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Causes of Employee Turnover and Its Impact on Pretty Group in Bangladesh: An Analysis

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Abstract:

Human resource is the core competence to achieve competitive advantage of any organization. Most of the organizations try to retain its existing employees to achieve the goal smoothly. This study was an attempt to find out the causes of employee turnover and its impact on organization in general and particular. This study based on the primary and the secondary data concludes that the efficient organizational practices can retain employees in the organization for a long time and vice versa. In this study the authors considered twelve variables followed by different departments and factories of Pretty Group. The study reveals that compensation systems, organizational politics and career planning and advancement are most significantly related to employee turnover. So a compensation package and a clear career advancement procedure should be developed by this group and our recommendations may be followed by organizations of same nature.

Keywords: *Turnover, Managerial Behavior, Human Resource Policy, Compensation, Career Planning, Advancement, Entrepreneurial Environment.*

1.0 Introduction

The RMG industry is highly competitive in Bangladesh. Many group of companies emerged in Bangladesh within a short period of time. Success of any business depends on the amount of quality business brought about by the business executives operating in a highly competitive environment. When an employee leaves an organization, the organization loses not only the training cost but also the valuable portfolio handled by the employee. It is revealed that most of the time an employee leaves with his portfolio as the client is psychologically attached to the employee.

Human resource is the backbone of an organization.¹ Employee turnover is the most familiar term in the organizations. Employees are the most valuable assets for ensuring day to day activities of the organization. But it is true that most of the organizations face this challenge.

Pretty Group is one of the rising Ready Made Garments (RMG) industries in Bangladesh. It started on January 2002. Within a very short time it established a position in the RMG sector of Bangladesh. Pretty Group has about 100 employees who work in

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different departments (Finance and Accounts, Human Resource, Merchandising, Administration, Commercial, Sourcing, Production, Compliance) and 6750 workers (male: 4725 and female: 2025) who work in different factories (D & S Pretty Fashions Ltd, Pan pacific Sweater Ltd, Pretty composite textiles Ltd, Pretty Sourcing & inspection (BD) Ltd, Pretty Wool Ware Ltd, S. Suhi Industrial park Ltd, Kaveri Sweaters Ltd, Pretty Engineering Ltd, Pretty Accessories Ltd, Pretty Still mills Ltd) of Pretty Group. The Organization has a great contribution to the national economy of Bangladesh.

Employees are always the most important factor in all organizations.² Pretty Group has a large number of workers to serve the organization. These workers are considered as an asset and are effectively utilized with other existing assets. To make them as a standard human capital and also to retain the current employees for employing competitive advantage, organization should develop a standard recruitment and selection process, compensation packages, reward systems, career planning, work environments, administrative supports and social atmosphere.

Like any other organization in Bangladesh, Pretty Group is trying to practice HRM effectively to turn its workforce into an asset. But due to some unidentified constraints in HRM sector, it has not yet reached the standards of perfection in this field. As a result, the organization is invariably experiencing some problems with its workforce. But correct and effective HRM practices could easily eliminate all such problems and ensure higher benefits.

Employee turnover remains as one of the most widely researched variable in any organizational analysis.³ Employee turnover can greatly impact on organization; it hampers the organization's production, routine work, profit, performance and loss of competitive advantages. That's why most of the organization takes many measures so that the employee turnover can be reduced. As much, we have embarked on such a study and our study confined to Pretty Group, Bangladesh

2.0 Objectives of the Study

2.1. Prime objective: The prime objective of the study is

- To explore the causes of employee's turnover and its impact on Pretty Group

2.2. Other Objectives: The other objectives of the study are,

- To identify the present status of employees turnover in the Pretty Group
- To identify the trend of employee turnover in the said group of companies
- To estimate the loss of competitive advantages through employees turnover
- More specifically, the some of the hypothesis of this study regarding some organizational variables are as follows

H_0^1 : The behavior of different managers is good.

