

**THE EFFECT OF EMPLOYEE TURNOVER ON THE
ORGANIZATIONAL PERFORMNACE OF BANKS IN
THE BANKING INDUSTRY OF ADDIS ABABA**

BY:

Feruzza Abdurezak

A Thesis Submitted to Addis Ababa University School of Commerce, in the Partial
Fulfillment for the award of Degree of Masters of Arts in Human Resource
Management

Advisor

Fesseha Afework(Asst. Professor)

Addis Ababa

May 2015

Declaration

I declare that this thesis (The Effect of Employee Turnover on performance in the Banking Industry of Addis Ababa) is my original work. It has not been submitted for a degree in any other universities and all the materials used in this study have been duly acknowledged.

Author: Feruza Abdurezak

Date

Advisor: Fesseha Afework (Asst Professor)

Date

Approval Sheet

We, the undersigned, members of the Advisor and Examiners of the final defense by Feruza Abdurezak have read and evaluated her thesis entitled “THE EFFECT OF EMPLOYEE TURNOVER ON THE ORGANIZATIONAL PERFORMNAC OF BANKSIN THE BANKING INDUSTRY OF ADDIS ABABA” and examined the candidate. This is therefore to certify that the thesis has been accepted in partial fulfillment for the award of the degree of Master of Art in Human Resource Management.

Name of Advisor

Signature

Date

Name of External Examiner

Signature

Date

Name of Internal Examiner

Signature

Date

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ACKNOWLEDGEMENT

In the Name of Allah, Most Gracious, Most Merciful

First and foremost I would like to thank Allah S.W.T. for granting me the strength, courage, patience and inspirations in completing this work. Allhamdulillah!!!

Next to Allah Azawjal, I would like to express my sincere thanks to my extraordinary mother Zeynaba Hassen, my exceptional father Abdurezak Adem and my astonishing sister Ayda Abdurezak for their constant support, motivation, prayer throughout my life and who made it all possible.

After them, I would like to address my special thanks to my research advisor Ato Fisseha Afework for his guidance to which I have greatly benefited throughout the time from his priceless comments and suggestions.

I would also like to thank all the employees and Hr mangers of the banks who participated in the study to make this thesis successful. Lastly I would like to thank all my family members and friends who supported me during my journey.

Abbreviation

AIB - Awash International Bank

BIB - Bunna International Bank

BOA - Bank of Abyssinia

CBE - Commercial Bank of Ethiopia

CIPD - Chartered Institute of Personnel & Development

DB - Dashen Bank

DBE - Development Bank of Ethiopia

DGB - Dabub Global Bank

EB - Enat Bank

HR - Human Resource

HRM - Human Resource Management

LIB - Lion International Bank

SPSS - Software Package for Social Science

TTR - Total Turnover Rate

ZM - Zemen Bank

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Abstract

There are a number of factors on which performance of an organization mostly depends on and employee turnover is one of them. Employee turnover is the rotation of workers around the labor market; between firms; jobs and occupation and between the state of employment and unemployment (Abassi et al., 2000). Though this movement is seen as a normal cycle of employment, it's a huge problem if its frequent and well qualified employees are leaving so the objective of the study is to assess the effect of turnover on performance and give possible solution to minimize it. It specifically finds out the reason to why employees leave; the effect that it has on performance; the HR attitudes with regard to turnover and the different mechanisms used to avoid it. The research is Explanatory research and the researcher have used stratified sampling method to select the sample that are representative which are 10 head quarters of different banks from the banking industry and from those banks 200 employees were selected randomly. Data from employees were collected on several variables that affect turnover including personal and demographic characteristics, job satisfaction; organization and work environment; salary and reward; and also job content using questionnaires which are composed of both close ended and open questions and data from HR managers were gathered through interview which makes the research a mixed(both quantitative and qualitative). The data that was gathered through questionnaires and interviews were analyzed by using a software package called SPSS. The researcher has found out that there is a high rate of employee turnover in the banking industry and this directly affects performance and to lose its competitive advantage and also there is a positive correlation between the level of turnover and its effect on performance. Therefore, the researcher highly recommends that the HR department should give special attention to voluntary turnover and need to make the necessary adjustment as to the attitude of their employees like using an effective way of recruitment and selection process, creating a healthy working environment, make a necessary salary increment; redesign jobs and use exit interview interviews and other methods to know why their employees leave at the right time and use the information acquired appropriately.

Key Words: Employee Turnover, Organization performance and Effect of Employee Turnover on Performance

CHAPTER ONE

1. Introduction

1.1 Background of the Study

The concept of “Human Resource Management” implies that employees are vital resources of the organization. As a type of resources, human capital means the organizations employees, described in terms of their performance, training, experience, judgment, intelligence that can add value to the organization. (Noe, Hollenbeck, Gerhart & Wright, 2011) Therefore human resource management is one of the crucial functions that should be carried out in a systematic way so as to maintain well performing employees within the organization. Thus, organizations should have effective human resource management system that is well formulated and implemented to ensure that they hire the right employee and maintain employees who contribute to the successful accomplishment of organization objective.

