# ST. MARY'S UNIVERSITY BUSINESS FACULTY DEPARTEMENT OF MANAGEMENT

# AN ASSESSMENT OF EMPLOYEES TURNOVER AND RETENTION IN TECHNO FIBER GLASS FUCTURY (TFGF)

# BY AYSELECH G/MESKEL

JUNE, 2014 SMU ADDIS ABABA

# AN ASSESSMENT OF EMPLOYEES TURNOVER AND RETENTION IN TECHNO FIBER GLASS FACTORY /TFGF/

# A SENIOR ESSAY SUBMITED TO THE DEPARTMENT OF MANAGEMENT

# BUSINESS FACULTY ST. MARY'S UNIVERSITY

# IN THE PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF BACHELOR OF MANAGEMENT

BY.

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#### **Abbreviations**

**BPR- Business Process Reengineering** 

**HR- Human Resource** 

**HRPO- Human Resource Process Owner** 

TFGF- Techno Fiber Glass Factory

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#### **CHAPTER ONE**

#### INTRODUCTION

#### 1.1 Background of the study

Professional employees' turnover is an important and pervasive feature of the labor market (Martin C., 2003:391).

Turnover is a serious and costly problem but it is rarely seen as such by the people who could take action to prevent it (Jenkins., 1988:44). In broader sense, turnover refers to the movement into and out of the organization by the workforce (Flippo, 1980:126)

Companies and organizations strive to develop a workforce of committed employees based on the belief that organizations with committed employees achieve superior long-term performance (Luchak & Gellatly, 2007:314). Committed employees are characterized as loyal, productive members of work organizations (Porter, Steers, Mowday and Boulien, 1974:236) who identify with organizational goals and values (Buchanan, 1974:89). Employees attach to their organizations emotionally as they become to believe in its value and vision (Mulki, Jaramillo and Locander, 2006:431) the notion of commitment has been broken down into three levels; affective, continuance, and normative. Ideally for organizations, employees will have affective level of commitment. Affective commitment refers to the employees' emotional attachment to, identification with, and involvement in the organi Employees with a strong affective commitment continue employment with organization because they want to do so. Continuance commitment refers to awareness of the costs associated with leaving the organization. Employees that exhibit continuance commitment remain with organization because they

do so. Finally, normative commitment refers to employees that feel they ought to remain with the organization (Meyer and Allen, 1991). Turnover of employees consists of both voluntary and in voluntary. Voluntary turnover is a major problem for organizations in many countries (Syrett, 1994:125).

(Porter and Steers, 1973:263) suggested that the issue of met expectations was central to the individual's decisions to leave an organization. Each employee has his or her own set of expectations upon entering an organization. Should these expectations not be met, the individual will become dissatisfied and leave.

In Ethiopia, eventhough few studies like: study conducted on ERA and IRC shows about turnover of employees, there are no empirical studies conducted on private organizations professional employees' turnover which were supported by formal and published research. Therefore, the present study done on TFGF (Techno fiber glass factory) because of employees turnover is a big issue in the organization. Currently, most young employees are leaving the organization due to unknown reasons. Hence, this study has a probability to identify the causes of employees' turnover and its management or retention mechanism will help in developing appropriate policy and training program in general and at private organizational level in particular.

#### 1.2 Statement of the Problem

Various studies were carried out to understand the major causes of employee's turnover and retentions mechanisms that organizations should develop. Most of these studies were carried out by developed countries and few developing countries. Some studies indicate that every aspect of organizations is employees because turnover of employee leads to incurring of costs.

TFGF is a private owned company providing different goods to the society. Its main aim is producing different fiber products and satisfies customers need and taking high market share.

High turnover has become a problem for both private and governmental organizations. Well experienced and qualified professionals leave positions that they held in private organizations. Techno Fiber Glass Factor TFGF is one victims of this high professional employee turnover, currently. /TFGF/ is facing frequent turnover of staff, and as such the high turnover is costing the organizations in terms of productivity (performance), money and time. This study primarily focus on answering the following basic research questions, The real problem of TFGF is employees turnover.

#### 1. 3 Research Questions

- 1. What are the major causes of staff turnover in TFGF?
- 2. What are the consequences of staff turnover on the organizations? Performance?
- 3. What are the mechanisms that TFGF uses to reduce professional staff turnover in its organization.

#### 1.4 Research Objectives

#### 1.4.1 General Objective of the Study

The main objective of this research to answered the major causes of staff turnover in TFGF and provides positive suggestions in order to reduce turnover and retain competent employees.

#### 1.4.2 The specific objectives of the study are: -

- To explain the cause of staff turnover.
- To identify the mechanisms used by the organization to reduce staff turnover.
- To examine the consequences of high staff turnover on a performance of the organization.

#### 1.5 Delimitation of the study

The study has the following scope

- Geographical delimitation: the organization has three branches with in two locations. Those are Addis Ababa and Jima, but this study focus only on two Addis branches.
- Time delimitation: this study included only the last two years data only(2012' and 2013)
- -Subject delimitation: this study includes top level, middle level and some of super visor level workers.
- Data gathering tools delimitation: this study used questionnaire and Interview to collect data.

#### 1.6 Significance of the Study

The study have the following significances;

- The organization know the major cause of turnover so as to design the best mechanisms to reduce high staff turnover.
- -To the other researcher: further researcher may use this study as an input.
- -To the student: the student researcher got experience about preparation of research.

#### 1.7 Limitation of the Study

The study was focus on employees of TFGF

The following problems were encountered in the course of the study.

- The organization has policies barring dissemination of information to outsiders thus some vital information was withheld.
- Some targeted respondents were unwilling to co-operate, they were unwilling to read the questionnaire due to lack of interest.

#### 1.8 Research Design and Methodology

#### 1.8.1 Research Design

A Exploratory kinds of research was employed with an assumption that it help to, generate adequate information about the major cause and effect of the problem, in other words, prepared to Exploratory research was used in the study to explain about the cause and effect of the problem.

#### 1.8.2 Population, Sample Size and Sampling Technique.

The total number of population of the study are 105 so, the study take all populations because the population is manageable in size. Which means the study take 100% of the population as a sample /census/.