H_1^1 : The behavior of different managers is bad.

H_0^4 : The organization provides satisfactory compensation for the all employees/workers

H_1^4 : The organization does not provide satisfactory compensation for the all employees/workers

H_0^7 : The working environment of the organization (office or factory) is good.

H_1^7 : The working environment of the organization (office or factory) is bad.

H_0^{11} : The organization has a formal promotional policy for the employees/workers.

H_1^{11} : The organization has no formal promotional policy for the employees/workers.

3.0 Methodology of the Study

A research design is simply a framework or a plan for a study that may be used as a guide in collecting and analyzing data.⁴ Given the nature of present study, data have been collected both from the primary and the secondary sources.

3.1 Primary Sources

Interview technique was used with structured questionnaire for the collection of primary data. Total numbers of employees in different departments/units of Pretty Group are approximately 100 and out of them 50 employees were taken as respondent and 100 workers from the different factory of Pretty Group for the study. The questionnaire consists of 12 questions which were related to employee's turnover. Questions are designed in a seven point Likert scale to the measure turnover (intention to leave) of the Pretty Group. Seven point Likert type scale has been used in the questionnaire to measure turnover. 7 for strongly bad, 6 for very bad, 5 for bad, 4 for neutral, 3 for good 2 for very good, 1 for strongly good have been given in order to analyze data.

3.2 Secondary Sources

Secondary data have been collected from various documents, such as office order, annual reports, employees profile form HRD, official website and leaflets of Pretty Group and different related books and articles.

3.3 Data Analysis

Descriptive statistics was used to analysis the data. Tabulations, cross tabulation, graphical presentation. Averages were mostly used for the analysis of this study. Total number of respondents is 150 so we can apply Z-test. If the calculated value (z) is greater than critical value (z_c), then it rejects the null hypothesis and accepts the alternative hypothesis.

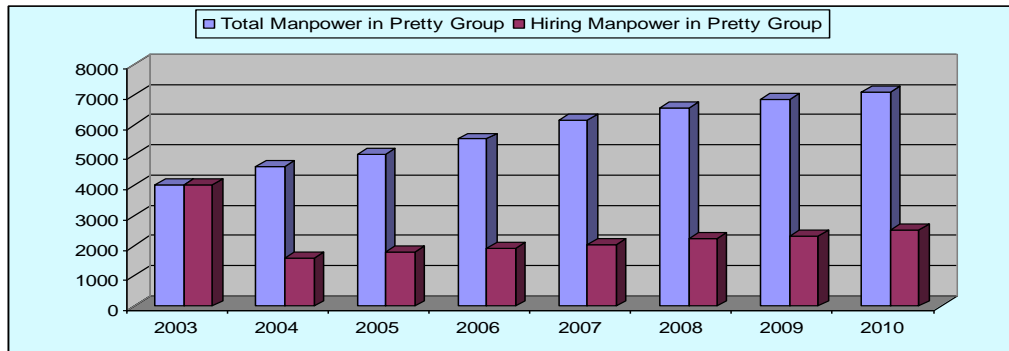
4.0 Analysis and Findings of the Study

4.1 Background Information:

Out of 150 respondents from different departments/units 105 are male and 45 are female. The respondents have been selected from eight departments and ten different factory of Pretty Group. The above of them 37 respondents obtained post graduate degree, 13 graduate degrees, 02 passed HSC and most of the workers were below SSC.