A certain degree of labor turnover may be desirable while losing employees with poor performance or negative influence on workplace can have positive effect and creates an opportunities to induce wider experience, new ideas to the organization as well as providing career development opportunities for existing workers but unplanned and frequent employee turnover is not good for any business. Persistently high level of labor turn turnover, however are costly to both individual organizations and the economy as a whole adversely affects efficiency, productivity, profitability of the organization and morals of employees. Phillips (1999) has showed that an excessive turnover rate clearly has a tremendous negative impact on an organization's performance. High rate of employee turnover is harmful when skilled workers are leaving or the worker population contains a high percentage of novice workers and also if it's an organization with a high reputation.

Turnover can be both voluntary and involuntary and current studies have showed that, organizations with high rates of voluntary turnover are often found to be harmful to firm's performance (Glebbeck & Bax, 2004). Voluntary turnover is turnover initiated by employees themselves and it has an adverse effect on performance, service delivery, profit, and on other outcomes that organization set as objectives. But most mangers don't give that much of attention to this problem. Turnover costs are important but often hidden from managers. There are no

profit and loss statements that specifically capture the “cost of voluntary turnover”. Instead, the costs are buried in line items like recruitment, selection, temporary staffing and training. Or worse still, the real but unmeasured costs from losses of customer service continuity or critical implicit knowledge are never calculated. (Holtom, Mitchell, Lee & Eberly 2008)

Human resources professionals continually work to control their companies’ employee retention and turnover rates. Retention is the term given to keeping loyal employees on board with your company. Turnover is the term given to the rate at which you lose existing employees and replace them with new ones. (Butali, Dr. Wesang’ula and Mamuli, 2013) Understanding employee retention and turnover will can enhance your human resources policies and build a productive workforce. Armstrong (2001) observed that long-term employees generally have higher productivity and efficiency on the job than newer employees, due to their length of experience with the firm. Loyal employees also improve operational processes and train incoming employees. According to Cole (2000), loyal employees can also be loyal customers especially for service giving industries.

The Ethiopian economy is dominated by the service sector next to agriculture. The service sector produces “intangible” goods which consists of activities where people offer their knowledge and time to improve productivity, performance, potential and substantiality by delivering quality service to their customers. The Service sector contains Telecommunication, Hospitals, Education Banking and insurance, Air and Land transportation, Restaurants, Hotels, Retail etc. Producing service tends to require relatively less natural capital and more human capital than other sectors.

The banking industry is one of the fast growing industries in the service sectors which contribute to the economic growth of the country Ethiopia. It contains around 19 banks which give several kinds of service to their customers all around the country including saving money, mobilizing all types of Deposits, Prominent Money Transfer Operation (Western Union, Money Gram, and Express Money), Credit Services, and International Banking Services and so on. Service quality has now become the most important factor in the banking industry since it consists of high competitive environment. The first bank in Ethiopia was Bank of Abyssinia which was a private bank established in the year 1906, Feb 15 by Emperor Minelik. After that many banks have been developed and now days we have 3 government banks and 16 private banks which are found in Addis Ababa. Out of these banks two of them have made to Africa’s Top 100 Bank lists according to African business magazine annual ranking of the biggest banks in Africa in terms of

capital. Commercial Bank of Ethiopia (CBE) ranks 57th and Dashen Banks is 88th largest bank in Africa.

The successful performance of these organizations has benefited the banking industry and the economy as a whole. One of the major factors that determine the success of the banking industry is the availability and commitment of efficient and effective human resource. For that matter, any organization to achieve its objective needs to have staff that are competent enough to execute their responsibility in a professional manner and dedicated to organizational objectives. For employees to work with interest and commitment, it is true that organizations should place an effective HR management system in practice.

The Human resource department of these banks is responsible for analyzing and designing the work, recruit and select employees who are best for job, training and development employees, manage their performance, compensate employees, ensure employees are legally treated and retain those who perform well. Among other things retention of potential employees is becoming difficult in the banking industry. The turnover in this service sector is expected to be high due to several reasons like low compensation, too much work load, low job satisfaction, management problems, better job opportunities and etc

Different studies have showed that turnover negatively affects customer satisfaction because whenever staffs leave an organization, services rendered to customers are interfered with and customers may not be attended to in time due to shortage of trained staff and this will affect the performance of these banks since their number one goal is to deliver a quality service to their customers. The other thing is these banks give services which are mostly alike meaning if one of the banks fails to deliver the service expected; customer can automatically switch to other bank who can deliver the service as promised. And employees of the bank play a major role in delivering this service and keep their customer satisfied.

1.2Statement of the Problem

It's believed that certain amount of turnover is acceptable by most organizations so as to bring new blood to the workforce. On the other side it's a problem when well experienced and valuable employees leave the organization. Organizations make investment on their employees by training and developing them, motivate them expecting a return which adds value to the organization

performance. So when these employees leave, the organization will face a loss and other difficulties in achieving organizational goals and objectives.

