEBRUARY 2013
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ABSTRACT

The ability of an organization in the process of management depends largely on its efficiency and effectiveness of utilizing its human resources. Human resource is the most fundamental and decisive asset. On the other hand, whatever ample material and financial resources it may have, the institution is lifeless unless it converted to some sort of outputs with the effort of people. This is due to the fact that human resources mobilize and organize other resources to realize organizational goals and objective. To create consistently high levels of retention, first it is necessary to understand why people are leaving or being terminated. This is especially true if the organization experienced high level of employee turnover, a situation that could cripple a company in coming years.

The primary purpose of this research is to show the turnover, its consequence and management in the Commercial Bank of Ethiopia, which is one of the largest commercial bank in the banking industry of the country. The problem statement that initiated the researcher to conduct the study is the increase in turnover of skilled manpower through time (from 2005 to 2012). The major objective of the study is to find out the problems related with this turnover and to propose retention mechanisms. To attain the above mentioned objectives interviews will be conducted and questionnaire also be distributed to a total of 160 respondents in the selected process of Head Office organs, District Offices and Branches around Addis Ababa. One of the major importance of the study is that Management, especially those in the Human Resources Management Process and other concerned organs of the Bank will get the opportunity to revise or change the current system of the Human Resource Management of the bank; particularly on retention mechanisms of the employee. The study revealed that the employees are found to be satisfied in certain facets such as their current job, relationship with their coworker, with their working environment. Conversely, employees are dissatisfied with major determinant facets such as banks competitive pay system; the current salary and benefit; training opportunities.. Therefore, it has been recommended that training, job, promotion should be provided based on merit as per the procedure; CBE has to revise the current pay scheme by considering the external market. Finally, the bank has to work on retention mechanism which is highly depends on the extent to which the adequacy of extrinsic and intrinsic factors of motivation; since staff turnover is associated with job intrinsic and extrinsic dissatisfaction. so that employees can feel accomplished and proud of their work environment and feel happy to serve customers freely and do not even think to leave the bank.

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LIST OF ACRONYMS

CBE - Commercial Bank of Ethiopia
HRM - Human Resources Management

CHAPTER ONE

INTRODUCTION

This chapter provides a background to the study. It highlights the causes and consequences as well as management of employees' turnover. Considering employees turnover as a critical issue in the ever-changing world of service delivery, be it in private and public institution, particularly Commercial Bank of Ethiopia has a paramount importance. This chapter, therefore, addresses the background of the study, the problem statement, objectives, the research questions, significance, scope, limitation, and definition of key terms as well as the organization of the study.

1.1. BACKGROUND OF THE STUDY

The ability of an organization in the process of management depends largely on its efficiency and effectiveness of utilizing its human resources. Human resource is the most fundamental and decisive asset. On the other hand, whatever ample material and financial resources it may have, the institution is lifeless unless it converted to some sort of outputs with the effort of people. This is due to the fact that human resources mobilize and organize other resources to realize organizational goals and objective. Labor turnover is an important and pervasive feature of the labor market Martin (2003), because, it affects both workers and the firms performance by incurring high amount of turnover cost.

Employee turnover refers to the proportion of employees who leave an organization over a set period (often on a year-on-year basis), expressed as a percentage of total workforce numbers. At its broadest, the term is used to encompass all leavers, both voluntary and involuntary, including those who resign, retire or are made redundant, in which case it may be described as 'overall' or 'crude' employee turnover (Armstrong, 2006).

Any business is only as good as the people who comprise the organization. Therefore, an excellent employee is a pearl of great price. However, instead of recognizing the value of their employees, many companies still squander these precious human resources in a number of ways. Employees leave organizations for all sorts of reasons. Some leave due to 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, harassment, pregnancy, illness, moving away from area etc (Armstrong, 2006).

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization (Barb and Jancy, 2001). Recruiting employee consume a great deal of time and effort, bringing employee up to speed even takes more time, replacing employee costs money and in general high turnover often leaves customers and employee in the lurch; departing employee takes a great deal of knowledge with them. This lack of continuity makes it hard to meet organization goals and serve customer well and suggested that “respect, recognition and reward while the employees are with us can bring a positive result and increase retention”. Creating mechanisms to reduce and retain active and skilled manpower should be the major activities of any organization to ascertain its going-concern ideology.

The definition of total turnover is the total number of employees leaving the organization during a month divided by the average number of employees during that month. Some calculations use the number of employees at mid-month in the denominator. However, this can be slightly misleading because of the surge of employees who leave at the end of the month (many professional employees prefer to leave at the end of the month). Employee turnover can be voluntary or involuntary, avoidable or unavoidable, functional or dysfunctional or it is early turnover (Phillips and Lisa, 2009).

Commercial Bank of Ethiopia (CBE) is on the verge of transforming in to a world class commercial bank. To realize its vision, CBE has re-engineered its business process and is being transformed from a functionally-oriented bank into a processed-based bank that strives for efficient and effective service delivery. As per the report of 2011/12 of Commercial Bank of Ethiopia, the HRM sub-process from the total of 12,782 (in the fiscal year 2011/12) employees 77 percent are diploma and first degree holders. Having this skilled human resource CBE works in delivering the best quality service than the rest of competitors in the industry. This experience clearly shows that human resource is the most invaluable asset of any organization. Without the proper handling of its human resources, it is hard for any organization to realize its short and long term objectives and goals. Taking in to account the stated vision, Corporate Human

Resource Management, as part of the process of the bank has been taking various process level initiatives and is striving hard so that organizational effectiveness and efficiency can be achieved.

Turnover as a concern of Human Resources is an area where much attention should be given; hence, as part of the activity of Human Resource, Knowing the reason for employees leaving the organization and its consequence is important. Although there is a mechanism of identifying the reason for resignation of employees in the bank, the system is traditional and weak so that significant result has not been achieved in this matter and the bank is unable to stop such migration and purely cannot identify the consequence in a systemic manner. This is perhaps due to the inability of the existing system to clearly identify the reason for resignation and establishing the retention mechanisms.

As a service giving organizations, the quality of the Bank's service is highly dependent on maintaining such skilled manpower to achieve its mission effectively and efficiently. Though the bank has prepared some incentive mechanisms and established a new system of organization to manage the turnover, its impact is still unsatisfactory. This initiates the researcher to conduct a study to identify the root cause of the problem, its consequence and management so as to recommend possible solutions for the subject matter. Turnover could be minimized through considering different preventive measures by the management. These may include providing training to the employees and line managers for an effective supervision before appointing or upgrading them, providing security of jobs with good working environment, better salary and benefit packages etc.

1.2. STATEMENT OF THE PROBLEM

Human resource plays a vital role in maintaining the sustainability of any organization. For an organization to be successful it needs to have a motivated and inspired employees as well as well articulated management since satisfied employees naturally treat the organization's clients very well or give quality service, hence the management's awareness of the importance of keeping employees satisfied and the effectiveness of the existing motivation system contributes a lot for the quality of service and the success of the organization. Staff turnover issues

have reached to such a level that many industrial, service and consulting organizations are investing a big slice of their resources under knowledge management and other retaining mechanisms.

The Commercial Bank of Ethiopia (CBE) was legally established in 1963 as Share Company to take over the commercial activities of the state Bank of Ethiopia. In the 1974 revolution, CBE got its strength by merging with the private owned Addis Ababa Bank. Since then, it has been playing a significant role in the development endeavor of the country. Currently, it has re-engineered its business process and is being transformed from a functionally-oriented bank to a process-based institution that strives for efficient and effective service delivery. Having one of its missions “deploying highly motivated, skilled and disciplined employees capable of providing banking products and services that meet international best practices and standards.” shows the importance of the quality of the human resources (existing as well as newly employed) but the newly and emerging private banks with their lucrative salary and benefit paying scheme, are able to snatch CBE’s talented and trained employees. As indicated in the Table 1, from the total employees’ 3008 employee were terminated from the bank due to different reasons. Besides, Corporate Human Resources Process is not able to retain its experienced and skilled employee. The following Table shows the turnover rate of the Bank:

Table 1: Turnover in CBE (2005/12)

Fiscal year	Total no of employees	Total number of termination	Turnover percentage	Clerical	Non-clerical
2005/06	7347	366	4.98	323	43
2006/07	7684	455	5.92	422	33
2007/08	8033	329	4.10	286	43
2008/09	7955	398	5.00	343	55
2009/10	8276	514	6.21	370	144
2010/11	10753	461	4.29	337	124
2011/12	12782	485	3.79	379	106
Average/Total	62830	3008	4.79	2420	529

Source: CBE’s bulletin of 2005-2012 and quarter report prepared by HRM

The above table indicates that the magnitude of employees’ turnover in the Bank that has been increasing year to year. This problem seems significant and worth studying so as to find out the reasons of employees turnover. Therefore, this study tried to assess the cause, consequences and

management of employees' turnover in CBE. Keeping the aforementioned statement in to account, this study encompasses the following basic research questions:

- What are the main reasons for employees' turnover?
- What are the consequences of employees' turnover in CBE?
- How does the Bank handle its human resource?
- What are the techniques of employee retention?
- What are the ways of reporting turnover in CBE?

1.3. OBJECTIVES OF THE STUDY

The study has both general and specific objective.

General Objective

The main objective of the study is to assess the cause, consequence and management of employees' turnover in the Commercial Bank of Ethiopia.

Specific objectives are to:

- identify the problems relating employee turnover and investigate the root causes and consequences of the problem,
- examine the already existing retention mechanisms of the Bank; if any,
- examine the reporting systems pertaining to employee turnover, and
- suggest some possible recommendations based on the findings of the study.

