



**THE CAUSES AND EFFECTS OF  
EMPLOYEES' TURNOVER:-  
THE CASE OF OROMIA WATER WORKS  
DESIGN AND SUPERVISION ENTERPRISE**

**A Thesis Submitted in partial fulfillment of the requirements for the  
Master of Business Administration  
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## **Abstract**

*This study assessed the employee's turnover the case of Oromia Water works Design and Supervision Enterprise with the objectives of identifying different factors that are affecting and aggravating employee's turnover. Mixed research approach was used to describe the situation. Both probability and none probability sampling were used to select respondents and data gathered from both primary and secondary sources. Thus, survey, interview, and document review were used to gather the data. Systematic and purposive samplings were used to select the study participants. The findings of the study shows that terms of employment, favorable government policy an external market, lack of result oriented promotion and motivation, working environments and conditions are factors affecting employees turnover of the Enterprise. Loss in competition on market, costs of recruiting and training employees, loss of profit as a result of lack of timely deliverance of required service to customers, a combination of one or more stated effects come on the enterprise. Implementing BPR and other reforms, among efforts made by the Enterprise to reduce the effects employees turnover. In addition employing freelancers and working with different universities, employing engineers from aboard, building the capacity of internal workers to enhance their performance on work are among efforts made by the Enterprise to reduce the effects employees' turnover. In general, the enterprise could strengthen efforts stated to reduce effects of turnover. Hence, establishing incentive mechanism to encourage employees according to the weight job enrichment, job enlargement, participating employees in decision making and accepting their constructive views in solving the problem and leading the enterprise, Proper treatment of employees will increase responsibility and enhanced pay, fair promotion. Giving recognition for significant accomplishment, chance of advancement and giving opportunity to grow and career development has to be taken in to consideration. Improving working environments develop system of filling a vacant position by a person who already employed in the enterprise through upraising the employee currently holding the position is also important. Transferring an employee from a less desirable to a rewarding job elsewhere in the enterprise depending on employees fulfillment of the necessary skill, competence and education needed for the positions are among the given recommendations.*

**Key words:** employees, turnover, human resource management

## **Chapter One: Introduction**

### **1.1 Background of the study**

Employee turnover is one of the most study important issues to organizations, and one that needs special attention. It has some significant effects on organizations; new employees must be hired and trained, it is also needed to consider the time required for a new employee to be effectively productive. Staffs turnover is a warning sign of low morale and it is the amount of movement in and out of employees in an organization. In general, employees either leave their jobs voluntarily by their own decision or forced to leave by the decision of the employer. Employee's turnover is one of the factors which affects the organization's productivity; which is considered to be one of the challenging issues in business nowadays. The impact of turnover has received considerable attention by senior management, human resources professionals and industrial psychologists. It has proven to be one of the most costly and seemingly intractable human resource challenges confronting by several organizations globally. Turnover of employees consists of both voluntary and in voluntary. Voluntary turnover is a major problem for organizations in many countries (Syrett, 1994).

Porter and Steers (1973) 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. Mobley (1977) suggested that a negative evaluation of the present job leads to job dissatisfaction, thoughts of quitting, and an evaluation of job seeking expectation utility and cost of quitting.

In Ethiopia, even though few studies like: study conducted on ERA and IRC shows about turnover of employees, there is no empirical studies conducted on public organizations employees' turnover which were supported by formal and published research. Therefore, the present study is done on Oromia Water Works Design and Supervision Enterprise (OWWDSE) 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 clearly identified the causes of employees' turnover and its management or

retention mechanism will help in developing appropriate policy and training program at country level in general and at public organizational level in particular.

## **1.2 Statement of the problem**

In today's competitive business world, it is considered to be an important task to manage employee turnover for any organization. Managing turnover successfully is an essential to achieve the organizational overhead goals.

Significant amount of research has been undertaken 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 indicated that every aspect of organizations is employees because turnover of employee leads to incurring of costs. High turnover has become a problem for both private and governmental organizations. For instance, Solomon has conducted his research on Ethiopian Rod Authority (skilled work force turnover) in 2007 and concluded that the turnover is affecting the organization in terms of productivity, money and time. Another researcher, Yared conducted his study on International rescue committee (non-governmental organization) and concluded that the causes of turnover are a combination of factors which includes family problems, poor leadership, dissatisfaction with job, better opportunity in external market, and dissatisfaction with work place. OWWDSE is a public enterprise and engaging on diversified professional work area and projects. In addition, the Enterprise has relatively flexible and attractive benefit packages compared to other government organizations though might not holds true in compared to the private organizations. Hence, the study might insight different view of public enterprise in the context. Oromia water works, Design and supervision Enterprise is one of the public owned professional consulting firms operating in Ethiopia and it is to extend its service at international level.

Since the organization is professional consulting firm, the source of its income, excellence, in general all its business is human resource or human capital. The enterprise is relied on not machineries or other fixed assets, but human brain or skills and qualification of its human resource. While rendering professional consulting work such as

study, design preparation, and contract administration, the Enterprise need professionals with high skills and qualification with required competency on areas of Engineering works and related study. Sometimes the curriculum vitae of professionals have great value to compete for higher works (OWWDSE, 2013). The importance of coordinating and using human resources of the Enterprise has great value in context of its work. Even currently, it started to give international business to consult Ethio-Djibouti water supply project. However, turnover of the employees recognized as one of the factors that are affecting the business of the Enterprise. Well experienced and qualified experts leave positions that they held in Organizations (OWWDSE, 2013). Hence, discussing the issue in the context of this organization could insight the reader important lesson. Frequent turnover of employees, could costing the Enterprise in terms of productivity (performance), money and time. Accordingly, this study primarily focuses on answering the following basic/research questions.

### **1.3 Research questions:**

- What major factors are contributing for employee turnover in Oromia Water Works Design & Supervision Enterprise?
- What are the effects of employees turn over on the Enterprise (OWWDSE)?
- Does OWWDSE has any mechanisms that reduces staffs turnover?

### **1.4 Objectives of the study**

#### **1.4.1 General Objective**

The general objective of the paper is to identify different factors that are affecting and aggravating employees turnover of the Enterprise so that to suggest diagnostic recommendations.

#### **1.4.2 Specific objectives of the study**

- To see factors that are affecting retain of employees of the organization;
- To understand the effect of staff turnover on the performance of the organization;

- To see the mechanisms used by the enterprise to reduce the turnover rate.

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

The scope of the study is limited only to Public Enterprise called Oromia Water Works Design and Supervision Enterprise (OWWDSE). It does not consider the other public and private Enterprises.

### **1.6 Significance of the Study**

Governmental and public sector organizations success can be measured mainly through delivery of quality service to their beneficiaries. This can be achieved through well formulated plans and programs, allocation of resources, assignment and retention of committed and competent employees. However, since skilled work force turnover can affect the organization has to achieve the intended objectives and expected results will not be achieved.

Therefore, the study insight the issue in context public enterprise experience. It also might serve as literature for future studies on the topic. In addition it might also use as input for policy makers and implementers though the study is academic and has no guarantee of implementation.

### **1.7 Limitations of the Study**

The study is only limited to the experience of OWWDSE that it did not present the case of other public enterprises. Only existing employees were selected as respondents and key informant interviews and it did not include employee who has left the organization. To fill the gap secondary data which they have filled on clearance were referred.

### **1.8 Organization of the Research Paper**

This paper is organized in to five chapters. The first chapter or introduction part presents the background issue, statement of the problem, objectives, significance and limitations of the study. The second chapter came up with literature review. The literature review covers both empirical and theoretical documents. The third chapter discussed research methods

employed and it was embraced research design, sampling techniques, data collection method and tools, data interpretation and presentation. Data interpretation and discussion of data were presented in chapter four. Finally, chapter five revealed conclusion and Recommendations.

## Chapter Two: Literature Review

### 2.1 Human Resource Management Defined

Before going to discuss issue related to the issue let, define the topic. Human resource management is defined as a strategic and coherent approach to the management of an organization has most valued assets the people working there who individually and collectively contribute to the achievement of its objectives (Armstrong, 2006).