4.2. Present scenario of employee turnover in Pretty Group

Graph 1: Trends of employee turnover in Pretty Group in different years



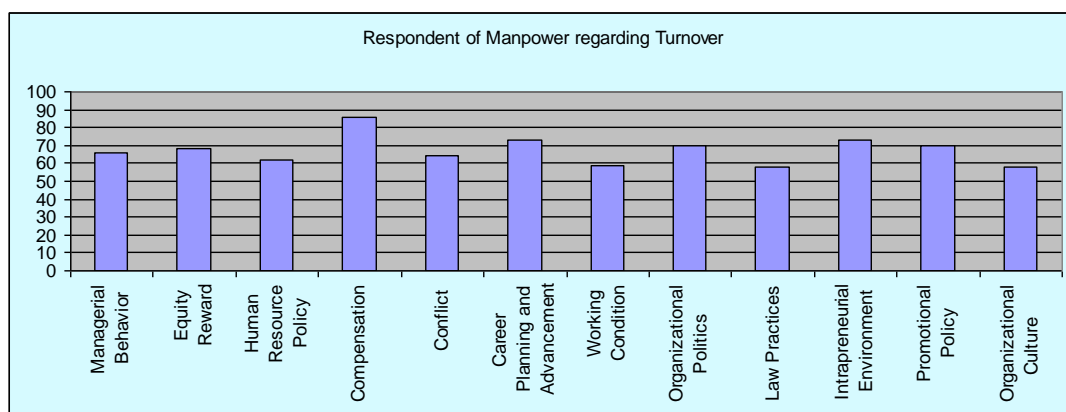
Source: Office Record of Pretty Group (Table: 1)

The above graph shows that the trends of employees' turnover from the beginning of Pretty Group and it are increasing day by day with the increasing of manpower in the organization. The trends of employee turnover are approximately from 30% to 34%.

4.3 Causes of Employee Turnover

Employee turnover depends on several reasons and vary from organization to organization. When employees feel discomfort, insecure, demoralized and anxious, they try to switch the jobs. Now every organization especially private organization (where job security comparatively is low) has faced this challenge and lost their competitive advantages. Based on the following literature (Table: 02), practices can be identified as factors/causes of employee turnover.

Graph: 02 % of employees who wanted to leave with the organizational variables



Source: *Field survey (Table-2)*

4.3.1. Managerial Behavior: The ethical behavior of management is important for smooth operation of the business. Both ethical and legal guidelines suggest that hiring and firing decisions should be based solely on an individual's ability to perform the job but if the behavior of managers is unethical to the employees, s/he will feel discomfort.⁵ 66 percent of the respondents of Pretty Group wanted to leave the organization because of unethical behavior of management.

4.3.2 Equity reward: 68 percent employees of Pretty Group agreed to leave for inequitable rewarding of the employees. The remaining 40 percent of employees did not think that inequitable rewarding happened in the organization. The study focused that if people are rewarded inequitably; they feel dissatisfied and reduce efforts for output that ultimately may lead employees to leave the organization.

4.3.3 Human Resource Policy: Human resource policies are the systems of codified decisions, established by an organization, to support administrative personnel functions, performance management, employee relations and resource planning.⁶ Human resources policy is the strategic deployment of plans that the human resource department introduce in the offices. The focus of such policies is to enable the office to cope up with the changing conditions and better comprehend the business and trade mechanism by hiring and maintaining highly professional employees in the panel of workers. It is very necessary that effective human resource policy is deployed by the organization in order to run it effectively.⁷ 62 percent of the respondents of Pretty Group wanted to leave the job because Pretty Group failed to develop human resource policies for the organization.

4.3.4 Compensation: Compensation is a vital prerequisite for work. Most of the private organizations require negotiations to determine of compensation. 86 percent of the respondents of Pretty Group agreed to leave the organization because of low compensation. Only 13 percent employees were satisfied with the compensation.

The effects of under compensation

- Loss of initiative
- Lack of motivation
- Feeling of insecurity
- Feeling of anxiety
- Decline in the quality of work life
- Pay dissatisfaction
- High turnover high absenteeism
- Low performance⁸

4.3.5 Conflict: HRM is to discourse conflict but should maintain at a reasonable level. A tolerance level should be act. When conflict is beyond one's tolerance level or the ability

to cope with the person exhibits a variety of defense mechanisms to come to terms with the situation. Some of them are withdrawal, submission, projection, denial etc.⁹ 64 percent of the respondents of Pretty Group agreed to the statement of conflict because of internal conflicts exist among the employees.