1.4. SIGNIFICANCE OF THE STUDY

This study shows a practical picture of the Human Resource Management practice of CBE in relation to employee turnover. Knowing the practice in turn is significant in helping to point out any weakness and strengths that exist in the Bank. This also will be the basis of ensuring best approach to handling and retaining employee turnover related issues in the CBE. Particularly, it helps the Bank to maintain improved human resource retention mechanisms; it provides insight for other researchers who want to study employee turnover in the Bank.

Furthermore, the study adds additional knowledge in the area of Human Resource Management by providing the causes, consequences and management of employee turnover. Lastly, it helps the future researchers who are interested in the banking sector in Ethiopia.

1.5. SCOPE OF THE STUDY

Even though there are many Banks in the country, the study is bounded itself to study employee turnover practices in Commercial Bank of Ethiopia. Even though, the CBE has also different kinds of activities within the human resource management, it would have been good if the study included all aspects of human resource management activities. Hence, this study focuses only on one of the prominent issues in HRM; that is, employees turnover, which has untold impact on the on the Bank's performance. Besides, the study covers only Addis Ababa area due to cost and time constraints.

1.6. LIMITATION OF THE STUDY

The main limitations of the study were difficulty in finding the ex-employees of the organization which forced the study to depend on a few number of ex-employees and exit interview data. In addition, respondents' reluctance and lack of willingness to complete and return the questionnaires on time, and also the data collection methods have their own natural limitations. However, through serious follow-ups and exerting much effort, many of the questionnaires were collected as intended.

1.7. DEFINITION OF TERMS

Employee turnover: - Employee turnover refers to the proportion of employees who leave an organization over a set period.

Retention: - Retention relates to the extent to which an employer retains its employees.

Managerial Staff: - Staff who has subordinates under his/her control. Eg. Bole Branch Manager

Professional Staff: - Staff who are engaged in professional work. Eg. HR Officer

Clerical Staff: - Staff who are engaged in clerical activities. Eg. Secretaries

Transport & Production Staff: - Staff who are engaged in technical work. Eg. Drivers, electricians, etc.

Service workers: - Staff who are engaged in technical work. Eg. Cleaner, Security Officer, Gardner etc.

1.8. ORGANIZATION OF THE PAPER

The study consists of five chapters. The first chapter highlights the background of the study; the state of the problem, objectives, scope, and significant of the study. The review of the related literature is discussed in the second chapter. It presents the conceptual frameworks or a brief review of related studies that serve as the basis and proof to support the basic questions of the study. Chapter three addresses research design and methodology. It explains the methods, approaches, procedures and instruments that were used to achieve the purpose of the study. The fourth chapter focuses on the presentation, analysis and interpretation of the data. The Fifth chapter deals with summary, conclusions and recommendations based on the findings. Lastly, Bibliography follows Chapter Five.

CHAPTER TWO

REVIEW OF THE RELATED LITATURE

In order to have a good theoretical understanding of the problem under study, reviewing related literature is necessary. Accordingly, in this chapter, definitions, the impacts of employee turnover, the method of retaining employees are discussed in this chapter.

2.1. EMPLOYEE TURNOVER

In today's working environment, a company's human resources are truly the only sustainable competitive advantage. Product innovations can be duplicated, but the synergy of a company's workforce cannot be replicated. It is for this reason that not only attracting talented employees but also retaining them is imperative for success.

There is no set level of employee turnover above which effects on the employing organization becomes damaging. Everything depends on the type of labor markets in which the organization competes. Where it is relatively easy to find and train new employees quickly and at relatively little cost (i.e. where the labor market is loose), it is possible to sustain high quality levels of service provision despite having a high turnover rate. By contrast, where skills are relatively scarce, where recruitment is costly or where it takes several weeks to fill a vacancy, turnover is likely to be problematic from a management point of view. This is especially true of situations in which organizations lose staff to direct competitors or where customers have developed relationships with individual employees as is the case in many professional services organizations (<http://www.cipd.co.uk/subjects/hrpract/turnover/empturnretent.html>).

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; this includes voluntary resignations or quits, dismissals, layoffs and death or retirements.

2.2. TYPES OF EMPLOYEE TURNOVER AND ITS MEASUREMENT

When discussing turnover and what is considered to be an appropriate rate of turnover, several issues must be addressed. First is the misconception that a very low turnover rate (near zero) is the most acceptable. It is virtually impossible and undesirable to achieve a continuous zero turnover rate in an organization.

Extremely low measure and monitor turnover and retention data turnover rates can be dysfunctional as well as unhealthy, particularly when new thinking and fresh ideas are needed. Also, extremely low turnover rates for extended periods of time can add tremendous costs as incumbent employees reach higher salaries.

Defining the acceptable rate of turnover is another concern. After the specific type of turnover is defined, the economic climate considered, the expectations detailed, and capabilities considered, a turnover rate above a certain level becomes excessive and will trigger action. More importantly, monitoring leading indicators to the actual turnover rate is better.

There are five types of employee turnover. These are: - Total Turnover Rate, Voluntary and Involuntary, Avoidable and unavoidable, Functional and Dysfunctional and Early Turnover (Phillips and Lisa R, 2009). Each of them is briefly described as follows:

2.1.1. TOTAL TURNOVER RATE

The definition of total turnover is the total number of employees leaving the organization during a month divided by the average number of employees during that month. Some calculations use the number of employees at mid-month in the denominator. However, this can be slightly misleading because of the surge of employees who leave at the end of the month (many professional employees prefer to leave at the end of the month). This category includes all the reasons for an employee's departure, regardless of the performance of the employee or unavoidable situations that created the departure. In reality, this value has little practical meaning because there are so many unavoidable reasons for turnover. Also, the value includes functional turnover, where a certain number of employees are purposely removed from the organization.

Still, it does provide the absolute value, showing the total departure rate of talent in the organization.

2.1.2. VOLUNTARY VERSUS INVOLUNTARY

Voluntary turnover usually refers to those employees who initiate their departure from the organization i.e. caused by the interest of the employee (e.g. to take job in other organization for better salary). Exit interviews mostly aim to establish evidence why people are leaving. Some of the reasons for leaving can be (Phillips and Lisa R. 2009):

- Personal dissatisfaction with the job, employer, hours, or working conditions, security, prospects (career move) Relationships with manager/team leader or with colleagues , payment etc.
- There are also factors in employee's personal life not related to the job that make an employee resign. These may include family obligations, education, health, or moving to a new location.
- Getting hired at a new job. Reasons for wanting a different job may be better working conditions, better hours, a shorter distance to work, better pay, career progression or preparation for entry into a new career, or a career change.
- Feared or anticipated involuntary termination. The employee may wish to take matters into his/her own hands in order to leave more honorably either completely on their own initiative, or as an offered alternative to being fired (this is also known as mutual consent in some parts).

Involuntary termination is the employee's departure at the hands of the employer (decision of management to quit employees from work e.g. dismissal for gross misconduct). There are two basic types of involuntary termination, known often as being "dismissed" and "laid off." To be fired, as opposed to being laid off, is generally thought of to be the employee's fault, and therefore is considered in most cases to be dishonorable and a sign of failure.

- Dismissal is the employer's choice to let the employee leave, generally for a reason which is the fault of the employee.

- Layoff is usually not strictly related to personal performance, but instead due to economic cycles or the company's need to restructure itself, the firm itself is going out of business, or due to a change in the function of the employer (for example, a certain type of product or service is no longer offered by the company, and therefore jobs related to that product or service are no longer needed).

Both voluntary and involuntary turnover have costs, the cost associated with them is tabulated below:

Table 2: Cost of Voluntary vs. Involuntary Turnover

Cost	Voluntary turnover	Involuntary turnover
	Recruitment, Selection, Training & Replacement	Recruitment, Selection, Training & Replacement
	Lost Productivity	Lost Productivity
	Loss of trained employee	Lawsuits
	Leaving Costs(Compensation and other types of payment)	Work place violence

Sources: Phillips and Lisa R. (2009:PP. 93).

2.1.3. DYSFUNCTIONAL VERSUS FUNCTIONAL

Voluntary turnovers are further distinguished between functional and dysfunctional turnovers. Functional turnovers are the resignation of substandard 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 (caused by lower compensation, poor working condition, etc) and unavoidable turnovers (like family moves, serious illness, death, etc) over which the organization has little or no influence. Therefore, management should gives special attention to avoidable turnover over which it has control and improves the situation and then staffs retention.

In previous definitions, the quality of the employee's performance is not taken into consideration. For talent management, the issue becomes critical when high-performing talent leave the organization versus those considered being low performers. Some organizations

intentionally weed out the low performers, creating turnover. On the other extreme, the departure of a high-performing individual can be a devastating blow to the organization.

Table 3. The concept of Functional versus Dysfunctional Turnover

Employee's Action	Employee Performance Rating		
	No initiation of Voluntary Quit	Positive	Negative
			Employee Remains with Organization
Initiation of Voluntary Quit	Employee Leaves Dysfunctional Turnover	Employee Leaves Functional Turnover	

Sources: Phillips and Lisa R. (2009: PP.61)

Employees with a negative rating are either terminated for substandard performance or quit because they see the inevitable consequences of their performance. This is called functional turnover. When an employee leaves after receiving a positive rating, it is considered dysfunctional turnover and should be the primary focus of attention for the organization.