John Storey (1989) cited in Armstrong, 2006), believes that Human resource management can be regarded as a ‘set of interrelated policies with an ideological and philosophical underpinning’. He suggests four aspects that constitute the meaningful version of human resource management:

- A particular constellation of beliefs and assumptions;
- A strategic thrust informing decisions about people management;
- The central involvement of line managers;
- Reliance upon a set of ‘levers’ to shape the employment relationship

Finally, the book introduces model of human resource model called the matching model.

#### 2.1.1 The matching model of Human Resource Management

One of the first explicit statements of the HRM concept was made by the Michigan School (Fombrun *et al* 1984 cited in Armstrong, 2006). They held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name ‘matching model’). They further explained that there is a human resource cycle which consists of four generic processes or functions that are performed in all organizations. These are:

- **Selection:** matching available human resources to jobs;
- **Appraisal** (performance management);
- **rewards** : ‘the reward system is one of the most under-utilized and mishandled managerial tools for driving organizational performance’; it must reward short as well as long term achievements, bearing in mind that ‘business must perform in the present to succeed in the future’;

- **Development:** developing high-quality employees.

## **2.2 The Recruitment and Selection Process**

The overall aim of the recruitment and selection process should be to obtain at minimum cost the number and quality of employees required to satisfy the human resource needs of the company. The three stages of recruitment and selection dealt with in this chapter are:

1. *Defining requirements:* preparing job descriptions and specifications; deciding terms and conditions of employment;
2. *Attracting candidates:* reviewing and evaluating alternative sources of applicants, inside and outside the company, advertising, using agencies and consultants;
3. *Selecting candidates:* sifting applications, interviewing, testing, assessing candidates, assessment centers, offering employment, obtaining references; preparing contracts of employment.

## **2.3 The employees Turnover: Definition and concepts**

Turnover refers to retirement, resignation and redundancy. Employee turnover is considered to be one of the persisting problems in organizations (Armstrong, 2009 cited in *Hana and Lucie, 2011*). The turnover means that another organization may gain a new knowledge employee who can become its competitive advantage. The loss of knowledge thus is a threat for the former organization, which increases the significance of knowledge continuity (*Hana and Lucie, 2011*). Internal factors such as facilities in the organization and external factors (attractive factors such as salary and other benefit packages in external market) should be taken in account to reduce the turnover rate. More specifically, the following points stated as causes of turnover. Ineffective communication about job expectations, inability to listen well and ask the right questions respectfully, wage problems, under-utilization of skills, adverse working conditions, and lack of opportunity for advancement through seniority, lack of well-organized training program (Pertrillose, 1998).

Surline adds other factors such as corporate culture and workers involvement in the decision making process. He argues that as the labor market gets smaller, companies

become more competitive in their compensation structure making corporate culture more important than ever. Employees are less loyal to their organizations, they want more involvement in decision making and they see in their work a realization of themselves and this is a fundamental reason for their leave in case their job doesn't satisfy them (Surline, 1999).

Employee turnover is the replacement cycle each time a position is vacated either voluntarily or involuntarily (Woods, 2006). The term "turnover" is defined by Price (1977) as: the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period. Voluntary turnover is when an employee chooses to quit their job. When the company ends the working relationship through either layoff or discharge, this is an involuntary turnover. Not all employee turnovers can be controlled by the company but the rate of voluntary turnover can and should be a priority for managers.

Griffeth and Hom (2001) offer to focus on the part of turnover that is of real concern to an organization by differentiating between voluntary and involuntary turnover. In other words, did the employee choose to leave the job or was it a decision made by the employer? Then, voluntary resignations are further distinguished between functional (exit of substandard performers) and dysfunctional (exit of effective performers). Finally, unavoidable resignations over which the employer has no influence are also left aside (family move, childbirth, serious illness or death). This leaves the group of avoidable resignations as the key focus. It also implies that to allow an informed decision, turnover rates have to be calculated down to department level, to identify which areas are most problematic. Based on this issues employee turnover may be classified into five categories:

**A. Functional Vs Dysfunctional Turnover:**

*Functional turnover can be defined as "A turnover in which poor performers leave" while Dysfunctional turnover can be defined as "A turnover in which good performers leave" (cited in Wikipedia).*

**B. Avoidable Vs Unavoidable Turnover:**

*A turnover that happens in avoidable circumstances is called 'Avoidable Turnover', where as "A turnover that happens in unavoidable circumstances is called 'Unavoidable*

*Turnover*' (cited in Wikipedia).

### **C. Voluntary v/s Involuntary Turnover:**

Voluntary turnover can be defined as “*The turnover in which employee has own choice to quit or instances of turnover initiated at the choice of employees*” where involuntary turnover can be defined as “*The turnover in which employees have no choice in their termination e.g. sickness, death, moving abroad or employer’s initiated termination*” (cited in Wikipedia).

### **D. Internal Vs External Turnover:**

*Turnover can be classified as ‘internal turnover’ or ‘external turnover’* (cited in Wikipedia). Internal turnover happens when employees send-off their current position and getting a new position within the same organization. It is related with the internal recruitment where organizations filling the vacant position by their employee or recruiting within the organization.

### **E. Skilled Vs Unskilled Turnover**

Untrained, uneducated and unskilled positions often face high turnover rate. Without the organization or business incurring any loss of performance, employees can generally be replaced. On the other hand skilled and educated positions may create a risk to the organization while leaving. Therefore turnover for skilled and educated professionals incur replacement costs as well as competitive disadvantage of the business.

## **2.4 Why people leave an organization**

Many reasons describe 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 divided into two: pull and push factors.

## **2.5 Causes and Influencing Factors for Turnover**

Turnover 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. We explore some of these factors in more detail below:

- i. ***The economy-*** One of the most common reasons given for leaving the job is the availability of higher paying jobs. Some minimum wage workers reported for leaving one job to another that pays only 50 cents an hour more. Obviously, in a better economy the availability of alternative jobs plays a role in turnover, but this tends to be overstated in exit interviews.
- ii. ***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.
- iii. ***Demographics*** -empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.
- iv. ***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 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.
- v. ***A bad match between the employee's skills and the job-*** Employees who are placed in jobs that are too difficult for them or whose skills are under-utilized may become discouraged and quit the job.
- vi. ***Substandard equipment, tools or facilities*** –If working conditions are substandard or the workplace lacks important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees will not be willing to put up with the inconvenience for long time.
- vii. ***Lack of opportunity for advancement or growth*** – If the job is basically a dead-end proposition, this should be explained before hiring so as not to mislead the

employee. The job should be described precisely, without raising false hopes for growth and advancement in the position.

- viii. ***Feelings of not being appreciated*** – since employees generally want to do a good job, it follows that they also want to be appreciated and recognized for their works. Even the most seasoned employee needs to be told what he or she is doing right once in a while.
- ix. ***Inadequate or lackluster supervision and training*** – Employees need guidance and direction. New employees may need extra help in learning an unfamiliar job. Similarly, the absence of a training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking.
- x. ***Unequal or substandard wage structures*** – Inequity in pay structures or low pay is great causes of dissatisfaction and can drive some employees to quit. Again, a new worker may wonder why the person next to him is receiving a higher wage for what is perceived to be the same work.