#### 1.8. 3 Types of Data Collected

The study used both primary and secondary data source. So as to get sufficient and relevant information.

#### 1.8. 4 Data Analysis Method

The presentation and analysis of data collected from primary and secondary data presented using table and percentage. The analysis carried out review and analyses the findings from the different sources of data. This mainly aimed at assessing the consistency of the data that has been collected from various sources.

#### 1.9 Organization of the study.

This study consists of four chapters. Chapter one include introduction of the study like background of the study, statement of the problems, research questions, objectives of the study, scope of the study research design and methodology The second chapter contain review of related literatures. The third chapter contains data presentation, analysis and interpretation. The last chapters deal with summary, conclusion and recommendation.

#### **CHAPTER TWO**

#### REVIEW OF RELATED LITERATURES

#### 2.2 Definition of Employees Turnover

The Chartered Institute (2007:1) Personnel and Development defines employee turnover as the "ratio comparison of the number of employees an organization must replace in a given time period to the average number of total employees". In their own definition,

Abassi and Hollman (2000: 305) impacts of turnover define turnover as the "rotation of employees around the labor market; between firms, jobs and occupations; and between the states of employment and unemployment".

Turnover, according to Iverson and Pullman (2000: 980) can be classified as voluntary (to include withdrawals out of volition) or involuntary (to include layoffs and dismissals). Voluntary turnover often results in departing employees migrating, in most cases, to competing firms, creating a more critical situation since their transferred knowledge can be used to gain.

#### 2.2 Definition of employee retention

Retention is a voluntary move by an organization to create an environment which engages employees for long term.

According to Chaminade (2007: 1), this attachment relationship should be durable and constant and link the employee to the organization by common values and by the way in which the organization responds to the needs of the employees. The main purpose of retention is to prevent the loss of competent employees from the organization, which could have an adverse effect on productivity and service delivery. Also, retention allows senior and line managers to attract and effectively retain critical skills and high performing employees. This is achieved by providing these managers with information on retention and retention strategies that will ensure that the goals and

objectives of the organization are realized.

Creating a retention strategy means placing the employees' needs and expectations at the centre of the organization's long-term agenda in order to ensure the professional satisfaction of the employee and create a trusted relationship. In this stable relationship, the employee remains in the organization by personal choice based on free will and considered decision. Retention of employees is crucial to the overall success of any organization.

Talented and high performing employees should be encouraged to remain in the organization by designing retention policies that will provide individual employees with opportunities to demonstrate their skills and ensure that they are matched with the right jobs. Such retention policies should, in the view of Nyoka (2006: 2) also include strategies that will enable employees to balance their work life demand with their family life by establishing family friendly policies and enabling flexible work arrangements to accommodate essential personal commitments. With such effective retention policies in place, managers are able to keep the employee turnover at a manageable rate.

It is imperative for organizations through the employment process, to attract quality employees to the organization. However, it is more important for managers to device strategies with which to retain these talented employees in the service of their organizations in order for employers to benefit from the investment already made in them. Employee retention is one of the most critical issues facing organizational managers as a result of the shortage of skilled manpower, economic growth and high employee turnover. Phillips and Connell (2002: 1) state that employee retention

involves being sensitive to employees' needs and demonstrating the various strategies in meeting those needs. These strategies, according to Czakan (2005: 8) include career growth and development, competitive compensation benefits, opportunities for training and supportive management. Apart from the strategies mentioned above, employers should use a flexible approach to encourage retention and this approach should consider a number of value-adding components.

Such components, Brown (2006:2) contends include mentoring/coaching, opportunities for skill and career development, as well as flexibility around the frequency and size of performance rewards and incentives. The whole process of retention is to ensure that employees are retained in the organization, especially employees with valued or needed skills or experience in a scarce/critical field (where recruitment is difficult) competitive advantage. Turnover is a costly expense and a huge concern to employers and must be avoided. High turnover represents a considerable burden on human resource and line managers, who constantly have to recruit and train new employees.

#### 2.3 A global overview of employee turnover and retention

In the United Kingdom (U.K), the Chartered Institute of

Personnel and

Development (2007: 1) reports that the overall turnover rate for the U.K. in the year 2006 was reported as 18.1%. Turnover rates vary from sector to sector with the highest level of turnover (22.6%) found in the private sector organizations with the public sector having an average turnover rate of 13.3%. In the United States of America (USA), Smith (2007:1) argues that businesses spend over USD 200 billion annually recruiting and replacing their employees. In the healthcare sector in USA for example, a report by Sellgren, Ekvall and Tomson (2007: 169) estimates that the turnover rate would reach a level of 29% in year

2020. Gustafson (2002: 106) shows that the hospitality industry in the USA and elsewhere is experiencing a labor shortage with the attendant high rate of turnover. Kaufman (1998: 54) forecasts a considerable current and future shortage in the supply of information technology (IT) professionals in the USA. A

jobs forecast by Computer world (1998: 1) estimates that there were 350 000 vacant IT jobs in the USA in 1998 with a forecast of 1.3million more IT professionals needed in the next decade with a turnover rate of 13% or higher. This suggests that turnover would continue to be a problem in the years ahead. To reduce the ever increasing turnover rates, organizations must understand and put in place the right strategies to retain these professionals. According to Lockwood and Anari (1997: 252) the following factors were listed as crucial retention strategies for IT professionals in the USA and U.K in the order of importance: Money (base salary plus bonus and stock options); the chance to learn new skills (i.e. those that the market values); the reputation of the organization in technology; and working conditions (e.g. physical, colleagues & boss, casual dress). On retention strategies that were particularly successful in maintaining a low turnover rate, one of the solutions suggested was an increase in salary.