2.1.4. AVOIDABLE VERSUS UNAVOIDABLE

The next definition is based on the concept of avoidable turnover. This turnover rate is defined as the number of employee departures that are avoidable, divided by the average number of employees during the month (or number at mid-month). This calculation requires the analysis of turnovers that could have been avoided in some way.

Table 4. The concept of Avoidable vs. Unavoidable Turnover

Organization Control	Employee's Control		
	Avoidable	Voluntary	Involuntary
			Better Pay Better Working conditions Problem with Managers Lack of recognition, etc.
Unavoidable	Move to another location(family) Carrier Change Stay home to care family Pregnancy	Severe medical disability Death Regular retirement	

Sources: Phillips and Lisa R.,(2009: PP.61)

2.1.5. EARLY TURNOVER

A critical time in an employee's tenure with an organization is usually with the first few days, weeks, and months of employment. It is during this period that mismatches are identified and frustrations intensify. An employee may decide to leave if other opportunities are available. This early turnover is often a function of improper selection systems, ineffective orientation systems, and inadequate socialization processes to adapt the employee to the organization.

To understand this issue completely, it is recommended that an early turnover measure be developed. This measure is defined as the number of employees leaving in the first sixty days of employment divided by the number of new employees hired in the same period.

The time period for the length of employment could vary from a shorter time frame, thirty days for entry-level unskilled employees, to a longer period for technical and professional employees (ninety days). Monitoring and understanding this specific turnover rate provides an opportunity for early attention to an important issue. To meet the desired goal of retaining the skilled manpower, all of the issues discussed above are most vital.

2.2. CAUSES AND INFLUENCING FACTOR OF EMPLOYEE TURNOVER

Turnover basically arises from the unhappiness from job place for individual employee. But being unhappy in a job is not the only reason why people leave one company for another. If the skills that they possess are in demand, they may be lured away by higher pay, better benefits or better job growth potential. That's why it is important to know and recognize the difference between employees who leave the job because they are unhappy and those who leave for other reasons. There are number of factors that contribute to employee turnover (www.Sigmaassessment.com). Some of these factors in more details are:

The economy - in exit interviews, one of the most common reasons given for leaving the job is the availability of higher paying jobs. Obviously, in a better economy the availability of alternative jobs plays a role in turnover, but this tends to be overstated in exit interviews.

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, challenges, danger, perceived importance and capacity to elicit a sense of accomplishment

Demographics - empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.

The person - In addition to the factors listed above, there are also factors specific to the individual that can influence turnover rates. These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to earn a new skill or trade or an unsolicited job offer. In addition to these personal actors, there are also trait-based or personality features that are associated with turnover.

A bad match between the employee's skills and the job - Employees who are placed in jobs that are too difficult, then the worker gives up concentration from working. At the time productivity of the organization falls down.

Newly appointed employee may not be trained properly for the new position and needed time consuming training for settle down with the new job place. Moreover, there may be cultural differences between new employees with the previous one which slows down his / her job performance.

A report from the HR benchmark group listed the top five factors affecting an employee's decision to stay or leave an organization such as:

- the quality of the relationship with their supervisor or manager;
- an ability to balance work and home life;
- the amount of meaningful work they do - giving a feeling of making a difference;
- the level of cooperation with co-workers;
- the level of trust in the workplace.

All the causes mentioned above contribute hugely to the damage of productivity of any organizations or service sectors care, therefore, must be taken to reduce or minimize turnover rate as minimum as possible.

2.3. COSTS AND CONSEQUENCES OF EMPLOYEE TURNOVER

The cost of turnover can differ across organizations, and costs associated with turnover are difficult to estimate. For example, an organization's geographic location may necessitate a particularly high cost of recruiting new employees, which causes the cost of turnover in that organization to be unusually high. Due to this it is difficult to estimate.

“Turnover” refers to the movement into and out of organization by the work force. An excessive movement is undesirable and expensive from the view of the organization. Voluntary quits which represents an exodus of human capital investment from organizations and the subsequent replacement process entails manifold costs to the organizations (Flippo., 1980). These replacement costs include the following costs:

- Hiring costs, involving time and facilities for recruitment, interviewing, and examining a replacement.
- Training costs, involving time the time of supervisor, personnel department and trainee.
- Loss of production in the interval between separations of the old employee and the replacement by the new. And as the new employee is learning the job, the company policies and practices, etc., they are not fully productive. Whatever training is provided, the employee is contributing.
- Overtime pay may result from an excessive number of separations, causing trouble in meeting contract delivery date.
- Induction costs, all of which are concerned with preparing new employees to work as effectively as possible and as soon as possible in their new jobs, in helping new starters to adjust emotionally to the new workplace.

Similarly, Fitz-Enz (1997) stated that hidden cost of turnover expenses fall into four basic categories: termination costs; replacement costs; which can include orientation and basic training costs; vacancy costs when no one is there to do the work; and lost productivity or opportunity costs that result from the learning curve of the new employee. Furthermore, it is impossible to calculate exactly what turnover cost amounts to, but it is substantial and it is possible to come up with a very good estimate.

Furthermore, Fitz-Enz (1997) pointed out that a number of different costs that go up on turnover rates. Initially to be very accurate turnover costs categorized under direct and indirect hiring costs and direct replacement and indirect replacement costs. Each of these categories was contain a number of cost areas to develop standard costs for different categories of jobs. (Turnover cost model see Table 5).

Table 5: Turnover costs categories

Direct new hiring cost	Indirect hiring costs	Direct replacement costs	Indirect replacement costs
Advertising	-Management time per hire	Applicant expenses	Management time per hire
Agency and search fees	Supervisor/lead time per hire	Relocation expenses	Supervisor/lead interview time per hire
Salary and benefits of staff	Orientation and training per hire	Salaries and benefits of staff	Training time per hire
Applicants	Vacancy cost	Employment office	Opportunity loss
Recruiter's expense	Opportunity loss /productivity loss per hire		
Staffing office overhead			

Source: (Fitz-enz,1997)

Employees may take customers away from an organization if they have a good working relationship upon leaving their current employer will be lost as employees leave. Staff turnover could have a negative impact on remaining employees' morale, which may influence them to leave. In addition, De-motivated employees may become frustrated or defensive in their work and feel isolated from their colleagues, which create a hostile and an unworkable environment. Employees may become selfish and focus on their needs and not those of their colleagues or customers. This type of behavior, and reasons for it, should be identified and discouraged. Companies could face poor productivity and dissatisfied customers if they do not address these issues. (<http://www.cipd.co.uk/subject/hrpract/turnove/empturnretent/htm>)

2.4. BENEFITS OF TURNOVER

According to Glebbeek and Bax (2002), the following potential advantages of labor turnover could be listed:

Leave of relatively expensive employees: This applies especially in case a firm uses a compensation system based on seniority or if the premiums for social security are age related. If the rise of labor costs exceeds the increase of productivity of an employee, replacement of the latter becomes profitable

Leave of less productive employees: This refers to workers who lose productivity due to aging, physical and mental wear or because they cannot cope with rising work pressures.

Termination of bad matches: Even under the conditions of careful recruitment and selection procedures, some matches turn out to be better than others. This holds true especially when productivity and performance do not so much depend on technology as well as on social relations and contextual skills.

Innovation: Labor turnover creates possibilities for replacing employees and therefore enables firms to import new types of knowledge, ideas, experience and skills.

Advantage of market condition: The personnel demand of a firm is dependent on external conditions of which the market and the business cycle are important ones. Hence, some variation in the number of staff employed is inevitable.

Facilitating the internal Labor Market: Internal labor markets provide the opportunities for career development of employees and are therefore an important instrument for motivation. Turnover creates the vacancies required for the internal labor market to function properly.

The Price of Quality: Labor turnover is the price organizations have to pay for the employment of young highly skilled and well-educated professionals. Although these 'job hoppers' will leave the organization inevitably, during their stay they contribute significantly to the organization's success. Prevention of this kind of turnover would be the employment of more 'average' employees who are less attracted by the external labor market.

2.5. EXIT INTERVIEW AND WAYS OF REPORTING

While exit interviews or leaver questionnaires can provide some information about why people are leaving, they do not necessarily get to the root of the problem. For example, someone might say that they are leaving to go to a job with better pay but this does not show what led the person to start looking for another job in the first place. In order to produce human resource plans that address labor turnover problems, organizations need to differentiate between ‘push’ and ‘pull’ factors. The former relate to factors within the organization (e.g. poor line management, inadequate career opportunities, job insecurity, dissatisfaction with pay or hours of work) that weaken the psychological link between an individual and their employer. Once an individual has decided to look for another job they are likely to base their decision on ‘pull’ factors, i.e. the attractions of the new job or organization in relation to their existing circumstances.

The Bank has a practice of preparing report on a quarterly, semi-annually and on annual basis. The Bank wide report prepared and issued from the Corporate HRM process. Body of the HR report includes total number of Staff (total strength), recruitment (newly Joined) attrition (turnover with reasons- general and specific reasons) and the report also explained with job title, educational level, qualification, age, service year, employment category, place of assignment(location of work)reasons for termination. However, this crude data is not analyzed based on different factors like market requirement, company requirement and coastwise (Annex-3).

2.6. WAYS TO REDUCE EMPLOYEE TURNOVER

“Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project or retirement.” (Source- www.retention.naukrihub.com).

To be competitive, organizations in many industries must have highly skilled, knowledgeable workers. They must also have a relatively stable labor force since employee turnover works directly against obtaining the kind of coordination and organizational learning

that leads to fast response and high-quality products and service (R. Greer,2001). Therefore, to reduce turnover organizations are advised to follow the following solutions (Parker, 2008).