## **2.6 Effects of employee turnover**

Employee turnover is 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. These replacement costs include for example, search of the external labor market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels equivalent to the individual who quit John (2000). Addition to these replacement costs, output would be affected to some extent or output would be maintained at the cost of overtime payment. The reason so much attention has been paid to the issue of turnover is because turnover has some significant effects on organizations (DeMicco and Giridharan, 1987; Dyke and Strick, 1990; Cantrell and Saranakhsh, 1991; Denvir and McMahan, 1992). Many researchers argue that high turnover rates might have negative effects on the profitability of organizations if not managed properly (Hogan, 1992; Wasmuth and Davis, 1993; Barrows, 1990). Hogan 1992, nearly twenty years ago the direct and indirect cost of a single line employee quitting was between \$ 1400 and \$4000. Turnover has many hidden or

invisible costs Philips (1990) and these invisible costs are result of incoming employees, co-workers closely associated with incoming employees, co-workers closely associated with departing employees and position being filled while vacant. And all these affect the profitability of the organization. On the other hand turnover affects on customer service and satisfaction Kemal et al. (2002). Catherine (2002) argue that turnover include other costs, such as lost productivity, lost sales, and management's time, estimate the turnover costs of an hourly employee to be \$3,000 to \$10,000 each. This clearly demonstrates that turnover affects the profitability of the organization and if it's not managed properly it would have the negative effect on the profit.

Research estimates indicate that hiring and training a replacement worker for a lost employee costs approximately 50 percent of the worker's annual salary (Johnson et al., 2000) – but the costs do not stop there. Each time an employee leaves the firm, we presume that productivity drops due to the learning curve involved in understanding the job and the organization. Furthermore, the loss of intellectual capital adds to this cost, since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets Meaghan et al. (2002). Therefore, if employee turnover is not managed properly it would affect the organization adversely in terms of personnel costs and in the long run it would affect its liquidity position. However, voluntary turnover incurs significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organizational memory) and the loss of social capital Dess et al. (2001).

## **2.7 Costs associated with turnover**

In their analyses of turnover costs, Schultz and Schultz (2006) 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) as cited in Asmamaw (2011) 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 resign from the organization. The common way

of investigating employee'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) as cited in Asmamaw (2011) 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) lists these costs to include the time of the person conducting the interview and the administrative costs involved in processing the resignation letter, including stationery and printing. Before a recruitment process is initiated, a job analysis is necessary to determine the job content of the vacant position. A job analysis expert will have to be consulted to evaluate outstanding work and job requirements of the vacant position. These costs also represent turnover costs and must be considered. Training and re-training of employees constitute one of the most crucial aspects of management in both the public and private sector organizations.

## **2.8 Organizational Culture**

Organizational or corporate culture is the pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people behave and things get done. Values refer to what is believed to be important about how people and the organizations behave. Norms are the unwritten rules of behavior. The definition emphasizes that organizational culture is concerned with abstractions such as values and norms which pervade the whole or part of an organization (Armstrong, 2010). Culture: represents the 'social glue' and generates a 'we-feeling', thus counteracting process of differentiations, which are an unavoidable part of organizational life. Organizational culture offers a shared system of meanings, which is the basis for communications and mutual understanding. If these functions are not fulfilled in a satisfactory way, culture may significantly reduce the efficiency of an organization

(Furnham and Gunter, 1993 cited in Armstrong, 2010).

## 2.9 Motivation Theory

Motivation theory examines the process of motivation. It explains why people at work behave in the way they do in terms of their efforts and the directions they are taking. It describes what organizations can do to encourage people to apply their efforts and abilities in ways that will further the achievement of the organization's goals as well as satisfying their own needs. It is also concerned with job satisfaction the factors that create it and its impact on performance.

In understanding and applying motivation theory, the aim is to obtain added value through people in the sense that the value of their output exceeds the cost of generating it. This can be achieved through discretionary effort. In most if not all roles there is scope for individuals to decide how much effort they want to exert. They can do just enough to get away with it, or they can throw themselves into their work and deliver added value. Discretionary effort can be a key component in organizational performance (Armstrong, 2010).

There are two types of motivation as originally identified which are:

***Intrinsic motivation***:– the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement.

***Extrinsic motivation***: – what is done to or for people to motivate them. This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism (Herzberg *et al* 1957 cited in Armstrong, 2010).

## 2.10 Organizational structure

Organizational structure can be viewed as the way responsibility and power are allocated

inside the organization and organizational members carry out work procedures (Teixeira, Koufteros and David, 2012).

The structure of the organization describes the functions, tasks and authorities of the departments, divisions and individual employees and the relationships between them (line of command, communication and procedures). It also describes the number of employees in each division, unit and department.

On the one hand, the structure divides departments, divisions and individuals on basis of tasks, functions and authorities. On the other hand, the structure coordinates these units through lines of communication and command. Only when the different units work in conjunction, the organization is able to function as a whole.

The organization structure has to facilitate the different processes in the organization. A general rule of the thumb is that the organization structure should enhance the progress of the processes. The structure has to provide coordination mechanism if the process is divided over more units.

**Contingency approach to organizational structure:** This approach indicates that the most appropriate organizational structure depends not only on the organizational objectives but also on the situation, which includes the environment, the technology employed, the rate and pace of change, the managerial style, the size of the organization, and other dynamic forces (Montana and Charnov, 1993).

### **2.11 Strategies to minimize employee turnover**

Strategies on how to minimize employee turnover, confronted with problems of employee turnover, management has several policy options viz. changing (or improving existing) policies towards recruitment, selection, induction, training, job design and wage payment. Policy choice, however, must be appropriate to the precise diagnosis of the problem. Employee turnover attributable to poor selection procedures, for example, is unlikely to improve were the policy modification to focus exclusively on the induction process. Equally, employee turnover attributable to wage rates which produce earnings that are not competitive with other firms in the local labor market is unlikely to decrease were the policy adjustment merely to enhance the organization's provision of on-the-job training opportunities. Given that there is increase in direct and indirect costs of labor turnover, therefore, management are frequently exhorted to

identify the reasons why people leave organization's so that appropriate action is taken by the management. Extensive research has shown that the following categories of human capital management factors provides a core set of measures that senior management can use to increase the effectiveness of their investment in people and improve overall corporate performance of business:

Employee engagement, the organization's capacity to engage, retain, and optimize the value of its employees hinges on how well jobs are designed, how employees' time is used, and the commitment and support that is shown to employees by the management would motivate employees to stay in organizations.

Knowledge accessibility, the extent of the organization's collaborativeness and its capacity for making knowledge and ideas widely available to employees, would make employees to stay in the organization. Sharing of information should be made at all levels of management. This accessibility of information would lead to strong performance from the employees and creating strong corporate culture Meaghan et al. (2002). Therefore; information accessibility would make employees feel that they are appreciated for their effort and chances of leaving the organization are minimal.

Workforce optimization, the organization's success in optimizing the performance of the employees by establishing essential processes for getting work done, providing good working conditions, establishing accountability and making good hiring choices would retain employees in their organization. The importance of gaining better understanding of the factors related to recruitment, motivation and retention of employees is further underscored by rising personnel costs and high rates of employee turnover (Badawy, 1988; Basta and Johnson, 1989; Garden, 1989; Parden, 1981; Sherman, 1986). With increased competitiveness on globalizations, managers in many organizations are experiencing greater pressure from top management to improve recruitment, selection, training, and retention of good employees and in the long run would encourage employees to stay in organizations.

Job involvement describes an individual's ego involvement with work and indicates the extent to which an individual identifies psychologically with his/her job (Kanungo, 1982). Involvement in terms of internalizing values about the goodness or the importance of work made employees not to quit their jobs and these involvements are related to task characteristics. Workers who have a greater variety of tasks tend stay in the job. Task characteristics have been found to be

potential determinants of turnover among employees (Couger, 1988; Couger and Kawasaki, 1980; Garden, 1989; Goldstein and Rockart, 1984). These include the five core job characteristics identified by Hackman and Oldham (1975, 1980): skill variety, which refers to the opportunity to utilize a variety of valued skills and talents on the job; task identity, or the extent to which a job requires completion of a whole and identifiable piece of work - that is, doing a job from beginning to end, with visible results; task significance, which reflects the extent to which the job has a substantial impact on the lives or work of other people, whether within or outside the organization; job autonomy, or the extent to which the job provides freedom, independence, and discretion in scheduling work and determining procedures that the job provides; and job feedback, which refers to the extent to which the job provides information about the effectiveness of one's performance (Tor et al., 1997). Involvement would influence job satisfaction and increase organizational commitment of the employees. Employees who are more involved in their jobs are more satisfied with their jobs and more committed to their organization (Blau and Boal, 1989; Brooke and Price, 1989; Brooke et al., 1988; Kanungo, 1982). Job involvement has also been found to be negatively related to turnover intentions (Blat and Boal, 1989). Job satisfaction, career satisfaction, and organizational commitment reflect a positive attitude towards the organization, thus having a direct influence on employee turnover intentions. Job satisfaction, job involvement and organizational commitment are considered to be related but distinguishable attitudes (Brooke and Price, 1989). Satisfaction represents an effective response to specific aspects of the job or career and denotes the pleasurable or positive emotional state resulting from an appraisal of one's job or career (Locke, 1976; Porter et al., 1974; Williams and Hazer, 1986).