According to the informal discussions the researcher made with employees and Hr managers of different banks, it was indicated that turnover is becoming one of the major problems for most organizations in the banking industry. These banks have lost a number of their fruitful employee due to several reasons. Compared to other banks, Commercial Bank of Ethiopia (CBE) is now in a more stable stage than the other banks. CBE have faced a high level of turnover in their previous years of its operation but recently it has been stable than other banks in the industry due to the salary increment made to the employees but still there is some amount of turnover.

The common problem that these banks are facing right now is that, their employees are leaving their current organization for another job opportunity to other banks. This makes the competitive environment more intense than it already is right now. Furthermore, most of the banks have complained that their employees are leaving their job so that they can join Commercial Bank of Ethiopia (CBE).

Turnover affects these organizations in the industry both in financial and non financial terms. With regard to financial terms the banks have incurred direct and indirect expenses, which include the cost of advertising, headhunting fees, human resource costs, loss of productivity, new hire training, and customer retention, every time they have to replace an employee. But this is not the only crisis they faced with regard to turnover. Service delays, time lost in training every time there is a new employee is hired, mistakes committed by new employees and etc. This all have a negative impact on the performance of this banks in achieving their goals and delivering the service required. Several causes of turnover can be traced to inadequate HR programs and policies so these reasons for employee turnover must be identified to help prevent it in the future. The timing of turnover is also another factor that needs to be assessed. According to Phillips (1945) timing of the turnover significantly affects costs. The greatest turnover cost probably occurs when an employee leaves the organization soon after reaching full productivity but most banks don't calculate the cost of voluntary turnover or costs from losses of customer service continuity rather this cost are covered with recruitment, selection, temporary staffing and training costs.

1.3 Research Questions

Based on the above stated problem the researcher will try to address the following questions

1. What are the main causes for employee turnover in the banking industry?
2. What are the effects of employee turnover on the performance of the Banks?
3. What is the attitude of the HR department with regard to employee turnover?
4. What methods have been practiced by the banks to tackle the problem of employee turnover?

1.4 Objective of the Study

1.4.1 General Objectives

The main objective of the study is to assess the effect of employee turnover on the performance of different Banks and to recommend possible solutions to minimize turnover and its consequence permanently.

1.4.2 Specific Objectives

The specific objectives of the study will be the following:

- To identify the major causes of employee turnover in the banking industry.
- To determine the effect of turnover on the organizational performance of the Banking industry.
- To assess the attitudes of the HR department with regard to employee turnover.
- To investigate different methods that has been practiced by the banks to tackle the problem of employee turnover.

1.5 Rational

The need for this research comes from two points of views. The first is the review of different literatures on employee turnover. These literatures have showed that unplanned and frequent

turnover have a negative effect on the performance of most organization but in the country Ethiopia this issue is not given the attention needed due to the high level of cheap labor. Most managers say that “if one employee leaves another will be replaced” without considering the cost and time it takes plus the performance gap that will be created in the replacement process. This way of looking this problem is wrong; the awareness to turnover needs to change. Companies have to measure their turnover rates and its effect on their performance, assess what causes it and take necessary action to minimize it as much as possible. HR manager need also to have sufficient knowledge of its consequence on the organization performance and reputation. The other thing is even some organizations have the awareness of its negative effect on performance they think its costly and time taking to assess this issue. The second reason is, the researcher has tried to gather information through discussion from different people who have worked and still are working in different banks. This discussion gave the researcher some indication of the problem exists in their organization and much hasn't done about it.

1.6 Significance of the Study

The study is expected to generate the following benefits:

First and for most the findings and recommendations of the study would be vital for the human resource practitioners who design and administer employee retention and development system to achieve organizational objectives and tackle the problem regarding employee turnover on different banks and similar service giving organizations. Second the study would give readers an idea on labor turnover and its effect on performance and will also aid other researchers as a reference for further investigation on issues which are related to these topics.

1.7 Scope of the Study

The research is designed to search the effect of high employee turnover in selected banks which are found only in Addis Ababa both private and public banks. There are 19 banks in the banking industry, 16 private and 3 public banks with around 1255 braches, where 576 being private. Out of these banks the researcher will only focus on the selected banks which are relevant for the study. Due to this large number of branches the researcher focuses only on employees and HR managers of the banks who are restricted to the head quarter.

The researcher only assesses employee turnover that is made by employees themselves which is voluntary turnover. Under normal conditions, voluntary turnover is greater than involuntary, and voluntary is more often studied by management due to the desire to reduce or contain it at an acceptable level. (Phillips, 1945)

1.8 Limitation of the Study

This study requires availability of ample resources like time, budget, and also other resource and due to the limited time and budget the researcher is given; the research will not focus on other branches of the different banks and also doesn't includes all the banks in the banking sector so that the findings and conclusions would be more general. In addition, the willingness of the selected employees to give adequate information for conducting the study was another limitation to the study. The major challenge of the study was that the researcher couldn't include ex employees of the organization due to the unwillingness of different banks for giving personal contact numbers of ex employees and also the unwillingness of most ex employees to be included in the study.