Table 6: A Guide to Effective Employee Management

TERMINATION REASON	POTENTIAL INTERVENTION
Co-worker problems	<ul style="list-style-type: none"> • Conduct routine opinion surveys, exit interviews and focus groups to discern issues. • Address the matter directly with co-workers in attendance and work for solutions. • Meet individually with employees to determine issues, what each seeks and how each feels the matter can be resolved.
Terminated for cause	<ul style="list-style-type: none"> • Use progressive discipline with the intent of molding and correcting behavior rather than punishing. • Counsel and work with problem employees before the point of termination. • Ensure employees have a clear understanding of what is required and that management understands why things are going wrong.
Retirement	<ul style="list-style-type: none"> • Use succession planning to identify who will be leaving, who will replace them and who will replace that person. Plan it before it happens. • Automate if possible; fan-out other duties across the remainder of employees. • Explore how the retiree may want to work fewer hours, days or tasks.
Dissatisfaction with work	<ul style="list-style-type: none"> • Clearly explain the job prior to hiring candidates. • Implement effective, comprehensive orientation programs. • Use pre-employment testing to match the candidate with the job.
New job/better benefits	<ul style="list-style-type: none"> • Survey your market to determine competitiveness of pay and benefits. • Review demographics of workforce to determine what benefits are best for your specific employees; shop for same with benefits providers. • Use a suggestion box and ask for employee input on social and health benefits suggestions..
New job/better working conditions	<ul style="list-style-type: none"> • Benchmark working conditions with other retailers and make adjustments. • Survey, inspect and improve working conditions and equipment. • Strive to implement new innovations in the work area.
Unhappy with working conditions	<ul style="list-style-type: none"> • Respond to employee comments and suggestions on conditions. • Establish a safety committee and encourage appropriate enhancements. • Meet with work group to determine issues and solutions.
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Lack of work	<ul style="list-style-type: none"> • Cross train employees in other departments or jobs. • During slack periods utilize vendor training and in-house skills training. • Consider alternative work schedules
Job elimination	<ul style="list-style-type: none"> • Explore all alternative work arrangements to maximize flexibility; e.g., temporaries, contractors, students, leased employees, etc. • Strive to phase-down rather than abruptly eliminate the job so as to facilitate employees into other jobs
Relocation to another city/family need	<ul style="list-style-type: none"> • Constantly keep job candidates in the pipeline to fill vacancies and/or hire ahead of opening so a trained replacement is available. • Know employees well enough to know of changes before they happen. • Ask for replacement referrals from departing employee
Health/medical problems	<ul style="list-style-type: none"> • Explore light work, reduced hours, working from home/telecommuting, other accommodations for health matters. • Always have doctors' and workers' compensation authority input. • Consider alternatives such as job sharing, other employee assistance on selected tasks and seek advice on what other organizations have done.
No advancement opportunity	<ul style="list-style-type: none"> • Determine employee aspirations and plan a career path. • Employ cross-training, job rotation, job enlargement and similar means. • Establish advancement levels in jobs, e.g., starting, intermediate, senior; set requirements for each and have employees advance through the levels
Took another job	<p>Determine from co-workers what may have been the issues.</p> <ul style="list-style-type: none"> • Encourage candid exit interviews. • Use opinion surveys and suggestion boxes
Other	<ul style="list-style-type: none"> • Determine what the reasons were using exit interviews, opinion surveys and other employee feedback means. • Genuinely use an open door policy to keep abreast of what is on employees' minds. • Seek out best practices at other employers

Source, (Parker, 2008)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the methods, the sources of data, the population, the sampling techniques and the sample size of the study and how respondents have selected. Besides, the research instrument and how it was administered are also effectively dealt.

3.1. RESEARCH DESIGN

The study employed descriptive survey research method to reveal the current state of turnover, consequence and management in CBE. Descriptive survey design helps the study to gather varieties of data to achieve the objectives of the study by describing the situation as it is. It helped in assessing the practices by addressing the size of population and describes the situation. Therefore, a descriptive survey design was found to be appropriate and relevant in describing the existing situation of employees' turnover.

Descriptive survey research method also employed both qualitative and quantitative approach. This method was selected because it is planned method of data collection which helps to gather the necessary information on the issue under study. Thus, the descriptive survey method was employed to achieve the objectives of the research, since it shows prevailing conditions of particular trends. Also it is one of important tool to use quantitative approach in manageable form. The researcher is also use qualitative purposive explanation.

3.1.1. SOURCES OF DATA

The data for the study was collected from primary and secondary sources. Secondary sources of data were also obtained from review of various documents such as, books, research journals and articles and various internet sources. Moreover, other internal documents found in the Bank such as, magazines, guidelines, annual reports and exit interview were used.

In an attempt to obtain first hand information, the data were collected from the subjects through questionnaire, observation and interview. Both close and open-ended questionnaires were prepared and administered to gather primary data from the sample of the study. This

instrument was preferred because it enables to secure information at a time. The questionnaires were prepared in English and Amharic language (Annex 1); because some of the samples of the study are not qualified and only able to read and write Amharic and it will be translated accordingly.

3.1.2. SAMPLE AND SAMPLING TECHNIQUES

The data collection instruments that were drafted on the basis of the reviewed literature and the intended data collected on some potential respondents of currently working staff for the validity and clarity of the items. Furthermore, in order to maximize the rate of return, attempts are made to distribute the questionnaire at convenient time for respondent. Moreover, a close follow-up is made to obtain reliable data return.

The sampling process will be based on the categorical classification of the Human Resources Management Process of the bank; i.e. Administrative & Managerial, Professional, Clerical, Transport & Production and Service Workers are included with a total number of 160 population sample size. Stratified sampling was used to select the population surveyed because stratified sampling allows the researcher to obtain a greater degree of representativeness; it reduces the probable sampling error to ensure that both groups in a population are adequately represented in the sample, by randomly choosing subjects from each stratum. Thus, the population was stratified into six groups, i.e., Head office, East, West, North South Addis Ababa District Offices and five city Branches. The total sample distribution is presented in the following Table:

Table- 7: sample respondents

Job Title	Category	No. of employee	Percent
Managers and Directors	Administrative/Managerial	20	12.5%
Human Resource Experts and Officers	Professionals	20	12.5%
Internal Auditors	Professionals	10	6.25%
Customer Relationship Managers	Professionals	20	12.5%
Human Resource Clerks	Clerical	10	6.25%
Customer Services officers/CSO/	Clerical	40	25%
Secretaries	Clerical	10	6.25%
			22

Drivers and Technicians	Transport & Production	10	6.25%
Security Officers & Office Service Attendant	Service Worker	10	6.25%
Staff who had left the bank with known address and those who are in the process of resignation		10	6.25%
Total		160	100

Source: HRM Sub-Process report, Dec. 2012

3.2. DATA COLLECTION TOOL

The main data gathering instruments were questionnaire, interviews and document analysis.

Questionnaire

Data were obtained through personally administered questionnaires that are prepared based on literature review to address the research questions. The questionnaire has three parts. Section I, of the questionnaire contains respondents' information. Section II, of the questionnaire contains instruction. Section III, contained statements designed to assess the turnover, allocated to five point Likert Scales. A total of 160 Questionnaires in English and Amharic language were distributed to randomly selected staff of the Head Office, District (East Addis Ababa) and Branches.

Interview

Semi-structured interview was held to obtain data for further clarity and credibility of the research with some selected employees based on purposive sampling. Ten different Process and Sub-Process directors and managers at the Head Office and seven selected branches were interviewed. The information obtained using interview has used to substantiate the responses obtained through questionnaires.

Document analysis

Furthermore, data concerning the employee turnover were gathered from detailed review of various documents such as, books, journals, and internet, and policy manuals, reports produced by the Bank and exit interview reports. This empirical data were also be used to

support the credibility of the information obtained through questionnaire and interview and also used as comparison for the findings.

3.3. DATA ANALYSIS

In order to analyze the quantitative data obtained through questionnaire, first the data were tabulated analyzed and interpreted by using the appropriate statistical tools (descriptive statistics) like; frequencies, percentage and mean supported by SPSS software version 17.00. The data obtained through interview and document analyses were analyzed qualitatively. Besides, the data collected using open-ended questions of the questionnaire and exit interviews were processed through qualitative discussion. The data obtained via interviews and document analysis has been analyzed qualitatively. Consequently, the data collected from the respondents are analyzed; interpreted on the base of which major findings have been summarized and presented.

CHAPTER FOUR

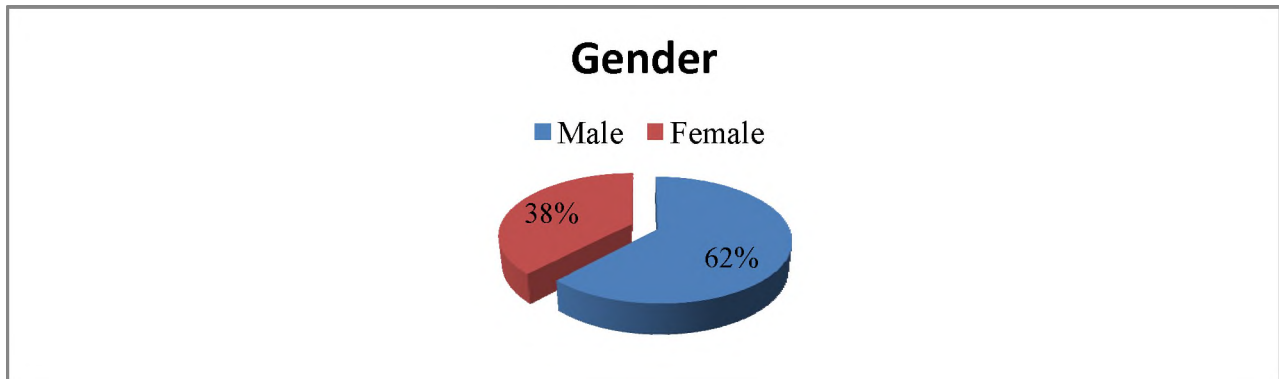
DISCUSSION AND RESULT

This chapter deals with the data presentation and analysis. The first section of this chapters deals with the demographic characteristics of the respondents in terms of sex, age, education, year of service and job category. The second section discusses the main part of the study; that is, employee turnover variables; the analysis, interpretation of data that are gathered through questionnaires, interview, observation and document analysis.