Organizational commitment is an effective response to the whole organization and the degree of attachment or loyalty employees feel towards the organization. Job involvement represents the extent to which employees are absorbed in or preoccupied with their jobs and the extent to which an individual identifies with his/her job (Brooke et al., 1988). The degree of commitment and loyalty can be achieved if management they enrich the jobs, empower and compensate employees properly.

Empowerment of employees could help to enhance the continuity of employees in organizations. Empowered employees where managers supervise more people than in a traditional hierarchy and delegate more decisions to their subordinates (Malone, 1997).

Managers act like coaches and help employees solve problems. Employees, he concludes, have increased responsibility. Superiors empowering subordinates by delegating responsibilities to them leads to subordinates who are more satisfied with their leaders and consider them to be fair and in turn to perform up to the superior's expectations (Keller and Dansereau, 1995). All these makes employees to be committed to the organization and chances of quitting are minimal.

### **2.12 Experience of other Organization in Ethiopia**

Though every public, non-governmental and private company are operating in the country, two study was selected, which are Ethiopia road authority and international rescue committee based on the availability of past study on the issue. According to Solomon (2007), Ethiopian Road Authority is one of the victims of employee's turnover. However, management who could take action to prevent it rarely considers it. The findings of the study revealed that inadequate wage level, poor moral and low level of motivation, mismatch between employee's personal value and plans with large corporate culture stated among factors contributing of employee's turnover. However, the study discloses nothing on any efforts made by the organization to reduce employee's turnover. The other is an experience of nongovernmental organization International Rescue Committee. The study conducted on the organization related to the issue presented that the causes of turnover are family problems, poor leadership, dissatisfaction with the job, better opportunity in other organization (Yared, 2007)

### **2.13 Literature gap**

Though human resource management is vital in achieving corporate objectives and vision, it is misunderstood in most of public organizations. The studies conducted on the issue also usually focused on promotion, satisfaction, etc. However, it is more significance in Enterprises such as Oromia waterworks Design and Supervision Enterprise where its revenue generating capacity already relied on its human resource. Therefore, this study will fill literature gap on specific areas of employee's turnover by presenting an experience of public enterprise where human resource is serve as engine in the process of rendering its consultancy service on study design and contract administration and construction supervision in line of its mandate.

## **Chapter Three: Research Methodology**

### **3.1 Introduction**

Research methodology is the specific science of research that followed to accomplish predetermined research. Hence, all specific method that is used in the course of accomplishing this thesis is presented in this chapter. It includes research design, method of data collection and analysis.

### **3.2 Research Design**

According to Zikmund & et al. (2005) many good research projects combine both qualitative and quantitative research. Qualitative data rate from slight to highly significant effect based on qualitative judgments, such as perception and attitude. According to Kumar (2006), it is the most appropriate method to measure the characteristics for which numerical value cannot be assigned, are called attributes and used to find out the facts. Creswell (2003) describes the importance of quantitative focusing on survey as follows. "A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. From sample results, the researcher generalizes or makes claims about the population P.172-173".

Therefore, mixed research approach were employed for this study completion to generate rich data from multiple sources, which are both quantitative and qualitative type. The researcher interested to present both employees view and managements attitudes towards retaining employees of the Enterprise. In addition, it also helps to generate rich data from multiple sources in the context of study enterprise. Therefore, the study followed descriptive type of research and survey research strategy was used. Primary data from survey questions has quantitative characteristics. Qualitative data was gathered through key informant interview and Focus Group Discussion (FGD). Since the study is academic and only in limited period, it is cross-sectional type in terms of time dimension.

### **3.3 Method of Data Collection**

Required data were collected from both primary and secondary sources, which complement each other. To gather primary data; key informant interview, and survey questionnaire was used. Thus, interview of government officials, key experts who are working directly or related job in concerned departments of the Enterprise was conducted. For collection of secondary data, necessary documents such as Official reports, planning, and other important statistics data were reviewed.

### **3.4 Sampling Techniques**

In the process of conducting this study, both probability and non-probability sampling used to select the study respondents. The study respondents from different departments of the Enterprise were selected on purposive bases (non-probability sampling) because officials or experts who are directly working on the issues are expected to have rich knowledge data than other persons. Representative employees from the existing employees were selected based on systematic sampling to fill survey questionnaire.

### **3.5 Population or Universe**

Population of the study is the employees of OWWDSE. Currently the Enterprise has 500 employees who are working in both contract and permanent bases.

### **3.6 Sampling Frame**

The sampling frame for this study is the lists of employees of the Enterprise, which is five hundred.

### **3.7 Sampling Unit**

The sampling unit was existing employee of the Enterprise who at least spent six months in the Enterprise. Therefore, representative sample of these employees was calculated based on formula for sample size determination and for finite population.

According to Kothari (2004, p. 179) it is given by the formula

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 \cdot (N-1) + z^2 \cdot p \cdot q}$$

Where,  $n$  = the desired sample size

$z$  = the value of the standard variation at a given confidence level (to be read from the table giving the areas under normal curve)

$p$  = the proportion of target population estimated (50%)

$q = 1-p$

$e$  = acceptable error (the precision)

$N$  = population size

Therefore, representative sample of population was determined at 95% degree of confidence.

Hence at 95% degree of confidence,

$Z=1.96$        $p=0.5$        $q=1-p$        $e=5\% (0.05)$ ; by substituting;

$$n = \frac{(1.96)^2 (0.5) (0.5) (500)}{(0.05)^2 (500-1) + (1.96)^2 (0.5) (0.5)} = 217.49 \text{ which is approximately equal}$$

to 217.

According to table of sample size determination developed by Kerjcie and Morgan (1970), at 95 percent degree of confidence, the representative sample size for 500 populations is equal to 217. This is similar with the above-calculated result. Therefore, 217 employees were participated on survey.

### **3.8 Data sources, Types and collections**

Both qualitative and quantitative type of data collected from both primary and secondary sources.

#### **3.8.1 Primary Data sources**

Important sources of primary data for this study were collected through; key informant interviews and survey. Key informant interview is important to generate rich data from experts and management staff who directly or indirectly are working on the issue in the Enterprise.

#### **3.8.2 Secondary Data Sources**

Necessary documents were also reviewed to get required secondary data. Official reports, study documents and employees feedback are important sources of secondary data reviewed.

### **3.9 Data Analysis and Interpretation**

Quantitative data were analyzed using Statistical Package for Social Sciences (SPSS). Variables such as income, sex, age, length of year they have been working in the enterprise, education status, were also analyzed using descriptive statistic mainly percentage and means. The data was summarized descriptively using graphs, tables. For qualitative data that was gathered through key informant interview, and documents review was described verbally.

## Chapter Four: Data Analysis and Interpretation

### 4.1 Response Rate

Out of 217 planned for survey interview, 211 questionnaires were collected which is equal to 97.2 percent. Although better, follow up favors for effectiveness of collection, some of the respondents left without completing the questionnaire. The respondents are almost homogeneous, employees of Oromia Water Works Design and Supervision Enterprise who are working on different projects with diversified area of specialization. Hence, it is enough to analyze the findings.

### 4.2 Respondents profile or Demographic Data

The demographic variable of the respondents such as gender, age, education status, income, length of the year they have stayed in the Enterprise and their work experience was collected and the results presented as follows.