1.9 Nature of Result

The researcher has assessed the effect of turnover in the banking industry. The result that is expected from this study is that, there would be some banks who experience high level of turn over due to different reasons and this problem have affected their performance in delivering a high quality service to their customers.

1.10 Organization of the Paper

The paper is organized in five chapters. The first chapter includes introduction which encompass background of the study, statement of the problem, research question, objective the study both general and specific, rational, significance of the study, limitation, delimitation of the study and nature of the result. The next chapter explores different literatures which are related to the topic. The third chapter explains the research design and methodology applied to make the research. In the fourth chapter the researcher clearly presents, analyze the data collected and will interpret and discuss the findings briefly. Finally the last chapter which is chapter five concludes the paper by proving summary and recommendation.

CHAPTER TWO

2. Literature Review

Introduction

In our today's working environment, organizations human resources are truly the only sustainable competitive advantage while product innovation can be duplicated, but the synergy of a company's workforce cannot be replicated. It is for this reason that not only attracting talented employees but also retaining them is imperative for success of an organization. Human resources professionals have continually worked to control their companies from high turnover rates using different retention policy to keep their loyal employees on board and preventing turnover. Turnover is the term given to the rate at which you lose existing employees and replace them with new ones. Armstrong (2001) observed that long-term employees generally have higher productivity and efficiency on the job than newer employees, due to their length of experience with the firm. Loyal employees also improve operational processes and train incoming employees. Loyal employees are also loyal to their organization and customers by delivering a quality service. Especially a service giving firms needs to have loyal employees' to complete the organization and make them successful. Therefore, this loyal employees need to be carried out in a systematic way so as to maintain well performing employees within the organization. Thus, organizations should have effective human resource management system that is well formulated and implemented to ensure that they hire and maintain employees which contribute to the successful accomplishment of organizational objectives and avoid employee turnover as much as possible.

2.1 Definition of Employee Turnover

Different scholars have tried to define employee turnover in different ways. Some of the definitions are:-

- Invancevich& Glueck, (1989) has defined turnover as net result of the exits of employees and entrance of others to the organization.
- Gomez, Balkin& Cardy (2001) showed that employee turnover occurs when an employee ceases to be a member of an organization. The turnover rate is a measure of the rate at

which employees leave the firm. Companies try to monitor and control their turnover rate so that they can, in turn, monitor and control the cost of replacing employees.

- As Mathis & Jackson, (2001) turnover occurs when employees leave an organization and have to be replaced with new ones. Certainly, not all turnovers are negative. Some workforce losses are quite desirable, especially if those workers who leave are lower-performing, less reliable individuals and Personnel \employee turnover is usually defined as the influx and exit of individuals into and out of the working force of the organization over a specific period of time. Movement into the organization, ordinarily not an important part of turnover analysis, is called accessions. Movements out of the organization are called separations: voluntary resignations or quits, dismissals, layoffs and death or retirements (Cornog,1957)
- Price (1977) also has defined the term “turnover” as: “The ratio of the employees of organization who left in a particular period of time with the average number of employees in that organization during the same period of time”.

2.2 Types of Turnover

Employee turnover can be classified into different categories. These turnovers can occur in any organization but the most important point is that organizations should differentiate between the different types of turnovers and take actions on the one that they have control on.

2.2.1 Internal Vs External Turnover

Turnover can be classed as internal or external. Internal turnover involves employees leaving their current position, and taking a new position within the same organization. Both positive enforcement (such as increased employee motivation and commitment) and negative consequences (such as project/relational disruption) of internal turnover exist, and thus this form of turnover may be as important to monitor as its external counterpart. Internal turnover might be moderated and controlled by typical human resource mechanisms, such as an internal recruitment policy or formal succession planning (Wikipedia, the free encyclopedia).

2.2.2 Skilled Vs Unskilled Turnover

Unskilled position often have higher turnover, and employees can be generally replaced without the organization or business incurring any loss of performance. However skilled turnover rate of skilled professionals can pose as a risk to the organization due to the human capital loss in the form of skills, training and knowledge. The specialization of skilled professionals makes them more likely to be re-employed within the same industry by a competitor. Therefore turnover of these individuals incurs both replacements cost to the organization as well as resulting in a competitive disadvantage to the business. (Gomez *et al*, 2001)

2.2.3 Voluntary Vs Involuntary Turnover

Staff turnover can also be either voluntary or involuntary.