4.1. RESPONDENTS' BACKGROUND INFORMATION

The figure below presents the background information of respondents who completed the questionnaire, such as sex, age, and educational qualification, job category and work experience in CBE.

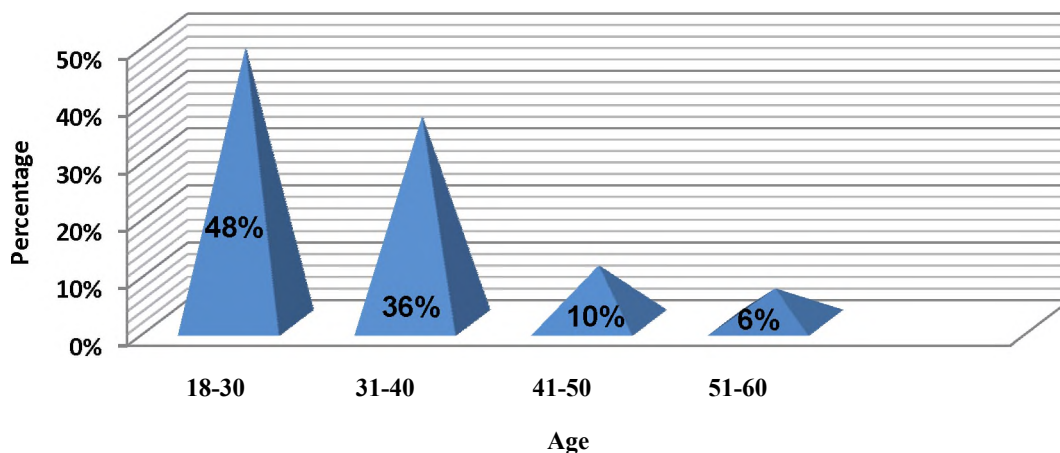
Figure 6: Distribution of Respondents by Gender



Source: Own survey, December 2012 N=146

The characteristics of respondents shows that from the total respondents majority of respondents 90 (62%) are male and the remaining 56 (38%) are female.

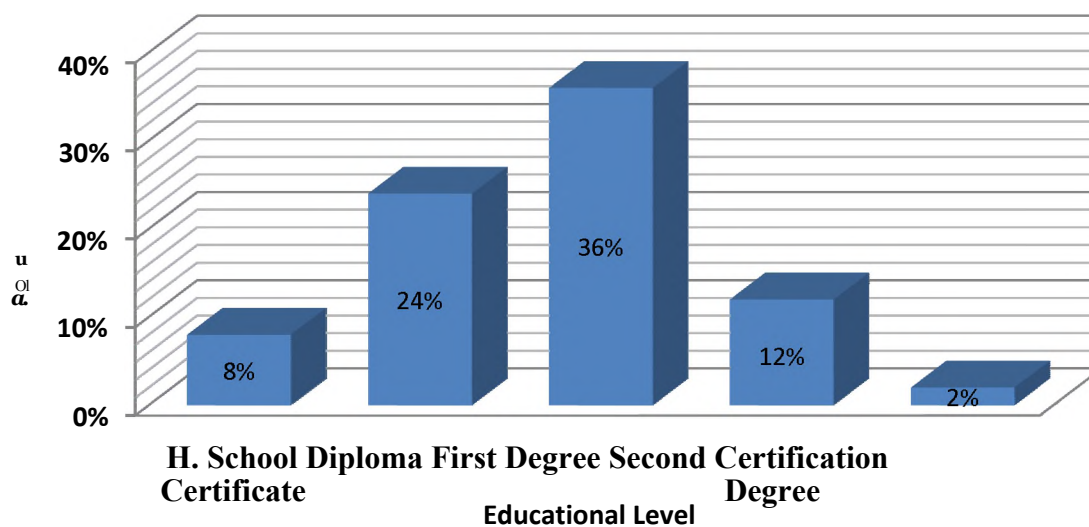
Figure 7: Distribution of Respondents by Age



Source: Own survey, December 2012 N=146

Regarding the respondents age category indicated in figure three above, 70 (48%) are found to be 18-30 years of age and about 52 (36%) of respondents are found to be 31-40 years of age; 15 (10%) are found to be in the age range of 41-50; whereas, the rest 6% of respondents are found to be age group of 51-60. From this one can infer that majority of respondents, i.e, 84%, are found to be in age group of 18-40 that CBE is composed of a very young and productive work force.

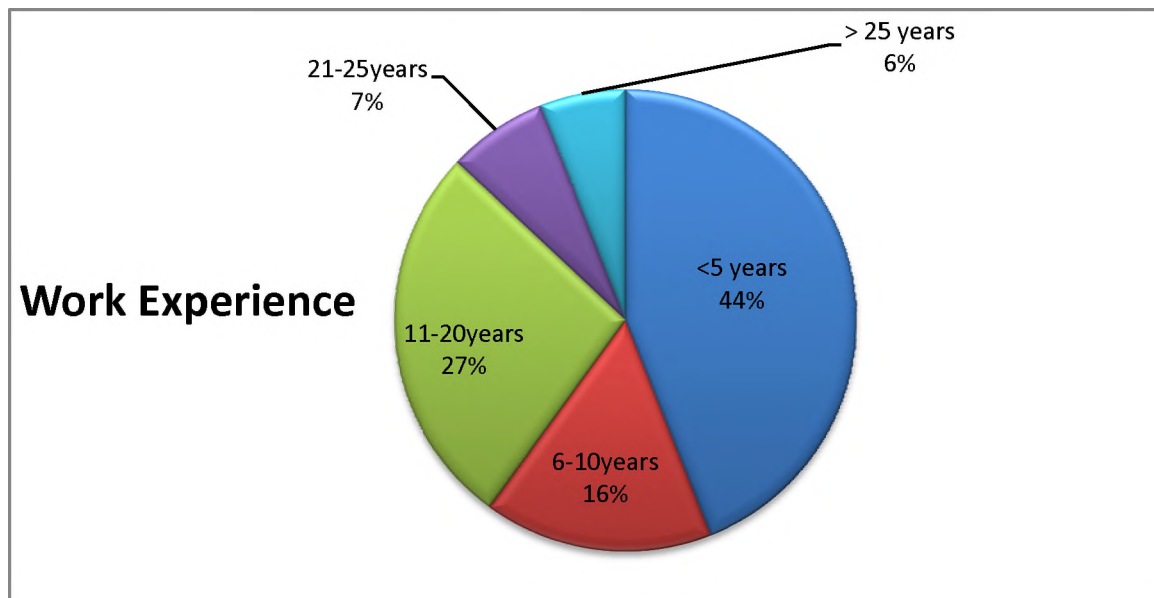
Figure 8: Distribution of Respondents by Educational Level



Source: Own survey, December 2012 N=146

Concerning employees' educational level as shown in the above Figure Three, the majority that is 88 (60%) respondents have first degree in different qualification while 35(24%) have diploma and about 12 (8%) and 8(6%) have high school certificate and second degree respectively. The remaining 3(2%) have certification like ACC A and CISCO-Microsoft.

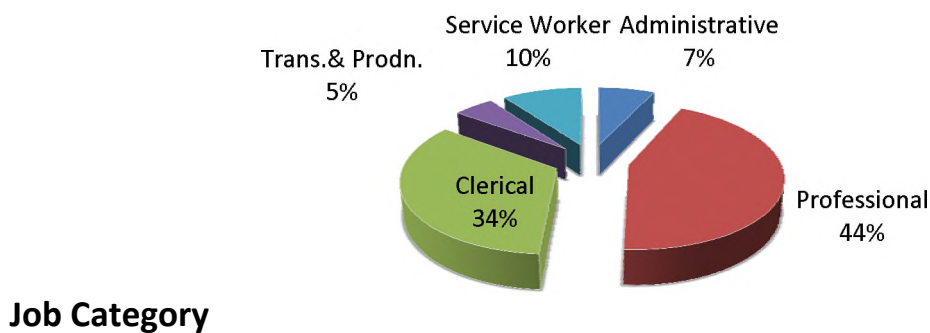
Figure 9: Distribution of Respondents by Work Experience/Service year/



Source: Own survey, December 2012 N=146

Regarding work experience/Service years/ in the CBE, majority of respondents 64 (44%) have served the Bank for less than five years, 24 (16%) have served for 6-10 years, about 39 (27%) have served for 11-20 years, 11(7%) have served for 21-25 years and the rest 8 (6%) have served the Bank less than one year.