A Computerworld (1998: 1) survey found that the majority of IT professionals admitted to having left their former organizations for more money, while a little above half of these professionals left for career advancement. Common practice suggests that most people need a vacation break to prevent job stress and burnout. Furlonger (1997: 3) reports that Scandinavian and European organizations typically offer more vacation benefits and three day weekend mini-vacations than their USA counterparts. This practice attracts scarce skilled professionals (who attach importance to work-life leisure) to organizations in Scandinavia and Europe, now that the international labor market has become a global unit. Khatri (2001: 154) asserts that employee retention and turnover are at an all time high in Asia thereby posing a great difficulty to HR

Management. A widely held belief is that employees have developed 'bad' attitudes due to the labor shortage. Employees are believed to job-hop for no reason, or even for fun. Hewitt Associates (2006: 1) found that public and

private sector organizations in China, Hong-Kong India, Japan, Korea, Malaysia, the Philippines, Singapore, and Thailand experienced 14% and 16% turnover rates in year 2004 and 2005, respectively. The possibility of the rate increasing is high as Asia's dynamic growth agenda collides with the demographic trends of an ageing population and an immediate need to attract more skilled employees. The effect of a rising turnover rate is already manifesting as it is now easier than before for employees to move from one organization to another thereby increasing the complexity and costs of retaining the right employees in an organization.

Many reasons have been given for the high rate of turnover in Asia and one of these reasons according to a study by Hewitt (2006: 1) is inequity in compensation. The report noted that many organizations are already losing their employees to organizations that are offering higher salaries. The study listed limited growth opportunities and role stagnation as other reasons for high rates of turnover. A very effective retention strategy adopted by Asian organizations is the ability to raise base pay above the market rate. Organizations are also increasingly providing the opportunity to teach their employees new skills and providing favorable work-life balance in their bid to retain key employees.

#### 2.4 Relationship Between Recruitment Sources, Retention and Turnover

Employee retention stems from the employment process. Three employment processes (recruitment, selection & placement) predetermines the effectiveness of retention strategy. For employee retention to be successful, it has to be linked positively to the processes and practices of recruitment and the sources from which job candidates are recruited. Recruitment practice and empirical

research suggests that employees may differ in their propensity to quit depending on the source from which they are recruited.

Two rather different approaches to recruitment identified by Wanous (1975) as cited in Raub and Streit (2006: 279) are the "traditional" approach which suggests that the ultimate goal of recruitment is to attract a maximum number of applicants to the recruiting organization. In the traditional approach, providing incomplete or even biased information about the job and/ or the organization may be an acceptable means for reaching this goal. The other approach is the "realistic" approach which suggests that a "realistic job preview" whereby recruiters

Provide balanced and honest information about both the negative and positive aspects of the job and the organization is undertaken.

The traditional approach was criticized by researchers such as Wanous (1975,1978) cited in Raub and Streit (2006: 279) who hypothesized that its benefits in terms of attracting a large number of candidates may be more than outweighed by its negative consequences for the selection and retention of those candidates. Following Wanous's criticism, many HRM scholars like Raub and Streit (2006: 279) posit that an unrealistic presentation of job-related information may lead to a "rude awakening" when newly hired employees discover the reality of the job.

The larger the gap between what has been promised during recruitment and what the employees experience during their first weeks and months on the job, the higher the propensity to quit. The resultant effect is that the new appointees will be frustrated, dissatisfied, and unproductive and in the end they may quit rapidly.

Lee (2006: 1) proposes two mediators to recruitment theory as they affect turnover. These are the "realism" with which the candidate comes into the job and the job- fit, i.e. the extent to which the employee feels that the job accords with his/ her personality, ability and so on. Lee (2006: 1) contends that if various

recruitment sources can be found to have different realism and job-fit, and these in turn affect turnover, then retention strategies can be crafted around these recruitment techniques.

A large number of empirical studies have confirmed that realistic recruitment does indeed lead to a reduction in turnover. Dean and Wanous (1984), Phillips and Meglino (1987) cited in Raub and Streit (2006: 280) explain that realistic recruitment does not mean that recruiters should communicate positive information only. Indeed, a combination of both "reduction" (i.e. negative) and "enhancement" (i.e. positive) previews seems to work best. The message source seems to play an important role in employee turnover. According to Colarelli (1984) cited in Raub and Streit (2006: 281), information received from job incumbents is perceived as more credible than information from other sources.

It is crucial to attribute great importance to providing realistic information about the job and the organization; and to this extent, HR practitioners or recruitment agencies must be familiar with the working conditions in the organizations they are recruiting for. Raub and

Streit (2006: 283) stress that recruiters must be honest about the job-related information they give to job candidates at interview level. For example, when recruiting candidates for a manufacturing organization, recruiters must be willing to disclose details about certain hazards that are associated with the industrial accidents, working manufacturing process such as polluted environment, and the general work context. The general work context may be characterized by long working hours, restrictive overtime regulations, and several limitations to the number of days off. This information may assist job applicants to decide if these working conditions fit into their career aspiration and help their decision making process on whether to accept or reject the job offer.

Many reasons explain why employees withdraw from an organization especially in an economy where skills are relatively scarce and recruitment is costly, or where it takes several months to fill vacant positions as the present situation in the Ethiopian public sector. Employees voluntarily resign their appointments in organizations for various reasons which can be classified into two: pull and push factors. The pull factors, according to Sherratt (2000: 38) include the attraction of a new job especially in a growing economy. In such cases, it is the availability of alternative jobs that attracts an employee to withdraw from a particular organization. Sherratt (2000: 38) also explains that the push factor may be dissatisfaction with the present job that motivates an employee to seek alternative employment elsewhere. Sometimes, it is a mixture of both the pull and push factors. However, some reasons for leaving are entirely explained by domestic circumstances outside the control of any employer, as is the case when employees relocate with their spouses or partners.

Recent research by the British Chartered Institute of Personnel and Development (2006: 1) shows that push factors are a great deal more significant in most resignations than most managers appreciate. The research contends that it is relatively rare for people to leave jobs in which they are happy, even when offered higher pay elsewhere. Research conducted by the Hay group and reported by Sharman et al. (2006: 22) reveals that about one third of the millions of employees surveyed worldwide plan to quit their jobs within two years.