4.3.6 Career Planning and Advancement: Career is traditionally viewed as an upward linear progression in one or two firms or as stable employment within a profession.¹⁰ Now, someone's career is more likely to be driven by the person, not the organization reinvent by the person from time to time, as the person and the environment change.¹¹ 73 percent employees who wanted to quit the job because the organization did not have a clear career plan and advancement.

4.3.7 Working Environment: The overall working environment was not good in all office of the Pretty Group. Most of the rooms of the office were not perfectly safe for the employees. One way entry and exist facilities were available. As such employees stay in office with fear. About 59 percent employees agreed to the statement of working condition.

4.3.8 Organizational Politics: Organization are made up of individuals and groups with different values, goals, and interests.¹² Activities that are not required as part of one's formal role in the organization, but that influence, or attempt to influence, the distribution of advantages within the organization.¹³ 70 percent of employees of Pretty Group agreed to the statement of organizational politics.

4.3.9 Law Practices: Law is the body of principles recognized and applied by the state in the administration of justice.¹⁴ Law is a rule of external human action enforced by the sovereign political authority.¹⁵ So, every business should properly maintain the rules and regulations of business law for conducting business transactions and dealing human resources. 58 percent respondents said that the organization misused law for conducting business. These unfair treatments by the management lead people to leave the organization.

4.3.10 Intrapreneurial Environment: In establishing an intrapreneurial environment certain factors and leadership characteristics need to be operant. The overall characteristics of a good intrapreneurial environment are: organization operates on the frontiers of technology, new ideas encouraged, trial and error encouraged, failures allowed and no opportunity parameters.¹⁶ 73 percent of respondents of Pretty Group found that there was no intrapreneurial environment within the organization. They lost their motivation and could not create new innovation.

4.3.11 Promotions Policy: The promotion policy should be very clear and transparent. The basis of promotion should be the performance of the employees. If promotion policy is not clearly stated, it generates the ambiguity among the employees. From the survey 70 percent employees agreed to the statement of promotion policy.

4.3.12 Organizational Culture: Organization culture refers to company’s values, beliefs, business principles, traditions, ways of operating, and internal work environments.¹⁷ Organizational culture develops a sense of shared goals and influences people to contribute to the organization. 58 percent responded agreed that the organization failed to produce organizational culture. So they wanted to quit the job.

4.4: Test of Hypothesis

S.N	Organizational Variable	$\bar{X} - \mu$	$\sigma_{\bar{x}}$	Calculated Z value	(5% level of significance) Critical z value	Result H ₀
1	Managerial Behavior	0.553333	0.116823	4.736495	1.96	Rejected
2	Equity Reward	0.713333	0.132443	5.385982	1.96	Rejected
3	Human Resource Policy	0.293333	0.122763	2.389423	1.96	Rejected
4	Compensation	2.013333	0.087933	22.89632	1.96	Rejected
5	Conflict	0.446667	0.12703	3.516233	1.96	Rejected
6	Career Planning and Advancement	1.066667	0.128812	8.280787	1.96	Rejected
7	Working Condition	0.106667	0.130689	0.816185	1.96	Accepted
8	Organizational Politics	0.88	0.124693	7.05731	1.96	Rejected
9	Law Practices	0.08	0.122391	0.653643	1.96	Accepted
10	Intrapreneurial Environment	1.08	0.122391	8.824179	1.96	Rejected
11	Promotional Policy	0.88	0.130952	6.720016	1.96	Rejected
12	Organizational Culture	0.06	0.129351	0.463856	1.96	Accepted