Voluntary turnover refers to termination initiated by employees while involuntary turnover is the one in which employee has no choice in the termination as it might be due to long term sickness, death, moving overseas, or employer-initiated termination (Herbert, Schwab & Fossum, 1998)

Involuntary turnover refers to permanent withdrawal of an employee from the organization at the organization's will. This turnover may be planned or unplanned. Persons leaving organization on retirement is a planned turnover because the management knows well in advance as to the date of retirement. (Kondalkar, 2007)

2.2.3.1 Voluntary Turnover

Voluntary turnover occurs when an employee decides, for personal or professional reasons, to end the result with the employer. The decision could be based on the employees obtaining a better job, changing careers or wanting more time for family or leisure activities. Alternatively, the decision could be based on the employees finding the present job unattractive because of poor working condition, low pay or benefit, a bad relation with a supervisor, and so on. In most cases, the decision to leave is a combination if having attractive alternatives and being unhappy with aspects of the current job. (Gomez *et al*, 2001)

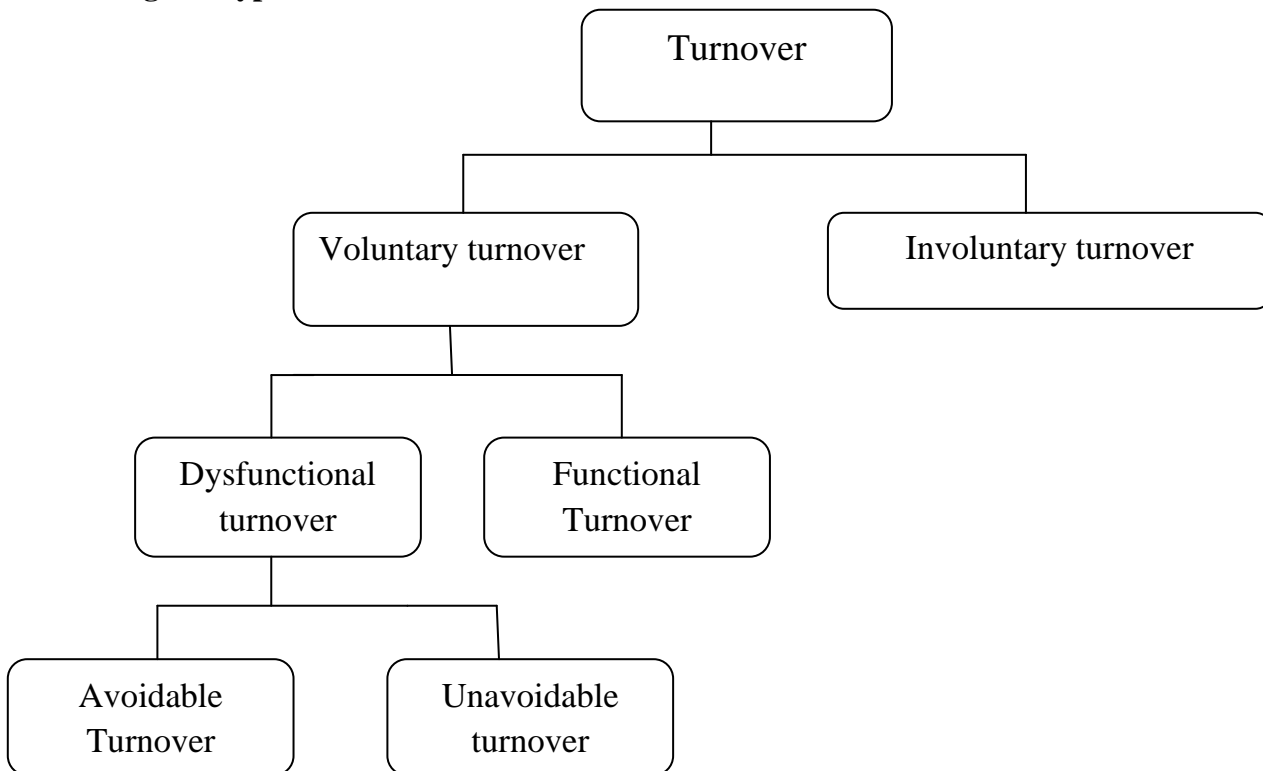
Voluntary turnovers are further distinguished as functional and dysfunctional turnovers. Functional turnovers are the resignation of poor performers and dysfunctional turnovers are refers to the exit of effective performers. They also classified dysfunctional turnover, which is

the most concern of management due to its negative impact on the organization's general performance, into avoidable turnover and unavoidable turnovers .(Loquercio, David, Mark, Emmens & Ben, 2006)

Unavoidable voluntary turnover result from an employee's life decisions that extend beyond an employer's control such as a spouses decision to move to any a new area that requires a reallocation for the employee. However, recent studies show that approximately 80% of voluntary turnover are avoidable, and many of those are due to staffing mistakes. By investing in quality HRM recruiting, selection, training, and development programs companies can avoid many mistakes involving a poor match between the employee and the job. (ibid)

Therefore, Loquercio *et al* (2006) suggested that management should gives special attention to avoidable turnover over which it has control and improves the situation and then staffs retention. The following chart is adapted from (ibid) gives a clear picture of staff turnover ladder.