Some employers attract job applicants with unrealistic and non-existent conditions of service during interviews. However, when these new employees get on board and the

Conditions of service promised by the employers are not fort coming, such employees immediately update their resumes and quit for other jobs. The British

Chartered Institute of Personnel and Development (2006: 2) notes that a great deal of employee turnover consists of people resigning or being dismissed in the first few months of employment. This is due to poor recruitment and selection decisions, both on the part of the employee and employer. Expectations are high during the recruitment process, leading applicants to compete for and accept jobs for which they are mostly not suited. Organizations do this in order to ensure that they fill their vacancies with sufficient numbers of well qualified candidates as quickly as possible. However, over the longer term, the practice becomes counter- productive as it leads to costly but avoidable turnover and the development of a poor reputation in the local labor market. According to a study by the Chartered Institute of Personnel and Development

(2006: 2) in the United Kingdom (UK), there are factors that are specific to the individual that can influence early turnover. These include both personal and trait-based factors. Personal factors include changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. In addition to these personal factors, there are also trait-based or personality features that are associated with turnover.

These personality traits are some of the same characteristics that predict job performance and counter- productive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production. Most environmental contributors to turnover can be traced to management practices. Turnover tends to be higher in environments where employees feel they are taken advantage of, feel undervalued and inadequately compensated. Management practices that promote inequity, inefficiency and lack of foresight and ability to provide purposeful leadership will encourage skilled and professional employees to leave the organization. Kinnear and Sutherland (2001: 17) further argue that skilled employees need space to act independently and freedom to plan and execute work the best way they choose. This requires progressive organizational leadership which allows for independent judgment by

that restrict innovative thinking and practice within the organization.

Certain jobs have peculiar characteristics that contribute to turnover. According to Lanyon (2007: 45) some jobs are characteristically more attractive than others. Someone who enjoys travelling long distances will find sales job attractive while a personality with a strong ability to convince others through argument may find satisfaction in advocacy jobs. However, if these personalities engage in jobs with characteristics other than those peculiar to them, they may not find job satisfaction, which will lead to turnover. Sherratt (2000: 38) posits that there is turnover that is demographically specific, particularly for women who are balancing significant work and family duties at the same time. Employees may choose to leave an organization instead of sacrificing their other interests and responsibilities in order to make the job work out. Some women elect

to quit their jobs after the birth of a child, rather than simply take maternity leave while some relocate with their spouses. These factors translate into higher turnover rates for women in most organizations.

Empirical evidence has shown that all the factors enumerated above act individually or collectively to inform an employee's decision to quit or remain in an organization. Over time, money is considered as the most critical determinant of turnover. However, that assumption has changed. The new breed of professionals and highly skilled employees now place other factors such as career growth, skills development and training opportunities in the fore of motivational variables that determine which organization to work for. For organizations to attract and retain quality employees, these variables must be evaluated and integrated into an effective employee retention program of the organization. It is thus important for organizations to first of all recognize what motivates an individual employee before a meaningful retention practice can be developed.

The concepts of turnover and retention are closely related to costs and no meaningful evaluation of the subject will be complete without examining both direct and indirect costs that are usually associated with the two. The following section will discuss costs that are usually associated with retention and turnover in organizations.

In their analyses of turnover costs, Schultz and Schultz (2006: 242) conclude that employee turnover is costly for organizations. Every time an employee quits, a replacement must be Recruited, selected, trained, and permitted time on the job to gain experience. Phillips and Connell (2003: 1) concur and enumerate the costs of turnover to include, recruiting costs, selection and or employment costs, orientation costs, training costs, lost wages/salaries, administrative costs, lost productivity, loss of human capital, and customer satisfaction issues. It is important for management to know why employees, particularly high performing employees's resignation is by conducting an exit interview which also is another cost to the organization. The reason given by Phillip and Connell (2003: 1) for such interview is to investigate the reasons for the employee's withdrawal. If the reasons given by the employee suggest inadequacies on the part of the organization

(for example, inadequate salary, inequity, poor promotion, etc.) management can review the issue and this will help the organization in the formulation of retention policies that adequately provide for the shortcoming. In conducting an exit interview, some costs are involved and they must be taken into consideration when calculating turnover costs. Bliss (2007: 1) lists these costs.

in monetary terms. It is also expected that the new employee, in the course of onthe-job training, will make mistakes which may lead to damage to equipment, disrupt production, or delay a delivery schedule. Such mistakes must be expressed in monetary terms and treated as part of turnover costs to the organization. A substantial cost is incurred in productivity when a management employee quits; such an employee will no longer be available to guide and direct departmental employees who are responsible to the departed manager. In organizations where sales persons are employed with a sales territory allocated to them, lost sales in respect of these category of employees is calculated as dividing the budgeted sales revenue for the particular sales territory into weekly amounts (Bliss (2007: 1). The weekly amount is multiplied for the number of weeks the sales territory is vacant, including training time when the vacancy is subsequently filled, until the new sales representative begins to add value to the organization. For non-sales employees, the revenue per employee is calculated by dividing the total organizational revenue by the average number of employees in a given year. It does not matter whether an employee contributes directly or indirectly to the generation of revenue, their purpose is to provide a defined set of responsibilities that are necessary for revenue generation. To calculate lost revenue when an employee quits, the number of weeks the position is vacant is multiplied by the average weekly revenue per employee.

In view of the above analyses, Bliss (2007: 1) concludes that the costs and negative impact of employee turnover on organizations can be significant. Sherman et al. (2006: 22) also concur by stating that direct and indirect costs associated

With turnover include the cost of advertisement, vacancy costs- which are a temporary loss of productivity occasioned by the voluntary withdrawal of an employee. Apart from the above mentioned direct costs, there are also indirect costs which include loss of goodwill, lost sales, and customer defection. Given the high costs of turnover and its negative impact on running a business, a well thought-out program designed to retain employees must be put in place by managers in order to reduce unnecessary turnover.

A recent study by the United Kingdom Chartered Institute of Personnel and

Development (2007:2) reveals that not all turnovers are harmful to organizations.

Some turnovers impact positively and are cost effective. This happens mostly whenever a poor performer is replaced by a more effective and efficient employee.