From the above table, the hypotheses are tested by using differences between the observed mean and expected mean. The calculated ‘z’ values on above table are determined by using the following formula:

$$z = \frac{\bar{x} - \mu}{\sigma_{\bar{x}}}$$

Where,

Z = Calculated value

\bar{X} = The mean value of each organizational variable of Pretty Group

μ = The expected mean of each organizational variable of Pretty Group

$\sigma_{\bar{x}}$ = Standard deviation of each organizational variable of Pretty Group

At 5% level of significance, the critical value of z for two tailed test is ± 1.96 . If the computed value of z is greater than $+1.96$ or less than -1.96 , then reject H_0 , otherwise accept H_1 . Moreover, the above table represents that 03 variables are accepted among 12 variables and rest 09 variables are rejected that means there is significant different among the 09 variables whereas, there are no significance differences among 03 variables.

4.5 Impact on Employee Turnover on Pretty Group: Employee turnover is tending to impair organization efficiency. It has a great impact on organization because organization lost their trained employees and lost their competitiveness. Employee turnover increases the cost of recruitment and selection process that directly affect the organizational profit. For the reason so much attention has been paid to the issue of turnover because turnover has some significant effects on organization.¹⁸ Many researchers argued that high turnover rates might have negative effects on the profitability of organizations if not managed properly.¹⁹ The impacts of employee turnover are cited below:

4.5.1 Cost of Recruitment and Selection: Employee turnover increases the recruitment and selection cost. Recruitment and selection not only increase cost but also require more time for recruiting and selecting. During that time, organization is adversely affected in performing its day to day operations. The costs related to recruitment and placements are administrative, advertising, screening and interviewing, references checks, and, physical test etc

4.5.2 Cost of Training and Development: Training and development is important for organizational development. Organization spends a lot of money for increasing the efficiency of employees but when an employee quits job after training, the training cost appears as useless. So the cost of training increases with the increase of turnover.

4.5.3 Loss of Competitiveness: Every organization should create competitive advantages throughout the employees of the organization for coping with new challenges, but the employee turnover decreases the competitiveness of the organization.

4.5.4 Bad Impression: Frequent employee turnover of organizations creates bad impression among the existing employees of the organization and organization could not attract and retain qualified employees.

4.5.5 Profit Decline: Profit may decline for frequent employee turnover, but the research focused that profit does not decrease rather it increased because Pretty Group is rising rapidly in the last few years.

4.5.6 Job Security: Frequent employee turnover creates job insecurity, job dissatisfaction, and loss of motivation among the existing employees. The existing employees become demoralized to maintain their membership with the organization.

4.5.7. Other Costs Associated with Turnover: The other costs associated with employee turnover are listed below.

- Administrative hiring costs.
- Lost of productivity associated with the interim period before a replacement can be placed on the job.
- Lost of productivity due to the time required for a new employee to get up to speed on the job.
- Lost of productivity associated with the time that co-workers must spend to help a new worker.

4.6 Relative Importance of the Variables to the Respondents:

Some variables (Table: 02) of employee turnover are most important to all employees of Pretty Group. These are compensation, career planning and advancement, organizational politics, management practices etc. All respondents are dissatisfied with their current compensation system because there is no compensation structure in Pretty Group. They think that compensation should be formulated in a structure by considering the cost of living in Dhaka city. Moreover they think that the organization should also develop a clear career plan and promotion policy for retaining qualified personnel in the organization.

5.0 Conclusion and Suggestions for Reducing Employee Turnover

5.1 Conclusion

The average rate of employee turnover of Pretty Group is about 34% (per year) that is very high and harmful for the organization. There are many group of company in Bangladesh. The present status of employee turnover in most of the group of company in Bangladesh is almost as like as Pretty Group. About 68% employees and workers have negative feeling to the different organizational variables and they want to leave organization. Employee turnover is unavoidable but controllable. For a good part of the twentieth century, managers believed that happy workers were productive workers.²⁰ Today employee turnover is important issue in every organization because employee turnover is adversely affected to the day to day activities of organizations, for this reason organizations loss their competitiveness. Due to frequent employee turnover of

organizations, career and succession plan are not ensured. Attractive compensation package and a clear career planning and advancement are important issue for removing employee turnover from the organization. To reduce the employee turnover by taking some logical steps, organization can easily reach their desired goal.