Fig 2.1 Types of Turnover



Source: Loquercio, *et al*, (2006) Understanding and Addressing Staffs Turnover in Humanitarian Agencies

Gomez *et al*, (2001) have tried to classify voluntary turnovers as Quits and Retirement as Loquercio *et al*, (2006) showed as dysfunctional and functional:

Quits

The decision to quit depends on:

1. The employees level of dissatisfaction with the job and
2. The number of attractive alternatives the employees has outside the organization

The employee can be dissatisfied with the job itself, the job environment or both for example if the hours and location of the job are unattractive, an employee may look for a job with better hours and a location closer to home.(Gomez *et al*, 2001)

In recent years some employers have been using pay incentives to encourage employees to quit voluntarily. Employers use these voluntary severance plans, or buyouts, to reduce the size of their work force while avoiding the negative factors associated with layoffs the pay incentive may amount to a lump-sum cash payment of six months to two years of salary, depending on the employee's tenure with the company and the plans designed.

Retirements

Like a quit, a retirement is initiated by the employee. However a retirement differs from a quit in a number of aspects. First a retirement usually occurs at the end of employee's career. A quit can occur at any time. In fact it is in early stages of one's career that a person is more likely to change jobs. Second retirements usually result in individuals receiving retirement benefits from the organization this may include a retirement income that the supplement with personal savings and social security benefits. People who quit don't receive these benefits. Finally, the organization normally plans retirements in advance. HR staff can help employees plan their retirement, and managers can plan in advance to replace retirees by grooming current employees or recruiting new ones. Quits are much more difficult to plan for.

Most employees postponed retirement until they are close to 65 because that is the age at which they are entitled to full social security and Medicare benefits from the government. Without

these benefits, many workers would find it difficult to retire. It is illegal for an employer to force an employee to retire on the bases of age.

2.2.3.2 Involuntary Turnover

An involuntary turnover occurs when management decide to terminate its relationship with an employee due to

1. Economic necessity or
2. A poor fit between the employee and the organization.

Involuntary turnover are the result of very serious and painful decisions that can have a profound effect on the entire organization and especially on the employee who loses his or her job.

Although managers apply the decision to dismiss an employee, the HR staff makes sure that the dismissed employee receives “due process” and that the dismissal is performed within the letter and the spirit of the company’s employment policy. Cooperation and team work between managers and HR staff are essential to effective management of the dismissal process. HR staff can act as valuable advisors to managers in this arena by helping them avoid mistakes that can lead to claims of wrongful discharges. They can also help protect employees whose rights are violated by managers. There are two types of involuntary turnover: Discharges and layoffs

There are two types of involuntary turnover: **Discharges** and **layoffs**

Discharges

A discharge takes place when management decides that there is a poor fit between an employee and the organization. The discharge is the result of either poor performance or the employee’s failure to change some an unacceptable behavior that management has tried repeatedly to correct. Sometimes employees engage in serious misconduct, such as theft or dishonesty, which may result in immediate termination. Managers who decide to discharge an employee must make sure they follow company’s established discipline procedures. (Gomez *et al*, 2001)

Layoffs

A layoff differs from a discharge in several ways. In a layoff, employees lose their job because a change in the company's environment or strategy forces it to reduce its workforce. Global competition, reductions in product demand, change in technologies that reduce the need for workers and mergers and acquisitions are the primary factors behind most layoffs. In contrast, the actions of most discharged employees have usually been direct causes of their turnover. Layoff exist when three condition occurs

- I. There is no work available at the time, and the employee is sent to home.
- II. Management expects the no work situation to e temporary
- III. Management insert to recall the employee(Ivanecvich & Glueck , 1989)

Layoffs can change a company's image. They can hurt a company's standing as a good place to work and make it difficult to recruit highly skilled employees who can choose among numerous employers.

2.3 Reasons for Employee Turnover

There are many reasons that cause employees to leave their organization. According to Redman and Wilkinson (2006), better pay and prospects, personal reasons, career-related issues, company-related issues, market factor, job-related issues are the main reasons for employees to leave their organization. As Shukla and Dr Sinha, (2013) stated relationship between employees and management or the nature of the management is also another reason for most employees to quit. A poor relationship with the management can be an important reason for the employees to leave their jobs. It is relatively rare for people to leave jobs in which they are happy even offered by higher salary elsewhere (Shamsuzzoha & Sumon, 2010) cited by Shukla and Dr Sinha. Employer-employee relationship plays a vital role on turnover.

According to Sherratt (2000) cited by Asmamaw employees voluntarily resign their employment in an organization for various reasons which can be either the pull or push factors and sometimes, it can also be the mixture of both the pull and push factors. The pull factors include the attraction of a new job especially in a growing economy. In such cases, it is the availability of alternative jobs that attracts an employee to withdraw from a particular organization while the

push factor may be dissatisfaction with the present job that motivates an employee to seek alternative employment elsewhere. Job satisfaction is the attitude of employees towards his/her job. Job satisfaction is a major factor to analyze performance of an individual towards his work. Satisfied workers are productive workers who contribute towards building an appropriate work culture in an organization and have low level of turnover.