Figure 10: Distribution of Respondents by Job Category



As indicated in the above figure 6, about 64 (44%) are professionals and 49 (32%) are clericals and 11(7%) and 15(10%) are administrative and managerial and service workers the rest 7(5%) are transport and production workers. From this we can infer that majority of respondents are professional staffs.

4.2. DATA PRESENTATION AND ANALYSIS

The research aims to assess employees' turnover of Commercial Bank of Ethiopia. Employees as well as documents are the main sources of data. Questionnaires, interviews, document analysis and observation were used as data gathering tools. Based on this, 160 questionnaires were distributed to respondents, of which 146 i.e, over 90% usable questionnaires were returned. Data obtained through questionnaire were analyzed using descriptive statistics such as frequency, percentage and mean. Whereas, lastly, the findings of the study are presented in such a way that the leading research questionnaires are ensured.

4.2.1. RESPONDANTS' PERCEPTION REGARDING WORK, TURNOVER, PAYMENT, TRAINING AND LABOUR UNION

Employees will be committed and loyal to their organization if the organization treats and gives its attention to them well. In order to know the employees' perception towards their Bank, current work, training, turnover, retention and other parameters the relevant data are gathered and presented as follows:

Table- 8a: Participants' responses regarding work, turnover, promotion, payment, training and retention

ITEMS	RESPONSE	FREQUENCY	PERCENT
1) Satisfied with current work	Yes	102	69.9
	No	44	30.1
	Total	146	100.0
2) Existence of high turnover	Yes	126	86
	No	20	14
	Total	146	100.0
3) Aware of Bank's Vision, Mission and Value	Yes	137	93.8
	No	9	6.2
	Total	146	100.0
			28

4) HR is performed as per the Bank's mission	Yes	108	74
	No	38	26
	Total	146	100.0
5) Orientation is necessary after recruitment	Yes	134	91.8
	No	12	8.2
	Total	146	100.0
6) Expectations in Joining CBE are met?	Yes	59	40.4
	No	87	59.6
	Total	146	100.0
7) Satisfied with amount of payment	Yes	30	20.5
	No	116	79.5
	Total	146	100.0

Respondents were asked to express their opinions related to satisfaction on their present job, and about 69.9% of respondents are agreed that they are satisfied on their present job and about 30.1 % of are not satisfied with their current job. From this data it is possible to understand that even if majority of respondents are satisfied with their current job, almost more than a quarter employees are shown their dissatisfaction. The major reason for their dissatisfaction on their current job, as stated in the open ended question are the routine nature of their work, lack of reclassification to other post for a long time, place of assignment and also the risk of the work and the benefit are not taking in account the level of work they have performed.

Concerning item 2, around (86%) of respondents are agreed that there is high turnover in CBE; whereas, nearly around 14% of respondents disagreed for the existence of high turnover. From this response, it is possible to infer that majority of employees feel that CBE is currently facing a high turnover. Based on their response the respondents are requested to select the reason/s (one respondent can choose one or more answer) for turnover and 105 respondents in number payment made by the bank is inadequate, 103 responded as benefit package, 23 respondents stated due to lack of smooth communication, 38 believe that the location convenience (where the employee is assigned), 64 respondent perceive that lack of opportunity for advancement, 37, 42 and 23 respondents stated that recognition for work, work environment and supervision qualities are the main reasons for employees' turnover respectively. This is also supplemented by exit interview held with resigned employees revealed that pay is one of their resignation reasons. During interview with thirteen members of management except one member

the rest has responded that their exist turnover with an increasing rate and the reasons are similar with the above response.

In addition, respondents were asked to rate whether they are aware of the mission, vision and value of the Bank, about 94% of respondents are agreed that they are well aware of the Bank's mission, vision and value; whereas, 6% of respondents are not well aware. From the overall response of this item we can infer that most of the employees are well aware of the Bank's mission, vision and value. Knowing this make the staff to effectively discharge their duties and responsibilities in line with the Bank's requirements.

On the question whether the respondents believe that HR process is working as per the Bank's mission or not (item 4), about 74% of respondents agreed where as 26% of respondents respond as no. On their open ended questions opinion the 26% of respondents stated that as the human resource activities are decentralized to fifteen district and to one office centrally that handle that case of Head Office staff they observe there is lack of knowledge in HRM activities theoretically as well as practically since the mission require CBE to deploy highly motivated, skilled and disciplined employees capable of providing Banking products and services that meet international best practices and standards.

On the question whether the respondents agree for the necessity of orientation after recruitment (item 5), about 92% of respondents agreed and about 8% disagreed on the requirement. This question was included it is sometimes observed in that bank that orientation is not conducted keeping the right time properly or may be ignored. But the staff believes the need for orientation since the face the newly employed staff intact at work place and this is also supported by the principles of human resources employment.

With regard to item 6, about (60%) of respondents replied that their company (CBE) does not able to fulfill their expectations; whereas, around 40% of respondents are comfortable on this issue. From this response, it is possible to infer that majority of employees feel that CBE is unable to satisfy their need; particularly, as some say, they are not able to continue their second degree whereas others stated that the benefit package is not in line with their expectation and the remaining stated other things. This raises a question of the CBE's commitment to give

attention to listen its employees. This needs serious consideration because this feeling of employees gives serious signal to take care of them before losing them.

With regard to salary an attempt were made to know whether employees are satisfied with their current salary or not item 7, about 80% of respondents have shown their disagreement on the statement; at the same time about 20% of respondents have agreed that they are satisfied on their current salary. To understand the issue more, interviews have conducted with some selected employees about their perception on their current salary. All of them replied that their current salary was not enough to cover the current cost of living as well as the volume of work they have been performing.

Table- 8b: Participants' responses regarding work, turnover, promotion, payment, training and retention

ITEMS	RESPONSE	FREQUENCY	PERCENT
8) Ever had training in CBE	Yes	38	26.0
	No	108	74.0
	Total	146	100.0
9) Member of Labor Union	Yes	123	84.2
	No	23	15.8
	Total	146	100.0
10) Labor union suggest about the turnover	Yes	24	16.4
	No	122	83.6
	Total	146	100.0
11) The Bank has Retention Mechanisms	Yes	38	26.0
	No	108	74.0
	Total	146	100.0

In relation to training as discussed in literature review, organizations offer job-specific training to provide employees with the relevant skills to enable them perform their duties efficiently and effectively. The immediate application of skills acquired through such training may boost employee confidence and productivity. Through effective training employees will become more aligned to career growth. In line with this, respondents are asked to give their response whether they have got enough relevant training item 8, only 26% of respondents have got training in CBE, while 74% of respondents do not get adequate training. It raises a question of the CBE's commitment to provide adequate training to employees that enables them to do their job. In relation to the above idea, interview (informally) conducted with some respondents

indicate that they are highly complain about the training opportunity that they have not given adequate job specific and on time training that enables them to perform their tasks well.

Respondents were asked whether they are the members of labor union item 9, about 84% of respondents are member and 16 % of respondents are not members of labor union. From this, the researcher inferred that about this 16% of the employees is managerial staff because by default when an employee joins CBE he/she becomes the member of labor union and when one is appointed as a managerial staff he/she is made out of the union immediately.

Concerning item 10, about 84% of respondents believe that labor union does not present suggestion for HRM process; whereas, around 16% of respondents replied that the union provide suggestion to the process. As it is clearly seen in the open ended responses that majority of the respondent do not have such information because labor union does not say anything in meeting with employee as well as in its magazines which is published quarterly .However, some respondents stated that they do not have faith in the Labour union because the association is not working in favor of the employees rather it works in favor the of management.

To know whether respondents' recognize and acknowledge the existence of retention mechanism or not (item 11), the responses have shown that only 26% of respondents know the existence of staff retention mechanism from their friends and from Human Resource Development Process (informally) and the rest 74% of respondents do not know. The researcher came to know that CBE has employed a consultant from Frankfurt School of Finance and on their advice the CBE has prepare retention strategy and got approval for implementation but the HRD process does not communicate this to other processes and sub processes. The implementation of the strategy has not fully started.

4.2.2. RESPONDENTS PERCEPTION ABOUT BENEFIT, WORKING ENVIRONMENT, GRIVANCE HANDLING AND RETENTION

Securing Bank's service and retaining well skilled employees through favorable working condition (promote friendship at work), good grievance handling and related benefits than competition become necessary. The researcher has prepared the questions in Likert Scale

form so as to get the response on promotion, working environment, grievance, and benefit and retention mechanism.

Note that the interpretations were made for all five point scale measurements based on the following scale: 5= Strongly Agree; 4= Agree; 3= Neutral; 2= Disagree; 1=Strongly Disagree. Accordingly, the researcher made interpretation taking a neutral attitude ‘3’ as a reference point by averaging the scales; that is, the mean scores as above 3 (neutral) if opinions tend to be favorable to the given point of view; and below 3 (neutral) if opinions tended to be unfavorable to the given point of view. This corresponds to what Best and Kahan (1995) explain about Likert Scale interpretation.

Table- 9: Participants’ response on promotion, working environment, grievance, benefit etc.