5.2. Suggestions for Reducing Employee Turnover

Now employees are considered as resources, i.e., human resources.²¹ All employees work with some expectations to fulfill some needs to achieve some honor and so on.²² Human resource department can play a vital role for reducing employee turnover within organizations. To ensure effective management and successful staffing in organization, a deliberate human resource practices are essential for reducing employee turnover.

An organization can easily reduce employee turnover by ensuring managerial ethics, equity, human resource policy, attractive compensation packages, adequate career planning and development, reducing organizational politics, implementing best management practices, controlling conflict within the reasonable limit, ensuring intrapreneurial environment, ensuring fair and transparent promotions policy, maintaining business law and developing some corporate culture within the organization.

The turnover would be reduced to a large extent, if the above suggestions are accepted and implemented by the policy makers of the organization.

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Appendix

Table 1: Scenario of total and hiring manpower of Pretty Group

Year	Total Manpower in PG			Total Hiring Manpower in PG			Rate of Turnover
	Employees	Workers	Total	Employees	Workers	Total	
2003	19	4000	4019	19	4000	4019	--
2004	23	4600	4623	4	1600	1604	34
2005	25	5000	5025	5	1800	1805	35
2006	35	5500	5535	11	1900	1911	34
2007	51	6100	6151	24	2000	2024	32
2008	78	6500	6578	28	2200	2228	33
2009	88	6750	6838	36	2300	2336	34
2010	95	7000	7095	37	2500	2537	35

Source: Office Record of Pretty Group

Table: 2 Considering for measuring employees turnover in Pretty Group

S. N	Organizational Variables	Strongly Bad (7)	Very Bad (6)	Bad (5)	Neutral (4)	Good (3)	Very Good (2)	Strongly Good (1)	Weighted Average	Rank	Standard Deviation
1	Managerial Behavior	13	29	36	36	25	8	3	4.56	6	1.430788
2	Equity Reward	25	30	28	30	20	15	2	4.72	5	1.622084
3	Human Resource Policy	12	20	35	41	23	13	6	4.23	8	1.503537
4	Compensation	65	41	29	11	4	0	0	6.02	1	1.07695
5	Conflict	17	23	33	37	20	17	3	4.45	7	1.555792
6	Career Planning and Advancement	36	30	32	24	18	8	2	5.07	3	1.577621
7	Working Condition	10	22	30	36	25	18	9	4.11	9	1.600611
8	Organizational Politics	22	40	31	26	19	10	2	4.88	4	1.527176
9	Law Practices	5	23	37	32	26	21	6	4.08	10	1.498977
10	Intrapreneurial Environment	29	38	35	24	14	8	2	5.08	2	1.498977
11	Promotional Policy	30	28	32	31	16	9	4	4.88	4	1.603829
12	Organizational Culture	12	14	34	37	26	18	9	4.06	11	1.584214

Note: Weighted average is calculated given weight 1 for “Strongly Good” to 7 for “Strongly Bad”

Source: Field Survey (Conducted on November, 2010)

$$\text{Weighted average} = \frac{SB \times 7 + VB \times 6 + B \times 5 + N \times 4 + G \times 3 + VG \times 2 + SG \times 1}{\text{Total} \cdot \text{Number} \cdot \text{of} \cdot \text{respondents}}$$

Here, N=150, table: 2 reveals that all the respondents consider twelve organizational variables which affect on mind of manpower for leaving the organization. Compensation has got the highest importance, weighted average being 6.02 for this variable. The another important variables are intrapreneurial environment (5.08), career planning and advancement (5.07), organizational politics etc and so on.