According to Mello (2006: 569), turnover allows the organization to hire new employees with more current training who are not locked into existing ways of doing things. Fresh ideas from outsiders can be crucial to organizations that have become stagnant and are in need of innovation. Turnover can also lower the average tenure of employees and translate into lower payroll expenses. Mello (2006: 569) further contends that turnover may allow the organization to find an even better performer than the employee who left, possibly at a lower salary. The UK based Braun Consulting (2005: 1) suggests that managing turnover in terms of keeping it low just for the sake of having a low rate is not necessarily the most profitable practice for organizations. Instead of managing turnover and giving equal value to all employees, the effort should be geared towards certain categories of employees rather than across the board. For example, some employers do not reward managers for keeping turnover low; rather, they reward them for keeping turnover low for high performing employees. Some employees are difficult to replace when they leave due to the acute scarcity of their skills and their expertise. Retention strategies for such employees might involve additional career development opportunities, incentive compensation that rewards high performance, or innovative benefits that are tailored to the needs of the employee. Accordingly, Mello (2006: 569) suggests that back-ups should be developed by the organization for employees who would be difficult to replace. The strategy for managing turnover involves keeping high performers

rewarded through innovative compensation and recognition and reward programs while engaging HR planning to ensure that as few employees as possible occupy positions that will make them difficult to replace.

## CHAPTER THREE DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The study takes all populations because the population is manageable in size. Which means the study takes all populations as a sample/census/.

I distributed 105 questioners and collect 96 questioners and this study used the following secondary data so as to analysis questioners.

Year	Number of Leaver
2012	39
2013	38

**Table: 3.1 Demographic variables** 

	Item	Measurement	Frequency	Percent %
No			- '	
1		Male	68	70.8
	Sex	Female	28	29.2
		Total	96	100
2		Below 25	46	47.9
	Age group	26-30	44	45.6
		31-35	3	3.1
		36-40	3	3.1
		Total	96	100
3	Marital status	Single	54	56.3
		Married	42	43.7
		Total	96	100
4		10 and <	66	68.8
	Qualification	10+2	15	15.6
		12+2	11	11.4
		MSC/MA	4	4.2
		PHD	0	0
		Total	96	100
5		<1 year	38	39.6
	Service year	1-2 years	39	40.6
		3-5 year	16	16.7
		6-10 years	3	3.1
		Above 10 years	0	0
_		Total	96	100

Source: Questionnaire 2014

Table 3.1 item 1 Indicates about sex status of TFGF, 68 (70.8%) of current employees are males and 28 (29.2%) are females. Depending on respondents' response, majority of employees which account more than 70.8% of the organizations employees are males.

Table 3.1 items 1 indicates, age group of TFGF among current employees is below age group of 30 years and some are above 40 years. Therefore, more than 50 percent of current employees at TFGF are between age group of below 30 years. So, majority of respondents of current employees are young and energetic professionals.

Table 3.1 item 3 indicated marital status of respondents more than 50 % of respondents working currently at TFGF are single where as 43% percent are married. The overall figure shows 54 (56.3) and 42 (43.7%) of respondents are single and married respectively. So, it can be possible to generalize based on the respondents response obtained employees of the organization are mostly single. Being single may cause mobility of professional employees at TFGF.

As table 3.1 item4shows concerning the qualification of respondents who are currently working at TFGF about 66 (68.7), 15 (15.6), 11 (11.4) 4(4.1%) of respondents are grade 10 and less than grade 10, diploma holder, first degree level qualification and second degree or masters degree holders respectively. Depending on respondents response, one can conclude most employees of the organization are grade 10 and less than grade 10 level followed by diploma holders first degree holder and masters or second degree holders degree or masters holders respectively.

The result from table 3.1 item 5 indicates respondents service year, 3 8(39.6), 3 9(40.6), 16(16.7), and 3(3.1%) of respondents served the organization for less than one year, one to two years, two to five years, five to ten years and more than ten years respectively. Which means most of employees are not well educated it may cause staff turnover.

As respondents responded most of respondents of current employees served the organization for one year and less than one years and one up to two years On the other hand, 77(80.2%) of employees who filled the questionnaire have served the organization for less than or equal to 2 years. It shows turnover is high in the organization.

Table: 3.2 Benefit and Salary package contribution for turnover

No	Item	Response category	Frequency	Percent
1.	Salary scale of TFGF is	a] strongly agree	0	0
	better than other	b] agree	6	6.2
	similar private	c]neutral	23	23.9
	organization.	d]disagree	40	41.7
		e]strongly disagree	27	28.1
		Total	96	100
2.	Promotion made based	a] strongly agree	6	6.3
-•	on performance of	b] agree	15	16.7
	employees.	c]neutral	36	37.5
		d]disagree	39	39.6
		e]strongly disagree	0	0
		Total	96	100
3.	The organization	a] strongly agree	30	31.3
	provides good	b] agree	8	8.3
	terminal benefit and	c]neutral	38	39.6
	pension.	d]disagree	20	20.8
		e]strongly disagree	0	0
		Total	96	100
4.	Future hope of getting better benefit made	a] strongly agree	4	4.2
	you to stay at TFGF	b] agree	18	18.8
		c]neutral	24	25.0
		d]disagree	36	37.5
		e]strongly disagree	14	14.6
		Total	96	100

**Source: Questionnaire 201** 

#### 3.2.1 Salary scale of TFGF is better than other similar private organization.

In table 3.2 items 2 indicates the level of agreement or disagreement of employees in the organization's salary scale. More than 60% of the respondents "disagree" in the organization's good salary. In the other words, 41.7, 23.9 and 28.1% of respondents responded as they are "disagree" "neutral" and "strongly disagree" in the salary scale of TFGF respectively. Therefore, according to the respondent's salary scale of the organization is not attractive. This is a big factor for turnover of the organization.

#### 3.2.2 Promotion is made based on performance of employees.

Financial issues of the organization. With regard to respondents level of agree or disagree for performance as a base of promotion, 6.3, 16.7, 37.5 and 39.6 percent of respondents as they "agree", "neutral" "disagree", and "strongly disagree" for promotion in the organization is based on performance respectively. This data shows individual respondents way of evaluating as if management of the organization is using performance as a measure of performance is indifferent for most employees of the organization.