An analysis of the reasons for leaving derived from exit interviews will also provide useful information on which to base retention plans. Exit interviews aim to establish why people are leaving, not to persuade them to stay. The reasons for leaving can be more pay, better prospects (career move), more security, more opportunity to develop skills, better working conditions; poor relationships with manager/team leader; poor relationship with colleagues; bullying or harassment; personal – pregnancy, illness, moving away from area etc.(Armstrong, 2006). Sound HR practices are also associated with lower turnover and increased productivity. (Mathis & Jackson, 2001). Abdali (2011) has clearly showed some of the major reasons to why most employees leave. Some of them are:

1) Demographic and Personal Characteristics of an employee: The demographic and personnel characteristics of an employee may be reason of leaving from the organization. These characteristics are age, gender, qualification, marital status, experience and tenure. Different researches proved different demographic characteristics for reason of leaving. According to Hom and Griffeth (1995) cited by Abdali, women did not quit their jobs more freely than did men; rather they were more loyal employees. Kinship association and number of children improved turnover while the number of relatives in the community increase organizational exits. Older employees who have long stay in the company depart unusually than younger and short tenure employees.

2) Job Satisfaction: employees having job dissatisfaction leave their current employer more easily. The relation between job satisfaction and employee turnover is reciprocal to each other and this relationship is high when unemployment rate is low in the society and similarly low when unemployment rate is high.

3) Organization and Work Environment: The organization and work environment can be a combination of a lot of factors like compensation, disruptive justice or equity, leadership and supervision, peer-group relation, role states, company climate and promotion. This all have are somehow related to why most employees leave.

4) Job Content: the content of the job can lead an employee to quit. Job content includes job scope which is the density and challenges of the job contents and this depend upon strength of growth need; its routinization of the repetitiveness of a job, professionalism which is related to bureaucratic involvement in the organization conflict with professional standards and ethical codes, deteriorating people's commitment to an organizational and job stress.

5) Reward and Salary

This plays an important role to retaining employees. Researchers believed that displeasure with salary and pay robustly motivate employee turnover (Gomez-Meija and Balkin 1992a; Milkovich and Newman 1993) cited by Abdali. The lack of different compensation packages like fringe benefits and incentive pay definitely create an impact on retaining employee or departing from the organization.

These were not the only reasons why employees leave. ASAE, the center for association leadership, (2005) has reasoned out other reasons for turnover in many organizations. These reasons may be related to the work environment or personal reasons. Some of them are:

- When the job or work place is not as expected. Many workers have unrealistic expectation about the job or work place or in some cases are deliberately mislead during the interviewing process. The problem usually stars with mangers hiring in such a big hurry that they don't take the time to give a realistic preview of the job. They over say the job or the company
- There is a miss much between the job and the person every CEO (chief executive officer) should know by now that getting the right people on the bus and into the right seats is a perquisite for business success. some of the reasons miss much is:
 1. The need to hire quickly
 2. Mangers think that the skills that make people eligible for the job are more important than the talent that makes them suitable for the job
 3. Managers think that anyone can do the low level jobs well and by doing so; they disrespect the excellence it takes to keep customers coming back
 4. Mangers wrongly think that training transform the wrong people to the right people

- There is too little coaching and feedback lots of company’s talk about their managers aren’t better coaches.
- There are too few growth and advancement opportunities
- Workers feel devaluated and unrecognized by inequality of pay for similar work , not being acknowledged for a job well done, being treated with disrespect, having their references regarded as negative rather than prized, not receiving the right resources and having to work in an acceptable physical work environment are few.
- Workers suffer from stresses due too over workload and work-life in balanced “doing more with less”.
- Three is a loss of trust and confidence in seniors leaders

2.4 Factors Which are Related to Turnover

As Cotton and Tuttl (1986) has categorized some variables which are related to turnover. They are classified as (a) external factors, (b) structural or work-related factors, and (c) personal characteristics of the employees. These variables are selected from reviews of turnover and studies involving the turnover process. These factors are listed in the following Table 2.1.

Table 2.1: Correlates of Turnover

External correlates	Work-related correlates	Personal correlate
Employment perceptions	Pay	Age
Unemployment rate	Job performance	Tenure
Accession rate	Role clarity	Gender
Union presence	Task repetitiveness	Biographical information
	Overall job satisfaction	Education
	Satisfaction with pay	Marital status
	Satisfaction with work itself	Number of dependents
	Number of dependents	Aptitude and ability
	Satisfaction with supervision	Intelligence
	Satisfaction with co-workers	Behavioral intentions
	Satisfaction with promotional opportunities	Met expectations

	Organizational commitment	
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Source: Cotton and Tuttl. (Jan., 1986)The Academy of Management Review, Vol. 11, No. 1, pp. 55-70