#### 4.2.1 Gender of the Respondents

Male respondents dominate gender category with 77.7 percent of the total respondents while the rest are female.

Table-4.1 Gender of the respondents

	Frequency	Percent
Male	164	77.7
Female	47	22.3
Total	211	100.0

Source: Primary data

#### 4.2.2 Age of the Respondents

Most of the respondents are older than 30 years. Hence, they are mature enough to respond to questions related to importance of human capital and other variables. Only, 15.69 percent of the respondents fall in age category between 18 and 25, and 12.32 percent between 25 and 30 while the rest 62.09 percent is between 30 and 45 age group.

Figure-1 displays age structure of the respondents.

Figure-1 Age of the respondents

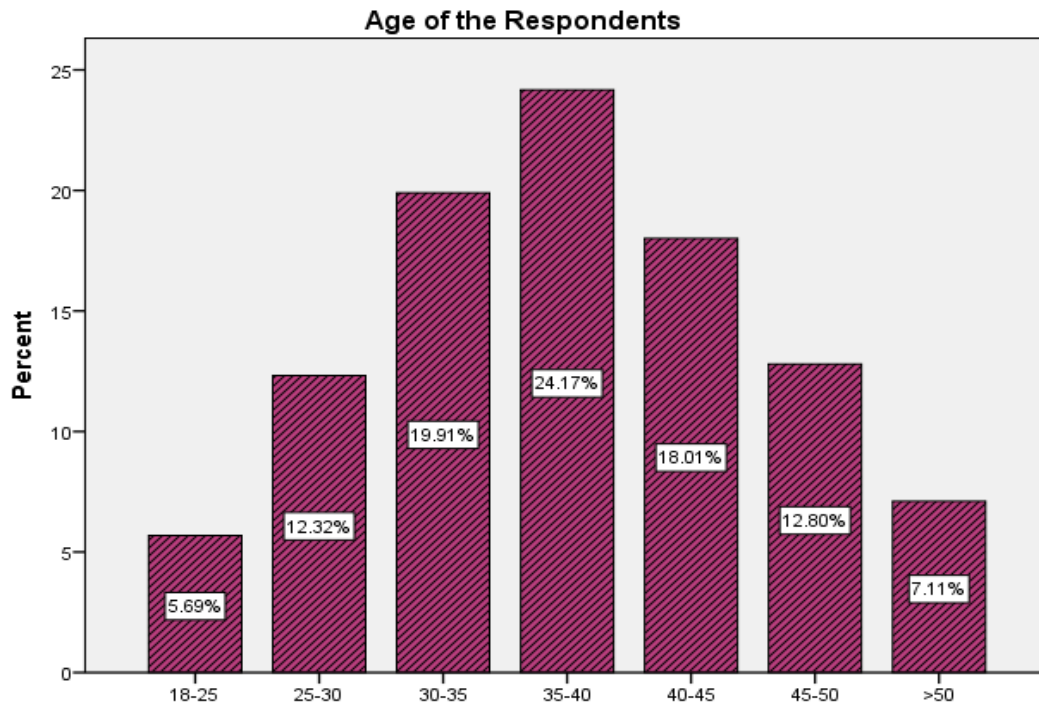


Figure-1 Age of the respondents.  
Source: Primary data

#### 4.2.3 Education Level of the Respondents

From survey, the result of data shows that most of the almost employees of the organization are educated professionals. Accordingly, 54.03% percent of the respondents have 1st degree While 17.06 percent of the respondents masters degree. The rest 22.27, 4.74 and 1.9 percent shared among those who fall in category of Diploma, 10+1-10+3, below or up to grade 10 respectively. Figure-2 displays education status of the respondents.

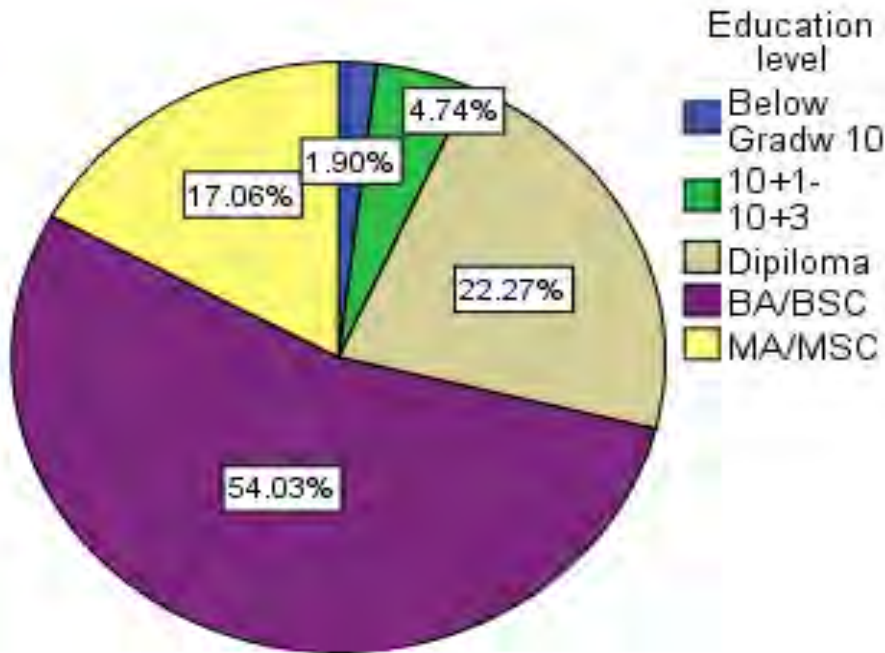


Figure-2 Education level of the respondents.  
Source: Primary data

#### 4.2.4 Years the employees have spent in OWWDSE

Almost many of the respondents have spent more than 3 years in the Enterprise. 46.6 percent of the respondents spent more than five years in the enterprise and 16.6 percent of the respondents have been working in the enterprise for 3-5 years, while 36 percent of the respondents are almost recruited in the past 1-3 years. This implies the enterprise is expanding its business based on internal employees as well as hiring from outside.

Table 4.2 Years the respondents have spent in the Enterprise

		Frequency	Percent
Valid	1-3years	76	36.0
	3-5 years	35	16.6
	more than 5 years	97	46.0
	Total	208	98.6
Missing	System	3	1.4
Total		211	100.0

Source: - Primary data

#### 4.2.5 Income of the Respondents

Most of the respondents fall in relatively higher income category which is above 8300 is 30.33 percent and 5400 to 8300 is 33.65. Respondents who are earning less than 3800 per month are only 5.64 percent. Full data is presented in Figure-3.

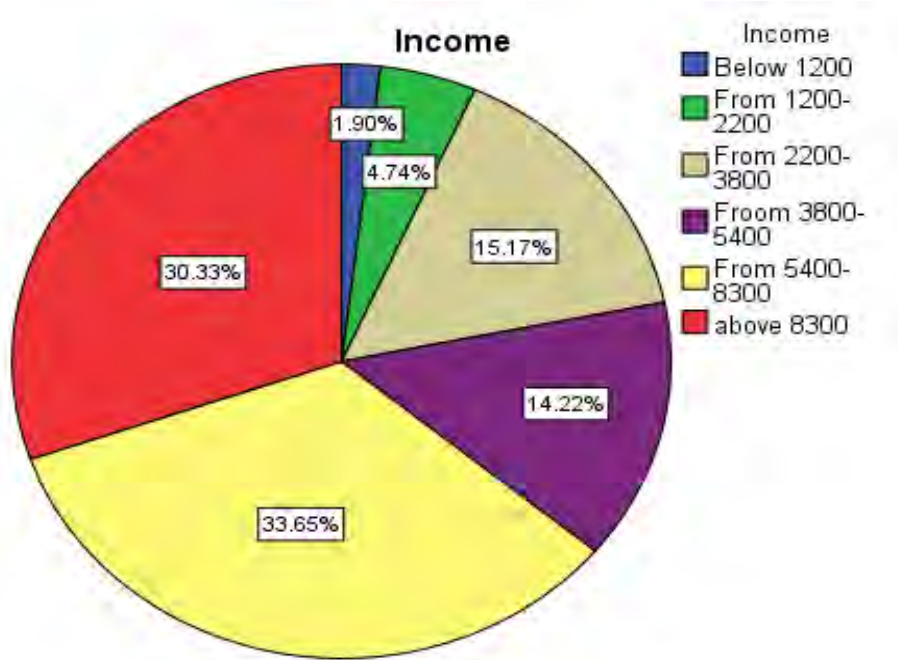


Figure-3 Income of the respondents.  
Source: Primary data

#### 4.3 Factors affecting turnover of Employees in OWWDSE

Before presenting employees turnover let see organizational structure of the Enterprise and turnover rate from secondary data gathered.