#### 3.2.3 The organization provides good terminal benefit and pension.

While asked respondents about the overall organization's good pension of terminal benefit and pension payment, their extent of agree and disagree in the good provision of terminal benefit and pension is 31.8, 8.3, 39.6, and 20.8 percent of respondents responded as they "agree" in provision of terminal and pension benefit, "neutral" "disagree" in good provision of terminal and pension payment of the organization and "strongly disagree" in the same issue respectively. This response shows respondents are not feeling good in terminal and pension benefits; which majority percent of employees perceive it as not attractive.

#### 3.2.4 Future hope of getting better benefit made you to stay at TFGF

For the item that summarizes on the respondents extent of agree or disagree that employees motivated to stay at TFGF due to this future hope of getting better benefits, 4.2, 18.8,25.0, 37.5 and 14.6 percent of respondents said that they agree "strongly agree" in this stay in the organization for the hope of getting better benefits in the future, "agree" in the issues "neutral" "disagree" because they are not working and stayed at the organization in hope of getting future better benefits, and "strongly disagree" respectively. The data shows some employees have hope of getting better benefits in the future which made them to stay at TFGF, whereas, others have no hope of getting future better benefit that made turn to stay at TFGF.

Table: 3.3 Job match contribution for turnover

No	Item	Response category	Frequency	Percent
1.	Your position matches with the skill and	a] strongly agree b] agree c]neutral d]dies agree	0 8 28 46	0 8.3 29.2 47.9
	knowledge you have	e]strongly disagree	14	14.6
		Total	96	100
2.	you are managerial or non-managerial position you don't want to leave the organization	a] strongly agree b] agree c]neutral d]disagree e]strongly disagree	0 16 36 40 4	0 16.7 37.5 41.7 4.2
		Total	96	100

Source: Questionnaire 2014

#### 3.3.1 Your position matches with the skill and knowledge you have

As shown in table 3.3 of item 1, to what extent the respondents skill and knowledge requirements matches with the job position they hold, 8.3, 29.2, 47.9, and 14.6 percent of respondents responded as they "agree" with match between their skill

with the job and position they hold, "neutral", "disagree" because their skill and knowledge does not match with their job, and "strongly disagree" respectively. This indicates majority employees of the organization are working in the positions that do not match with their skill and knowledge. Therefore, this mismatch may lead to termination of employees as well as performing below expectation.

## 3.3.2 You are managerial or non-managerial position you don't want to leave the organization

In relation to table 3.2 of item 2, when respondents are asked about to what extent they agree or not that whether they are at managerial or non-managerial position they want to leave the organization, 16.7, 37.5, 14.7 and 4.2 percent of respondents "agree" in leaving the organization in whatever position the, hold, "neutral" "disagree" which shows if they are at good and managerial or not they do not want to leave the organization and "strongly disagree" in leaving the organization based on position they hold. So, based on the data from respondents, large number of respondents response that they will leave the organization by assuming position as a cause of termination.

No	Item	Response category	Frequency	Percent
1.	There are employees	a] strongly agree	0	0
1.	representative in the	b] agree	8	803
		c]neutral	12	12.5
	organization	d]disagree	56	58.3
		e]strongly disagree	20	20.8
		Total	96	100
2	There are freedom off	a] strongly agree	0	0
_	thinking and	b] agree	4	4.2
	innovation in the organization.	c]neutral	8	8.3
	organization.	d]disagree	24	25.0
		e]strongly disagree	60	62.5
		Total	96	100
	Internersonal	al strongly agree	14	14.6
3	Interpersonal relation in the	a] strongly agree	32	33.3
	organization is better	b] agree c] neutral	36	37.5
	than other private	_	10	10.4
	organizations	d]disagree e]strongly disagree	4	4.2
		Total	96	100
		10141	90	100
4.	There are fair	a] strongly agree	0	0
		b] agree	8	8.3
	discipline	c]neutral	18	18.8
	measurement in the	d]disagree	44	45.8
	organization	e]strongly disagree	26	27.1
		Total	96	100
5.	Working	a] strongly agree	36	37.5
ا ع.	Working	b] agree	30	31.3
	environment of TFGF	c]neutral	26	27.1
	ia riomi and i	d]disagree	4	4.2
	is very good	e]strongly disagree	Ö	0
		Total	96	100

Source: Questionnaire 2014

#### 3.4.1 There are employees representative in the organization

For item 1 in table 3.4, when respondents are asked about the presence of employees representatives in the organization, 8.3, 12.5, 58.3 and 20.8 percent of respondents responded as "agree" in the presence of employees representatives in the organization, "neutral", "disagree" and "strongly disagree" for presence of employees representatives in the organization. Based on the response from respondents it is possible to conclude that there is employee representative in the organization. the absence of employees representative could lead to turnover of employees, because management can undertaken any decision against an employee and absence of employees representative in the organization contribute employees to not feel belongingness to the organization.

#### 3.4.2 There are freedom of thinking and innovation in the organization.

In the same table item 2, summarizes, when respondents are asked about the extent of agree or disagree in organization's provision of freedom for innovative thinking, 0, 4.2, 8.3, 25.0, and 62.5 percent of employees responded as "strongly agree", "agree", "neutral", "disagree" and "strongly disagree" in the provision freedom for innovative thinking respectively. Therefore, the data obtained shows the organizations do not provide them freedom of innovative thinking for its employees. If the problem continuous, professional and skilled employees who have interest on innovative thinking will terminate.

# 3.4.3 Interpersonal relation in the organization is better than other private organizations

from table 3.4 item 3 Concerning the extent of employees agree or disagree in the good interpersonal relationship of the organization relative to other similar private organizations, 14.6, 33.3, 37.5, 10.4, and 4.2 percent of respondents "strongly disagree", "agree", "neutral", "disagree", and "strongly disagree" in the presence of good interpersonal relationship found in the organization respectively. Based on the finding majority of respondents responded in the

presence of good interpersonal relationship between management, supervisor and employees of the organization.