No	Items	Response (N= 146)					M
		5	4	3	2	1	
1	I believe that turnover exist	N % 59 (40%)	61 (42%)	7 (5%)	12 (8%)	7 (5%)	4.05
2	Benefit provided by CBE is better than private Banks	N % 6 (4%)	16 (13%)	18 (12%)	56 (37%)	50 (34%)	2.12
3	Promotion & Transfer is as per HR procedure	N % 12 (8%)	39 (27%)	46 (32%)	29 (20%)	20 (14%)	2.96
4	Salary of CBE is better than private Banks	N % 2 (1%)	20 (14%)	24 (16%)	48 (33%)	52 (36%)	2.12
5	Satisfied with promotion prospect	N % 5 (3%)	30 (21%)	34 (23%)	55 (38%)	22 (15%)	2.60
6	Working environment (relationship) effect on turnover	N % 45 (31%)	61 (42%)	22 (15%)	12 (8%)	6 (4%)	3.87
7	Employee turnover affect belongingness	N % 45 (31%)	76 (52%)	15 (10%)	8 (6%)	2 (1%)	4.05
8	The job is matched with your interest	N % 16 (11%)	52 (36%)	31 (21%)	37 (25%)	10 (7%)	3.18
9	Adequate training facilities exist	N % 9 (6%)	46 (32%)	29 (20%)	43 (29%)	19 (13%)	2.88
10	Good grievance handling exist	N % 4 (3%)	21 (14%)	43 (30%)	51 (35%)	27 (18%)	2.48
11	Decision making is participatory	N % 5 (3%)	19 (13%)	55 (38%)	43 (30%)	24 (16%)	2.58
12	CBE has good retention mechanism	N % 7 (5%)	12 (8%)	29 (20%)	51 (35%)	47 (32%)	2.18

5= Strongly Agree; 4= Agree; 3= Neutral; 2= Disagree; 1=Strongly Disagree.

During the study an attempt was made to investigate current employees' perception about the existence of turnover in their Bank; and hence, item 1 gives a summary of the respondents' views. In this regard, about 82% of respondents have shown their agreement that CBE is facing high turnover one of the best companies to work for, 13% of respondents have shown their disagreement and 5% of them neither agreed nor disagreed. From this one can conclude that respondents believed the existence of high turnover in CBE. The mean value (M=4.05) of respondents indicate that their agreement on this issue. As indicated in part 1 and 2 response the existence of turnover is undeniable but regarding its consequence all members of management commonly agreed that it is very damaging consequence which means losing highly trained, dependable employees and which creates dissatisfaction, lack of trust in the Bank, damages the quality of service, incurring unnecessary cost and also has bad impact on customers.

Concerning item 2, about 17% of respondents agreed that their bank (CBE) is providing benefits better than private Banks; whereas, and around 71% of respondents disagreed and the rest 12% neither agreed nor disagreed to this issue. From these responses, it is possible to conclude that majority of employees feel that CBE does not provide better benefit package than Private Banks. This needs serious consideration because this feeling gives serious signal to take care of them. Besides, the mean value (M=2.12) of the view of the respondents about benefit issues gives the general picture that respondents have shown that they are not comfortable with the benefit package.

In addition, respondents are asked to rate whether they believe that the management is doing promotion and transfer as per the HRM procedures (item 3), about 35% of respondents agreed; whereas, 32% of respondents neither agreed nor disagreed. However, the rest 34% of employees disagreed. From the overall response of this item we can conclude that majority of employees do not have any idea regarding HR's implementation of promotion and transfer. It is also seen in the mean value (M=2.96) that the dissatisfaction is somewhat significant. In the interviews interview with thirteen management members of the bank, four out of the thirteen said that there is equal promotion opportunity in CBE as per the HR procedure, however the remaining 69% did not agree to this view as individual can be promoted by the interest of the

process and sub-process owner, due to his/her political attitude, friendship and other different aspects. Therefore, the Bank has to take corrective actions.

With regard to salary an attempt was made to know whether employees get better salary than private Banks' (item 4). About 69% of the respondents showed their disagreement to the statement and at the same time about 15% of respondents agreed that the CBE pays better salary than other private Banks' and 16% of respondents neither agreed nor disagreed to this issue. Therefore, the mean value ($M=2.12$) of respondents response on this item support this result and indicated that the CBE pays a salary lower than private Banks. In the interview made with thirteen members of management, all responded that the financial as well as the non financial benefit couldn't comparable with CBE and they are not satisfied with the current payment.

However, respondents' perception for the statement that request them whether they are satisfied with the promotion activities (item5), about 24% have shown their agreement; whereas, 53% of respondents have shown their disagreement and about 23% are neither agreed nor disagreed on the issue. The mean value ($M=2.60$) of respondents indicates that their disagreement on this issue. The opinion and views of respondents, generally speaking, are supported by interview conducted with the employees. They revealed that they are not comfortable with the selection process of promotion.

Concerning item 6 of the above Table, about 73% of the respondents said that working environment (their relationship with their coworkers and supervisors) have effects on turnover. About 12% of respondents disagreed and about 15% have no opinion. From this it is possible to say that respondents are very much interested to have smooth relationship in their working environment. Similarly, the mean value ($M=3.87$) support the response of the 73% respondents. Besides, in the interview process about 78% of the management staff stated that there is good relationship between the management and other staff but they are afraid that currently due to lack of follow-up from the Bank's side there is some signals that this culture may be eroded. The remaining 22% disagree to this statement.

Respondents were asked to tell their opinion related to effect of turnover on belongingness (item 7). About 83% of respondents agreed that turnover has poor effect on belongingness and about 7% of respondents disagree to the statement. However, the rest of the respondents i.e; 10% neither agreed nor disagreed on the statement. From this it is possible to say that the employees' turnover has a great adverse impact on belongingness; the mean value confirms so (M=4.05).

Respondents were asked to tell their opinion related to matching of the job with their interest, and about 47% of respondents agreed that their present job is based on their interest (item 8), about 32% of respondents also revealed that their jobs are not interesting and 21% of the respondents are neutral. From this it is possible to conclude that the employees are relatively satisfied with their current jobs and believe that their jobs are interesting. Mean Value of their responses is (M=3.18)

In line with adequate training facility (item 9), respondents were asked to give their opinion whether CBE has adequate training facilities; only 38% of respondents have shown their agreement while 42% of respondents have shown their disagreement to the statement. On the contrary, 20% of respondents became unable to say anything about the facility. It raises a question of the CBE's commitment to provide adequate training to employees that enables them to do their job more perfectly. The mean value (M=2.88) of this item also indicate that respondents' disagreement about the training facility of the organization.

Regarding item 10 of the above Table, about 17% of respondents have shown their agreement for the existence of good grievance handling in CBE; whereas, about 53% have shown their disagreement and the rest about 30% have neither agreed nor disagreed. The mean values (M=2.48) of respondents also indicated their disagreement on the issue.

Regarding participation in decision making, about 16% of respondents replied that their managers encourage them to participate in decision making related to the work of the branch (item11) and 46% of respondents replied disagree with the statement. However, 38% neither agreed nor disagreed. From this it is possible to conclude that a manager in CBE does not

encourage the staff to participate in decision making of the Branch. The result of the mean value supports this response (Mean=2.58).

In relation to the existence of good retention mechanism in CBE, only 19% of respondents agreed that there is good employee retention mechanisms in the Bank; whereas about 67% of respondents disagreed on the existence of good retention mechanism in the Bank with mean value of (M=2.18). The rest 29% are neither agreed nor disagreed. During interview with thirteen management staff of the Bank except two managers the remaining has no information for the existence of retention mechanisms in CBE. From this result it can be conclude that the Bank has a problem of communicating what has been done by the Bank. But, I confirmed that the Bank has prepared retention strategy by the consultant who are employed from Frankfurt School of Finance but do not communicate to the staff accordingly.

Similarly, the interviewees were requested to give comments or suggestions (Annex-2) on how to retain employees. Majority of them responded that the top management is reluctant and believe that there is many educated staff in the market. This thinking damages the bank since talented and trained staff is leaving the Bank. Moreover, they responded that the HR has to revise its policy and procedure and also implement them properly without bias, giving value to the employees as per the Bank's mission, better working environment and better packages are the major comment of the respondents.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with summary of the findings, conclusions and recommendations of the study.

5.1. SUMMARY OF FINDINGS

Regarding the demographic characteristics of respondents the study found out that the majority of respondents are male. Majority of respondents are found to be in age group of 18-30 and thus the CBE is composed of young energetic and productive work forces. Besides, those who have diploma, first and second degree total about 90%. Similarly, majority of respondents have served the Bank for less than five years; and also majority of respondents are clericals and professionals.

The results of the study indicate that majority of the respondents said that they are satisfied with their current jobs but they also believe that there is high turnover in CBE with a mean value of (M=4.05). Still majority of the respondents are well aware of CBE's mission, vision and value and do believe that HR is doing its job as per its mission.

Concerning employees training and its facility, the study indicates that respondents are not happy about the training in the Bank with mean value (M=2.88) and also they are dissatisfied with the promotional prospects of the Bank with mean value (M=2.60). The study indicates that the relationship between respondents and supervisors/managers are found to be good position with mean value of (M=3.87).

Concerning salary and benefits, the study indicates that respondent are found to be dissatisfied with their current salary and benefit scheme (M=2.12 and M=2.16). All groups of respondents are found to be dissatisfied with their current salary and benefit.

The study found that respondents are not satisfied with grievance handling system of the bank (M=2.48) and also they do not get a chance to participate in any types of decision making (2.58). Generally, seventy percent of the respondents stated that their expectations while joining CBE are not met accordingly.

Finally, regarding retention mechanism the researcher believes that in any organization, staff retention is depending up on the extent to which the adequacy of extrinsic and intrinsic factors of motivation. Staff turnover is associated with job intrinsic and extrinsic dissatisfaction. The insufficiency of extrinsic factors such as salary and non salary benefits, promotion, financial and non- financial rewards, poor administration and supervision practices, polices, work overload which are external to the job and located in the work place had more effect on the staff turnover because dissatisfied staff are more likely to quit. However, the intrinsic part depends on the individual perception and attitude.