##### 4.3.1 Organizational Structure of OWWDSE

Organizational structure is one of important point in designing the organization for its proper functioning. From different types of organizational structures, OWWDSE adopted a matrix organizational structure to use its human capital efficiently and effectively among different processes demanding some time similar professionals differently and in different times. The structure was implemented with BPR reform of the Enterprise at the end of 2013 and currently functional. Fig-4 presents the organizational structure of OWWDSE.

However, in practice the enterprise fails to operate exactly as this preplanned and designed structure due to different reason.

The Enterprise also have the following core values, while carried out its duties and responsibilities to the highest standard of quality within the agreed timeframe in order to satisfy its clients. Thus, it adheres to such operating principles or values as:

1. Quality is our motto
2. Dedication to the welfare of the people,
3. Devotion to professional integrity and principles of ethics,
4. Committed to clients' satisfaction,
5. Partnership,
6. Works in transparency, accountability, fairness and equal opportunity,
7. Teamwork spirit and innovation

#### 4.4. Human Power Status of OWWDSE

Table 4.3: Human resource trends of OWWDSE 2003-2006 EFY

Categories	Existing employees as of June 2002	2003 EFY			2004 EFY			2005 EFY			2006 EFY		
		Employees Recruited	Employees Resigned	Existing staff	Employees Recruited	Employees Resigned	Existing staff	Employees Recruited	Employees Resigned	Existing staff	Employees Recruited	Employees Resigned	Existing staff
		<b>Academics</b>	<b>99</b>	<b>18</b>	<b>12</b>	<b>105</b>	<b>14</b>	<b>13</b>	<b>106</b>	<b>22</b>	<b>14</b>	<b>114</b>	<b>21</b>
<b>Certificate</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>7</b>
<b>Tech. Dip</b>	<b>13</b>	<b>1</b>	<b>2</b>	<b>12</b>	<b>3</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>1</b>	<b>11</b>	<b>4</b>	<b>4</b>	<b>11</b>
<b>Diploma</b>	75	13	7	81	37	36	83	18	8	94	13	5	102
<b>BSC/BA/BED/MVD</b>	206	100	97	209	95	117	187	47	62	172	77	37	212
<b>MSC/MA</b>	<b>52</b>	<b>6</b>	<b>10</b>	<b>48</b>	<b>15</b>	<b>18</b>	<b>45</b>	<b>10</b>	<b>11</b>	<b>45</b>	<b>16</b>	<b>11</b>	<b>50</b>
<b>PHD</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>454</b>	<b>139</b>	<b>129</b>	<b>463</b>	<b>167</b>	<b>184</b>	<b>445</b>	<b>97</b>	<b>98</b>	<b>444</b>	<b>132</b>	<b>66</b>	<b>510</b>
<b>Male</b>	<b>387</b>	<b>119</b>	<b>115</b>	<b>391</b>	<b>140</b>	<b>165</b>	<b>365</b>	<b>82</b>	<b>82</b>	<b>365</b>	<b>121</b>	<b>62</b>	<b>420</b>
<b>Female</b>	<b>67</b>	<b>20</b>	<b>14</b>	<b>72</b>	<b>27</b>	<b>19</b>	<b>80</b>	<b>15</b>	<b>16</b>	<b>79</b>	<b>11</b>	<b>4</b>	<b>90</b>
Permanent	137	5	17	125	13	22	116	8	15	113	5	4	187
Male	124	5	16	113	13	23	103	5	15	97	5	4	138
Female	13	-	1	12	1	-	13	3	-	16	0	0	49
Contract	317	134	112	338	153	161	329	89	83	331	127	62	323
Male	263	114	99	278	127	142	262	76	67	267	116	58	282
Female	54	20	13	60	26	19	67	13	16	64	11	4	41

Source: OWWDSE office report of 2009-2014,

As indicated in the table 4.3 the enterprise is busy throughout the years to replace the resigned staff and additional employees required for its work. In 2003, EFY 139 recruited and 129 employees left the Enterprise with only 10 employees additional of the 2002 year. In 2004 EFY 167 workers were employed, 184 resigned, in 2005 EFY 97 employed, and 98 left the Enterprise. Finally, in 2006 EFY 132 employed while left the Enterprise. This shows that there is high employees' turn over in the Enterprise, though, in 2006 EFY to some extent stable. From this it is important, to identify which types of workers are leaving the Enterprise and for what reason.

As indicated in the tables 4.3 by type of employment contract employees are the unstable category than that of permanent employees. From the stated total in the year 2003 (EFY) 134 employed and 112 resigned, in 2004, EFY 153 hired and 161 resigned, in 2005, EFY 89 hired and 83 left and finally in 2006 EFY, 127 employed and 62 resigned. This might indicates permanent employees are more stable than that of contract. In general, 2006 EFY year is the year in which relatively lower turnover rate recorded. This might be due to implementation of BPR and benefit packages associated with it. From this data, it is clear that there is a problem of employee's turnover in the Enterprise hence, it is important to find factors that are contributing for it. It is important to know what factors are affecting employees' stability to take remedial action because retaining its employees and having highly qualified professionals has great importance for the continuity of the Enterprise. Because, its human capital plays irreplaceable role in earning revenue and other privileges related such as good will and surviving in market competition. External factors and internal factors contribute, for the stability of the employees.

#### **4.4.1 Terms of employment**

Terms of employment is also one of the important factors that might have implication on turnover. Contract employees dominate the respondents with 52.1 percent of the total while 45 percent are permanent bases.

Table-4.4 Terms of Employment

	Frequency	Percent	Valid Percent	Cumulative Percent
Contract	110	52.1	52.1	52.1
Permanent Staff	95	45.0	45.0	97.2
Freelancer	6	2.8	2.8	100.0
Total	211	100.0	100.0	

Source: Primary data

Actually, the Enterprise is hiring different professionals on contract base because its work is project base that not possible hire all professionals on permanent base. This implies others alternatives should be there for retaining employees rather than making their employment permanent base.

#### 4.4.2 Professional areas of the respondents

Since the main objective of the enterprise is to give consultancy service on areas of study design and contract administration and Supervision, it is important to note were the respondents are currently working. Most of the respondents are currently working on study design and supervision. Only 25.6 percent of the respondents are supportive staff. Hence, they might reflect the real view of technical experts attached to the vision of the enterprise.

Table-4.5 Departments in which the respondents are working

<b>Areas of work</b>				
	Frequenc y	Percent	Valid Percent	Cumulative Percent
Study	40	19.0	19.0	19.0
Design	38	18.0	18.0	37.0
Supervision	56	26.5	26.5	63.5
Laboratory	5	2.4	2.4	65.9
supportive staff	54	25.6	25.6	91.5
study and design	18	8.5	8.5	100.0
Total	211	100.0	100.0	

Source: - Primary data

#### 4.4.3 Favorable Government policy and External Market

External factors that are affecting the employees stability recognized are favorable government policy, which encourages professionals to organize themselves and working their own business. For example, the URAP program that is Universal Rural Road Access Programs open great opportunity for Engineers who are working on road. In addition, external market attracts the experts for the fact that they are employed at much better salary than they could earn in the Enterprise. Other external factors such as education and personal reasons are among the stated problems (OWWDSE, 2012). Better, external job opportunity especially in road construction sector, increasing cost of living are also factors contributed for turnover of OWWDSE staff. However, most of the respondents believe that benefit and salary package of OWWDSE is medium. As it presented in table 4.6, the majority or 68.2 percent of the respondents rated it medium. This implies salary and benefit packages of the enterprise is not low to label as a main reason for employees turnover.