# 3.4.4 There is fair discipline measurement in the organization

As it is indicated in item 4 of the same table, when employees are asked about the extent of employees agree or not for fairness of disciplinary measures taken by the organization, 0, 8.3,18.8, 45.8, and 27.1 percent of respondents replied as, strongly agree", "agree" "neutral" "disagree", and "strongly disagree" in the fairness of disciplinary measures undertaken by the organization. Therefore, most employees of the organization feel that the organization is not treating employees of the organization fairly. This could directly affect employees to not stay in the organization.

# 3.4.5 Working environment of TFGF is very good

For item 7 of table 3.4, when employees level of agree or disagree for attractive working environments of the organization, 37.5, 31.3, 27.1, and 4.2 percent of respondents responded as "strongly agree" "agree", "neutral", and "disagree" in attractive environment of the organization respectively. Depending on the data, more than 60 percent of employees feel that the working environment of TFGF is attractive, some of employees responded as they are neutral in attractive working environment of TFGF; few employees said that as they are disagree in smooth working environment of the organization. If employees of the organization feel attractiveness of working environment, the level of termination in the organization will decrease.

No	Item	Response category	Frequency	Percent
1.	Supervisors arranged flexible working environment or condition	a] strongly agree b] agree c] neutral d]disagree e]strongly disagree	6 10 22 44 14	6.2 10.4 22.9 45.8 14.6
		Total	96	100
2.	The organization's higher officials allowed in decision making	a] strongly agree b] agree c] neutral d]disagree e]strongly disagree  Total	0 4 36 50 6	0 4.2 37.5 52.1 63.3
3.	The overall relation between management and employees are good.	a] strongly agree b] agree c] neutral d]disagree e]strongly disagree  Total	13 33 31 15 4 <b>96</b>	13.5 34.4 32.2 15.6 4.1 <b>100</b>

**Source: Questionnaire 2014** 

# 3.5.1 Supervisors arranged flexible working environment or condition

As it was indicated in the above table 3.5, item 1, when employees are asked about their extent of agree or disagree for their supervisors arranged flexible to working condition for their subordinates, 6.3, 10.4, 22.9, 45.8 and 14.6 percent of respondents responded as "strongly agree" in their "agree", "neutral", "disagree", and "strongly disagree" in the arrangement of supervisors flexible working condition for employees. The overall data from respondents shows, most employees of the organization at observed the absence of flexible working condition arranged by their supervisors of the organization. This will facilitate mobility of skilled manpower in the organization.

### 3.5.2 The organization's higher officials allowed in decision making

Item 2 of the same table indicates, respondents extent of agree or disagree in management permit of employees to participate in decision making process, 4.2, 37.5, 52.1, and 6.3 percent of respondents responded as they "agree" "neutral", "disagree", and "strongly disagree" that management of the organization do not allowed employees participate in decision making. Therefore, from the above data, most of the respondents assume as management do not allow them to participate in the decision making process of the organization.

# 3.5.3 The overall relation between management and employees are good.

Concerning the overall relationship between management and employees relationship, as it was indicated in the above table of item 3, when the issue, 13.5, 34.4, 32.2, 15.6, and 4.1 percent of respondents responded as "strongly agree" in good relationship between organization's management and employees; "agree:, "neutral", "disagree", and "strongly disagree" in s m o o t h relationship found among employees and management of the organization. So, the data obtained enforce to say more than 50 percent of employees have no harmonious relationship with management of the organization and contribute for termination of potential and skilled manpower.

Table: 3.6 carrier development contribution of turnover

No	Item	Response category	Frequency	Percent
1.	Training and development program of TFGF is better to other similar organizations	al strongly agree b] agree clneutral d]disagree e]strongly disagree	24 44 12 12 4	25.0 45.8 12.5 12.5 4.2
		Total	96	100

**Source: Questionnaire 2014** 

# 3.6.1 Training and development program of TFGF is better to other similar organizations

As it is shown in the table above 3.6 of item 1, when the respondents of employees are asked about the extent of agree or disagree in better provision of training and development practice of TFGF; respondents responded as 25.0, 45.8, 12.5, 12.5 and 4.2 percent "strongly agree" that the organization practicing good training and development, "agree", "neutral", "disagree" and "strongly disagree" because there is good training and development mechanism given to employees respectively. So, the data obtained indicates, more than 70 percent of respondents responded in good training and development practice of the organization. While some argued in absence of these practice. Therefore, it can be generalized as training and development practice of TFGF is better than other similar organizations.

#### Interviewee

The following result shows interview made with human resource process owner of TFGF on the issues of related to intensity reason and costs of turnover and what retention mechanisms are made. The reason why these questions were raised is that of management has no awareness about employee's turnover, causes and retention mechanisms to give awareness to tackle the problems.

Management as well as the human resource process owner has awareness for intensive turnover of professional employees. As stated by HRPO (Human Resource Process Owner). The mobility and resignation of manpower made the organization to not achieve its mission as per plan. As per HRPO view currently the organization is losing experienced and professional employees due to the availability of alternative jobs from none governmental and governmental organizations and other institutions are paying better salary and benefit package than TFGF. Those organizations need professional employees and pay better salary and give other benefits made our experienced professional employees to

leave the organization, management and other concerned bodies knew reasons of termination via the application letters that employees submit to the management to get letter of resignation, recommendation letters and written work experience to obtain employment opportunities elsewhere.

As per survey of different documents and resignation letters written and submitted to the organization, most of them terminate due health problems. But most of the

Application letter is not genuine but rather employee's present false reasons so as to get the valuable document they need.

Apart from problems stated above, HRPO and management stated that there are no difficulties with working environments supervisor employee relation are smooth, salary and other benefit packages of the organization are similar to other private organizations of the country, existence of equal opportunities for promotion, career development, impartial grievance handling mechanisms and others job assignment of the organization is based on performance status and skill that they have.