5.2. CONCLUSIONS

Among the factors that contribute for termination of employee is employees' attitude about their Bank, current job, career development opportunities (growth), relation with managers, training facilities, relationship with coworkers', salary and benefits packages and working environment. Accordingly, from the findings of the study it can be concluded that employees' are found to be satisfied with working in CBE, their current job, and relationship with their manager as well as coworkers, with their work environment.

On the other hand, employees are dissatisfied with Bank's initiative to maintain competitive pay system; the current salary and benefit; development opportunities (promotion), such as the training opportunities. If employees are unsatisfied with these basic factors, it may negatively affect the quality service provision which adversely affects customer satisfaction and if such dissatisfying factors are not mitigated on time, employees may not perform their tasks as expected or may leave the bank and this may have bad effect on the operation of the Bank. Finally, as commented by 82% of the respondents the turnover is high. Besides, respondents' opinion indicates that they love (satisfied) with their current job and wants to work in CBE if their expectations are met and their problems are solved. The respondents believe that the bank has no good retention mechanism that can handle those who are working currently who wants to leave it. The reporting mechanism of the Bank is not help the management to be conscious of the problem because it is presented only in a general way; like the number of staffs who left the bank during that period, the reasons for their resignation, dismissal and so on. It does not give detail analysis for decision making. The research shows that, generally, employees are continuously

leaving the Bank and most of them are not satisfied with the benefits. The Bank does not work on retention mechanisms as expected.

5.3. RECOMMENDATIONS

Based on the findings of the study, the following recommendations have been forwarded. Employees of the CBE have favorable attitude towards CBE. Employees have a sense of belongingness to the CBE; that is, every employee feels that CBE is his/her company and later each employee assumes responsibility for his/her own job performance. Thus, this is a positive trend that must be encouraged further. However,

- Employees are satisfied with their present job; they are satisfied the kind of work they do, they know what is expected of them from their work and this leads to good job performance that increases the quality and quantity of work accomplished. Therefore, this is a positive practice that must be encouraged further.
- Training and training facilities should be developed and each employee has to get the chance. Doing this enables to enhance each employee's current job performance, enables individuals to take advantage of future job opportunities and fulfill CBE's goals for a dynamic and effective workforce. In addition as skill and knowledge is obsolete like equipments and technologies, enough relevant training has to be provided periodically to enhance their knowledge, skill and attitudes by assessing the training needs of employees. If employees are trained well, they will be able to take the responsibility of making decisions (It is also one area of compliant) that are necessary to achieve desirable results. If not, expecting results without giving proper training is unjust for the employer.
- Internal promotion another method of maintaining employee within a given company enables exiting employees that they are valued and appreciated. To this end, the study found that employees are dissatisfied with the exiting promotion practice. Thus, to reduce this problem promotion should be provided for those who deserve it based on merit; the HRM has to revise procedures as soon as possible; the HRM has to make effort to let each candidate know the selection result through notice boards and using CBE's websites. Doing this may enable to convince applicants upon the results obtained by comparing themselves with the selected candidate.

- On the other hand, the CBE's effort to fill vacancies from within before recruiting from outside is a good practice that must be continued in the future because it creates a feeling of having opportunity to grow in the Bank and be recognized.
- The study revealed that there is a conducive (employee-manager-coworker) work relationship; i.e., there is a spirit of team working in CBE this good practice must be encouraged.

The study also found out that employees are not satisfied on their current salary scheme. Based on the preceding facts it is good to recommend that CBE should provide their level best to give due attention for this sensitive issue through revising the current pay structure by considering factors such as the current cost of living, the CBE's paying capacity and banking industry's pay system by balancing the Bank's plans and programs with employees need in collaboration with appropriate organs.

The researcher would like to recommend that CBE has to act implement consultant's (Frankfurt School of Finance) recommendation on retention strategies as soon as possible. Until then the bank has to revise the salary and benefit package, strengthen the good relation among the supervisor, subordinate and peers, provide recognition and encourage innovations rather than sticking to the rule of thumb.

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ANNEX - 1
Saint Mary's University College
School of Graduate Studies
MBA Program

Questionnaire

The objective of this questionnaire is to collect data from CBE employees which help me to evaluate the Cause, Consequence and Management of Employees' Turnover, as a partial fulfillment of MBA program.

Your cooperation and honesty is valuable in filling this questionnaire and forwarding it back to me. In addition, all responses will be held strictly confidential and no information which could reveal your organization's or your own identity will not be used in any data reporting, nor will it be shared in its individual form with any outside party without your expressed permission to do so. Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the project.

Thank you for your cooperation and timely response in advance

PART I: - Please tick in only one of the boxes.

1. Age

18 - 30

41 - 50

31 - 40

51 - 60

2. Gender

Male

Female

3. Education

High school certificate

Masters Degree

College diploma

Other

University degree

4. Job Category

*Administrative and
Managerial*

Professional

Clerical

Service Worker

Transport & Production

5. Service year

- | | |
|----------------------------------|--------------------------------|
| <input type="checkbox"/> < 5 | <input type="checkbox"/> 21-25 |
| <input type="checkbox"/> 6 - 10 | <input type="checkbox"/> >25 |
| <input type="checkbox"/> 11 - 20 | |

PART II: Please put tick mark ,it is possible to tick more than one box and to give explanation at the end of the questions

1. Are you satisfied with your work?

- Yes No

2. If your answer is no to the above question, what are your reasons?

3. Do you believe that there is high turnover in CBE?

- yes No

4. What is the reason/s for this turnover?

- | | |
|---|---|
| <input type="checkbox"/> Pay | <input type="checkbox"/> Recognition of work |
| <input type="checkbox"/> Benefit | <input type="checkbox"/> Work environment |
| <input type="checkbox"/> Communication) | <input type="checkbox"/> Quality of supervision |
| <input type="checkbox"/> Convenient location | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Opportunity for
advancement | _____ |

5. Are you aware of the Banks mission, Vision and Value?

- yes No

6. Do you believe that the Bank has acting as per the mission regarding HR?

- Yes
 No

7. *If your answer is NO to the above question, what do you think is the reason?*

8. *Do you think orientation is necessary after an individual is recruited?*

yes *No*

9. *After joining at CBE, Is your expectation met?*

Yes *No*

10. *Are you satisfied with the amount of pay?*

Yes *No*

11. *Have you ever had training in CBE?*

Yes *No*

12. *Are you the member of labor union?*

Yes *No*

13. *Is the labor union has any suggestion for the turnover?*

Yes *No*

14. *If your answer is yes to the above question, how it presents its suggestion?*

15. *Do you know that the Bank has a retention mechanism?*

Yes *No*

Part III: Please put tick mark for the variable

No	Variables	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	I believe the existence of turnover					
2	Benefit provided by CBE is better than private Banks					
3	Promotion and transfer is carry out as per the HR procedure					
4	Salary of CBE is better than private Bank's					
5	Satisfied with promotional activities					
6	Relationship(Working environment) has effect on turnover					
7	Employee turnover affect belongingness					
8	The job is matched with your interest					
9	Adequate training facilities					
10	Good grievance handling					
11	Decision Making is participatory					
12	CBE has good retention mechanisms					

ANNEX - 2
Saint Mary's University College
School of Graduate Studies
MBA Program

Questionnaire to be filled by Directors /Managers/Professional

The objective of this questionnaire is to collect data from CBE employees which help me to evaluate the Cause, Consequence and Management of Employees' Turnover, as a partial fulfillment of MBA program.

Your cooperation and honesty is valuable in responding to these interview questions. In addition, all responses will be held strictly confidential and no information which could reveal your organization's or your own identity will not be used in any data reporting, nor will it be shared in its individual form with any outside party without your expressed permission to do so. Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the project.

Thank you for your cooperation and timely response in advance

INTERVIEW QUESTIONS

1. What do you feel about the turnover in CBE? Increasing, Decreasing or Constant?

2. If your answer is increasing, decreasing or constant, what would be the reasons?

3. What are the main reasons for employees' turnover?

4. Do you feel that there is equal opportunity for promotion?

5. Do you expect that the benefit (financial and non-financial) is adequate/ comparable with similar industry? If not, how do you evaluate it?

6. Do you think that there is smooth relationship between management & other staff? If not, what would be the reason/s?

7. What are the consequences of turnover (high or low) in the Bank's activity?

8. Is there proper human resource handling practice in Commercial Bank of Ethiopia?

9. Do you know whether CBE has established standards (Procedure) for retention of employee?

10. What is your expectation that the top management think while an employee leave the organization voluntarily?

11. What mechanism are you suggesting to retain employee?

12. If you have any comment, suggestion or message that you want to transfer, please.

ANNEX-3

Service Year or Occupational Category	Deceased	Detained	Disappeared	Dismissed	Early Retirement	Pensioned	Resigned	Grand Total	%
Total									

Service year is expressed with interval; like 0-5,6-10 years etc....

Reason For Resignation	Administrative Worker	Professional	Clerical Workers	Transport & Production	Service Worker	Grand Total	%
Disappointment							
Further Education							
Personal Reason							
To Go Abroad							
To Join Other Organization							
To Join Private Banks							
To Run Own Business							
Grand Total							

DECLARATION

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

Name

Signature

St. Mary's University College, Addis Ababa

February,2013

ENDORSEMENT

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

Advisor

Signature

St. Mary's University College, Addis Ababa February, 2013



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