Table 4.6 Attitudes of respondents on Salary and benefit packages of the Enterprise

<b>How the respondents rated Salary and benefit packages</b>			
	Frequency	Percent	Valid Percent
High	28	13.3	13.3
Medium	144	68.2	68.2
Low	36	17.1	17.1
Very low	3	1.4	1.4
Total	211	100.0	100.0

Source: Primary data

#### 4.4.4 Lack of well motivation, result oriented promotion

The enterprise has no individual based motivation and promotion system that encourage very competent employees. However, it has bonus, and salary scale increment based on profit earned each year based on labor union agreement. Though this good, individual who are very best might not be get better advantages which is different from others. In

addition, from open-ended question left on survey questionnaires the following suggestions were raised. Usually, employees from external markets recruited at higher prices than internal employees are earning with the same profession and experience. On the other hand from key informant interview with human resource head of the Enterprise reacted on the issue and said " at a time of contract extension as per they have right to set their own prices that not logic to complain for the issue. Added even some times the Enterprise is also extending the contract without having projects only expecting some projects in future. Therefore, internal employees should compare this too. However, the question is why the Enterprise is not using those internal employees at senior areas and employees others with less or equal salaries to reduce complain and increase its profitability is not answered. Thus, such issue might demoralize or motivates internal employees and contributes for employee's turnover.

#### **4.4.5 Working Condition and Environment**

Improving working environment and conditions considered as one of better mechanisms how to increase employee's stability. On this issue, the enterprise gives transportation service for all employees up to 25 km from office to all direction and gives required transportation facilities on fieldwork. On the other hand, lack of cafeteria around the office, poor office layout and issue related to rest rooms is also considered as a drawback that better if it get solution.

#### **4.4.6 Other factors**

Internal factors are related to the Enterprise treatment for workers, problem on arrangement of logistic on workers, recognition and encouragement they are getting for their better performances.

Poor communication system: - in fact this factor has negative influence on few employees. For example, lack of proper communication line between technical coordination office and study and design process creates some weakness. Actually, lack of working according to BPR manuals contributes for such problem (OWWDSE, 2012). Thus, improper handling or treatment of workers also creates

negative consequence. The Enterprise is also not on inculcating necessary feedbacks of its employees in managing and improving the only some dysfunctional systems as well as low performances. In addition to this, there is also no strong monitoring and evaluation system in the office. Thus, the stated problems were raised from the forms employees filled while they are exiting the Enterprise (OWWDSE, 2013).

#### **4.5. Effects of employees turn over on the Enterprise or OWWDSE**

##### **4.5.1 Lose in competition on market**

The challenging thing is the lack of well-experienced human power on the labor market with the existing salary scale of the Enterprise to replace those who left the Enterprise. Therefore, lose in competition to get different projects which is source of income of the Enterprise is the primary effect. From key informant interview with management members, explained that on selected professional areas the enterprise fail to get projects not because of any other thing because of professional profile or experience. This professional work area identified as design and supervision of road and building projects. Thus, it has negative effect on the firm to win projects on the market which the source of revenue of the Enterprise.

However, it not possible to adjust the salary scale within short period as private or individual owner do to compete with the market since it is public Enterprise and needs the Board of director's decision.

##### **4.5.2 Cost of training and recruiting employees**

To substitute employees who lest the enterprise, cost incurs to recruit as well as train and familiarize newly hired workers. It also take time and has negative effect on efficiency of the enterprise. From key informant interview with core process owners, even some times they failed to get employees who fit the expected criteria

and competency that the always challenged to achieve their plan.

#### 4.5.3 Respondents view on Effects of Turnover

The respondents also share the key informants view and data obtained from document review.

10.4 percent of the respondents said that inefficiency is the negative of effect of employees turn over.14.2 percent labeled the enterprise incurs cost of recruiting and training and again 14.2 percent said the enterprise lose its profit because lack of timely delivering of work and required service. Furthermore, 54 percent of the respondents said that a combination of two or more of the stated effects come on the Enterprise.

Table 4.7 effects of turnover on the Enterprise

<b>Effects of turnover</b>			
	Frequency	Percent	Valid Percent
0. Give no response.	6	2.8	3.0
1. Inefficiency	22	10.4	10.9
2. Costs of recruiting and training	30	14.2	14.9
3. Loss of profit because of lack of timely delivering services Required	30	14.2	14.9
Combination of two or more factors	114	54	60.8
Total	202	95.7	100.0
Missing System	9	4.3	
Total	211	100.0	

Source: Primary data

#### 4.5.4 Efficient Utilization of Existing employees

Since employee's turnover is affecting the Enterprise negatively, it is important to know whether there is efficient use of existing employees or not. Finally, from who believe negative effect of employee's turnover, 23.2 percent labeled the Enterprise is not using existing employees efficiently. However, for profit making organization, every resource

should used in optimal combination for better achievement.

Table 4.8 whether the enterprise is using existing employees efficiently or not

<b>Efficient utilization</b>			
	Frequenc	Percent	Valid Percent
Yes	41	19.4	45.6
No	49	23.2	54.4
Total	90	42.7	100.0
Missing system	12	57.3	
Total	21	100.0	

Source: Primary data

## **4.6 Efforts Made (mechanisms used) on Behave of the Enterprise to Reduce Turnover of Employees**

### **4.6.1 Implementing BPR and Other Reforms**

The enterprise implemented the BPR (Business Process Re-engineering) in 2006E.C . Ethiopian fiscal year and amended the salary scale of professionals at better scale. Currently, the enterprise also implemented benefit packages such as transportation services and health insurance for all staff. However, the challenge is still though it is at better position in relative to the market highly skilled professionals are not available with this (the amended scale) to design or conducting studies of complex and mega projects.

### **4.6.2 Employing freelancer and working with universities**

Another alternative measure used instead to solve such problems is; employing freelancers at high price for short periods and working with universities. The Enterprise started to recruit professionals with higher profiles who are not available on market at salary scale of the Enterprise at higher wage. This is taking place at recognition of public Enterprises supervisory authority. In addition, the Enterprise also started to working with universities to use different professionals for short period of time according to demand.

### **4.6.3 Employing Engineers from Abroad**

To design mega projects and get better experiences which is better in transferring know

how, the enterprise started employing Engineers from Korea(north). Currently around eight Koreans are working in the Enterprise.

#### **4.6.4 Building the capacity of internal workers to enhance their capacity and performance on work.**

In 2006 EFY the enterprise implemented the training programs on consultancy (contract administration), study and other software's such as GIS and Remote sensing. In addition, required training for surveyors' and geologists. In, addition to this the enterprise is also started sponsoring for masters degree and others yearly for limited number of employees all this have positive contribution to enhance employees capacity and then to their performance( OWWDSE, 2014).

#### **4.6.5 Respondents View on staying or working with the Enterprise**

From the survey, the respondents recognized that staying in the Enterprise is opportunity for getting better work experience (18.0 percent of the respondents, for salary and benefit packages (19.4 percent of the respondents) and others better working condition which is 32.0 percent. The rest have idea of the combination of two or more of the stated points as opportunity of working as employee of the Enterprise.

Table 4.9 Opportunities of staying in OWWDSE

	Frequency	Percent
1. Getting better experience	38	18.0
2. Salary and benefit packages	41	19.4
3. Better working condition	69	32.7
1&2	5	2.4
1,2&3	33	15.6
Total	186	88.2
Missing System	25	11.8
Total	211	100.0

## 4.7 Findings

This subsection presents major findings of the study.