To get potential and experienced employees TFGF uses different mechanisms of employees to apply for vacant position posted or notified by the organization. The cost incurred by the organization on includes cost of advertisement via news paper interview costs, costs incurred for those allowed for their career development, training and development costs of new and existing employees etc.

According to management and HRPO of TFGF, the organization is trying to maintain stable work force through various mechanisms. In the first place full orientation is given for new employees when they are hired about working condition of TFGF, duties and responsibilities in each one of position will be explained, benefits that they will get also told to them. In order to improve the

benefits employees the organization has planned and working with different organizations both in the country and abroad. Therefore, this will reduce turnover of employees when it is implemented.

#### **CHAPTER FOUR**

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summery the findings of the study, conclusions and recommendations on the employees turnover and retention in Techno Fiber Glass factory

#### 4.1 Summary

The purpose of the study was to investigate the cause of high staff turnover in the selected private organization, by distributing questioners, made interviewee and analyzed those questions and interviews. The study focused on one organization; Techno Fiber Glass Factory.

- Most of respondents are male.
- Majority of employees age are 30 and below
- More than 50 percent of respondents are single
- Majority of respondents are less and equal to grade 10<sup>th</sup> not.
- Most of respondents served less than or equal three years
- The study revealed that More than 60 % of current employees are not satisfied on their position.
- The study also revealed that working environment of TFGF is good.
- The study also revealed that promotion is not made properly on the bases of employees' performance.
- The study further revealed that employees are not satisfied on the organizations salary scale and other benefits.
- The study shows there is no harmonious relationship between employees and management of the organization
- The study revealed that most of employees' response there is good training and development practice in the organization

- Most of respondent's response that they will leave the organization
- The study shows there are employees representatives in the organization
- The organizations do not provide freedom of innovative thinking for its employees.

#### 4.2 Conclusion

- > There are different causes of turnover in TFGF such as, the skill and knowledge of employees is no match with their job, promotion is not consider performance, there is no attractive salary package and other benefits. Those problem cause turnover become high, the finding concludes that those problems are a good reason for high staff turnover.
- > Turnover affect organizations productivity, based on HRM department documents and interview show staff turnover is highly affected performance of TFGF, because recruitment takes much time in other hand lack of man power faced the organization.
- > Currently the organization used two types of employees retention mechanisms those mechanisms are; track retention mechanisms and, train first level supervisors. Both track retention and train first level supervisors mechanisms are to of the seven vital employees retention strategies

#### 4.3 Recommendations

- > The organization must full fill
  - Must maintain benefits and salary package system.
  - Must create a good relationship between management and employees. By crating flexible work condition.
  - Promotion must on the bases of employees' performance.
  - Position made by the organization must consider skill and knowledge they have.
- > The organization tray to use internal sours of recruitments because it reduce the time recruitment takes. In other hand organization reduce lack

of man powers and keep its productivity constant and may reduce cost of recruitment.

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# Appendix - A St. Mary's university Faculty of business Department of management

Questionnaire to be filled by Employees of Techno Fiber Glass Factory (TFGF)

Dear respondent:-

This questionnaire is designed for preparing a senior paper on the title of Professional Employees' turnover and its Retention practice in Techno Fiber glass Factory (TFGF). The outcome of the study will be used in order to suggest possible solutions for problems identified while conducting the study. I kindly request you to spent your precious time to fill the questionnaire as frank as and reasonable. as possible. I inform you that, the information you provide will be consumed for academic purpose only. The information you provide is confidential. Therefore, you are not expected to write your name.

Thank you for your cooperation!

Tick only one box

#### A. General Background of Respondents (Demographic Information)

1. Sex

Male D	Female D	
2. Your age group		
Below 25 D	31-35 D	above 40 D
25-30 <b>D</b>	36-40 D	

#### 3. Marital status

10+2 D BSC/BA D PhD D

12+2 D MSC/MA D

5. Year of service in TFGF

Less than 1 year D 4 to 6 year D 10 years and above D

1 to 3 years D 7 to 9 years D

6. Year of service in your last position

Less than 1 year D 4 to 6 year D 10 years and more is D

1 to 3 years D 7 to 9 years D

Note select only one among the options gives below

l=strongly agree

2=Agree

3=Neutral

4=Disagree

5=strongly disagree

No	item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	2	3	4	5
1	Salary scale of TFGF is better than other similar private organization.					
2	Promotion made based on performance of employees.					
3	. The organization provides good terminal benefit and pension.					
4	Future hope of getting better benefit made you to stay at TFGF					

# C. Job match contribution for turnover

No	Item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	2	3	4	5
1	Your position matches with the skill and knowledge you have					
2	you are managerial or non- managerial position you don't want to leave the organization					

No	Item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	2	3	4	5
1.	There are employees					
	representative in the organization					
2.	There are freedom off thinking and innovation in the organization.					
3.	Interpersonal relation in the organization is better than other private organizations					
4.	There are fair discipline measurement in the organization					
5.	Working environment of TFGF is very good					

# E. supervision contribution for turnover

No	Item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	2	3	4	5
1.	Supervisors arranged flexible working environment or condition					
2.	The organization's higher officials allowed in decision making					
3.	The overall relation between management and employees are good.					

# F. carrier development contribution of turnover

		Strongly	Agree	Neutral	Disagree	Strongly
No	Item	Agree				Disagree
		1	2	3	4	5

development program of TFGF is better to other similar organizations

# Appendices - B Interview questions for HRPO and management

- 1. What does employees turnover in your organization?
- 2. What is your view regarding reasons for turnover of employees?
- 3. What cost the organization incur due to turnover?
- 4. What retention mechanism the organization made proactive retain existing employees?
- 5. What is the view of current employees to stay in the organization?

DECLARATION
I, the undersigned, declare that this study is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.
Declared by:
NAME A 1.1 C/ 1.1
NAME: Avselech G/meskel SIGNATURE
SIGNATURE PLACE OF SUBMISSION

# DATE OF SUBMISSION:

# SUBMISSION APPROVAL SHEET

This paper has been submitted for ex	amination with my	approval as an	advisor.
NAME			
SIGNATURE:	<u></u>		
DATE:			



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