Most of the respondents are male with 77.7 percent of the total and the dominant age group is fall in category of 30-40 years with 44.08 percent of the total followed by 40-50 years with 30.81 percent. Although, the business of the Enterprise is relied on human resource, the employees' turnover is high. However, after the implementation of BPR in 2006 EFY the rate of turnover were declined. This might be because of benefits packages and salary improvements implemented with BPR and might have positive effect in reducing employee's turnover.

Most of the respondents fall in monthly income category of more than 8,300 birr with 30.33 percent of the total.

The organization is currently using a matrix organizational structure, however, failed to operate exactly as preplanned designed structure due to different reason.

The study found that factors that are affecting employees' stability are both from external and internal. Favorable government policy, which encourages professionals to organize themselves and working their own business, better salary at external market, are external factors that are contributing for high turnover, while lack of good treatment for workers, problem on arrangement of logistic on workers, lack of recognition and encouragement they are getting for their better performances or and poor communication internal factors.

Because of turnover, the following effects come on the enterprise. Loss in competition on market, costs of recruiting and training employees, loss of profit as a result of lack of timely deliverance of required service to customers, a combination of one or more stated effects come on the enterprise. The enterprise, also has implementing BPR and other reforms, to reduce the effects employees turnover. In addition employing freelancers and working with different universities, employing engineers from abroad, building the capacity of internal workers to enhance their performance on work are among efforts made by the Enterprise to reduce the effects employees' turnover.

## **Chapter Five: Conclusion and Recommendations**

### **5.1 Conclusion**

From the data analysis the following conclusion were drawn.

Although, the business of the Enterprise is relied on human resource, the employees' turnover is high. However, after the implementation of BPR in 2006 EFY the rate of turnover were declined. This might be because of benefits packages and salary improvements implemented with BPR and might have positive effect in reducing employee's turnover.

Factors that are affecting employees' stability are both external and internal. Favorable government policy, which encourages professionals to organize themselves and working their own business, better salary at external market, are external factors that are contributing for high turnover, while lack of good treatment for workers, problem on arrangement of logistic on workers, lack of recognition and encouragement they are getting for their better performances or and poor communication internal factors.

Loss in competition on market, costs of recruiting and training employees, loss of profit as a result of lack of timely deliverance of required service to customers, a combination of one or more stated effects come on the enterprise .Implementing BPR and other reforms, among efforts made by the Enterprise to reduce the effects employees turnover. In addition employing freelancers and working with different universities, employing engineers from aboard, building the capacity of internal workers to enhance their performance on work are among efforts made by the Enterprise to reduce the effects employees' turnover.

### **5.2 Recommendations**

It is important to implement practicable strategies at least to reduce observed problems. Though individual differences were respected for each employee, more general and logically functional treatment is important. Thus, for this specific case the following points presented. Working on human resource retaining, developing, evaluating both internal and external factors that are affecting the enterprise business will be important.

Efforts started by the enterprise to reduce the turn over as well as using the existing professionals should continue. Hence, special attention should be given to human resource development and staff benefits, through revising benefit packages with external market.

- It is better if the Enterprise establishes incentive mechanism to encourage employees according to the weight job enrichment, job enlargement.
- It is better if the Enterprise, participates employees in decision making and accepting their constructive views in solving the problem and leading the enterprise.
- Proper treatment of employees will increase responsibility and enhanced pay, fair promotion. Therefore, the management of the enterprise should properly treat the employees.
- Giving recognition for significant accomplishment, chance of advancement and giving opportunity to grow and career development has to be taken in to consideration.
- There should be proper relationship with manager/supervisor or peers, to make the environment conducive and workable.
- Develop system of, filling a vacant position by a person who already employed in the enterprise through upraising the employee currently holding the position, transferring an employee from a less desirable to a rewarding job elsewhere in the enterprise depending on employees fulfillment of the necessary skill, competence and education needed for the position.

### **5.3. Suggestion for further Study/research**

To address the limitations of this research, I recommended that further research can be conducted to investigate the concepts of employee turnover and retaining mechanism in order to handle the human asset. Since this research is only limited to OWWDSE any interested body can use it as a bench mark for the study of other similar public enterprise. Further research should also be conducted using large sample data to pin out the exact causes and effects of employee turnover in OWWDSE and other similar enterprises

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## Annex I : Survey Questionnaires

Dear respondents my name is Aman Racho. I am conducting a research. This questionnaire is developed to collect data on the topic entitled " The Causes and Effects of Employees' Turnover: - The Case of Oromia Water Works Design and Supervision Enterprise". It is carried out for academic purposes, to write a Thesis, in partial fulfillment of the requirement for the Masters of Business Administration. Moreover, it might also serves as input for policy makers and implementers to change the situation. Filling the survey questionnaire is voluntary. Your genuine response will provide valuable information on the topic. The information you provide is completely confidential.

Thank you for your valuable time

### Part I - Profile of Respondents

1. Gender      Male                       Female

2. Age a) 18-25                       b) 25-30                       c) 30-35                       d) 35-40

e) 40-45                       f) 45-50                       g) > 50

3. Education level

A, Below Grade 10                       b) 10+1-10+3                       c) Diploma

d) BA/BSC                       e) MA/MSC                       f) PHD

4. Monthly Income of the respondents

a) Below 1200 birr                      b) from 1200-2200 birr                      c) From 2200 -3800

d) From 3800-5400                      e) from 5400-8300                      f) above 8300

5. How long did you work in OWWDSE?

a) 1- 3 years                       b) 3-5 years                       c) more than 5 years

6. Your total work experience

a) 1- 5 years                       b) 5-8 years                       c) 8-12 years                       d) more than 12 years

7. Terms of employment

- a) Contract                      b) Permanent staff                      c) Temporary    d) Freelancer

8. Your area of work

- a) Study                       b) Design                      c) Supervision   
d) Laboratory                       e) Supportive staff                      f) Management area

**Part II-Questionnaire on Employee Turnover**

9. How do you rate employee's turnover of the Enterprise?

- a) High                       b) Medium                      c) Low

10. What factors would you consider mostly affecting the current turnover of the employees?

- a) Working condition                      b) salary and other benefit package?   
c) External market that attracts the employees                      d) a & b    e) more than one  
f) Specify if any other \_\_\_\_\_

11. How did you see the current salary and other benefit package of OWWDSE in relation to other external markets?

- a) High                       b) Medium                      c) Low

12. What effects come on the enterprise because of employee's turnover?

- a) Inefficiency                       b) costs of recruiting and training   
c) Loss of profit because of lack of timely delivering services required   
d) Combination of two or more  Specify if any other \_\_\_\_\_

13. Do you believe that employee's turnover is the major factor affecting the overall achievements and growth of the enterprise?

a) Yes       b) no

14. If your answer for question no. 13 is yes, what about using existing staff in efficient way?  
or the enterprise effective in efficient use of the existing staff?

a) Yes                       b) no

**Part III- Mechanisms of the enterprise to retain employees**

15. What do you think best opportunities of staying here within the enterprise?

a) Getting better experience    b) Salary and benefit packages      c) Better working conditions

d) Specify if any other \_\_\_\_\_

16. If you have any additional comments, I would appreciate very much.

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## **Annex II: Interview Questionnaires**

Key Informant Interview guide line

1. Your position in the office \_\_\_\_\_
2. How long did you serve in this Enterprise? \_\_\_\_\_
3. How do you see the employee's turnover of the Enterprise?
4. Do you think that the turnover is negatively affecting the Enterprise?
5. If your answer for question no.4 is yes, what effects it have?
6. What employees retaining strategies have been used?
7. Are those strategies are effective or not?
8. If not do you have any idea why not it was effective?
9. Is the working environment of the enterprise is attractive in compare to other competing enterprises?
10. Which group of professionals or areas of specialized field are leaving the enterprise frequently?
11. Why not the enterprise flexibly treating those very crucial employees?
12. What do you suggest to reduce the rate and even its negative effect on the enterprise?
13. Any Comments

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**Thank you for your time and kind cooperation**

# Annex III: Organizational Structure of OWWDSE