This factors which are listed on the table have somehow a relationship with turnover. According to the Meta Analysis study made by Cotton and Tuttle (1986) have clearly showed the relationship with these factors. The meta-analyses for employment perceptions and union presence prove to be highly significant ($p < .0005$). The perception of job alternatives is positively related to turnover; the presence of a union is negatively related. The unemployment rate produces moderate confidence that it is negatively related to turnover, with one meta-analysis being highly significant ($p < .0005$) and the other some-what weaker ($p < .01$). Many of the work-related variables are highly reliable correlates of turnover. Overall job satisfaction, satisfaction with the work itself, pay satisfaction, satisfaction with supervision, and organizational commitment also produce highly significant meta-analyses ($p < .0005$), indicating that these are negatively related to turnover. Job performance, satisfaction with co-workers, satisfaction with promotion, and role clarity also were found to be negatively related to turnover. The meta-analysis for task repetitiveness demonstrated only weak confidence ($p < .05$) that this variable is positively correlated with turnover.

Age, tenure, and number of dependents are negatively related to turnover; education and behavioral intentions are positively correlated. In addition, people whose expectations are met are less likely to leave. Married employees typically are found to be somewhat less likely to quit than unmarried persons. According to Kondalkar (2007) job performance and turnover declines with increasing age since there is less job opportunities, there is less of resignation. Older people generally get higher wages, longer paid vacation and they stick on to the job because of pensioner's benefits. Marital status is also another factor; married employees have fewer absences, lesser turnover and higher job satisfaction and also number of dependants is also a factor to be considered.

2.5 Effect of employee turnover

Singh, Chhabra and Taneja (1994) explained that staff turnover is inevitable and is bound to exist in all industrial units even in those organizations where salary and working conditions are extremely attractive and satisfactory. However high staffs turnover is a serious problem and therefore should be treated carefully. High staffs turnover adversely affect both employer and employees. The analyses made Schultz and Schultz (2006) shows the consequence of staff turnover. They 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. These costs are not the only negative effect of turnover. Turnover has a tremendous effect on performance of the organization.

Staff turnover can have a negative effect on an organization performance. It can lead to a loss of productivity, profitability, corporate knowledge, and skills and competencies. In addition, staff turnover is not just an issue for the organization experiencing staff turnover; it can also cause headaches for external organizations communicating with them. (Butali *et al.*, 2013)

Gomez *et al.*, (2001) have stated that Employee turnover have negative as well as positive consequences in the organization. The negative consequences can be seen as costs to the organization while the positive consequences are considered as benefit to the organization.

The negative consequences are:

Recruiting cost include advertising the job vacancy, campus visit, recruiters time search firm fees and etc;

Selection costs: are costs associated with selecting, hiring and placing a new employee in the job which involve interviewing the job applicant, arranging meetings to make selection decisions, testing the employee and conducting reference checks to make sure the applicant's qualification are legitimate.

Training cost: include the costs associated with an orientation to the company's values and culture. Also direct training costs specifically, the cost of instruction, books, and materials for training courses. Finally, while new employees are being trained, they are not performing at the level of fully trained employees, some productivity is lost. Furthermore, Choo and Bowley (2007) cited by Asmamaw stated that new employees normally undertake on- the- job training, and in some cases, they are sent abroad to acquire a specialized skill. These costs are enormous and when a highly

trained employee resigns without justifying these huge training expenses, organizations stand to lose all the investments already made.

Separation costs: The largest turnover cost involves compensation in terms of pay and benefits. Most companies provide severance pay for laid-off employees. Severance pay may add up to several months of salary for an experienced employee depending on their length of service.

Employers incur a cost if a position remains vacant and the work doesn't get done. The result may be deduction in output or quality of service to the firm's clients or customers. Regular customers may be dissatisfied with the slow service and go to different once with better service.

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, pp 1) cited by Asmamaw 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.

Gomez *et al*, (2001) also has showed that turnover has some benefits. When turnover rates are too low, few new employees will be hired and opportunities for promotion are sharply curtailed. A persistently low turnover rate may have a negative effect on performance if the work force becomes complacent and fails to generate innovative ideas. A certain level of employee turnover is a good and necessarily part of doing business, and the benefits of employee turnover to the organization include the following: Reduced labor costs, Replacement of poor performance, Increase innovation and the opportunity for greater diversity.

2.6 Organization Performance

Organizations have an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Thus, many economists consider organizations and institutions similar to an engine in determining the economic, social and political progress.

Organization performance can be measured using indicators in efficiency, effectiveness, relevance to stakeholders and financial viability. The article by Mitchell (2002), showed that how human resource has created strategic worth in organization performance.

Richard, Devinney, Yip. and Johnson (2009) has showed that organizational performance encompasses three specific areas of firm outcomes: (1) financial performance (profits, return on assets, return on investment, etc.); (2) market performance (sales, market share, etc.); and (3) shareholder return (total shareholder return, economic value added and profit). Profit is one of the common means of measuring organizations performance. We can say that an organization is successful by the level of profit it makes every year. To gain the expected level of profit the organization should give attention for each and every resource it has. Organization performance is affected by a number of factors like job satisfaction, motivation and turnover.

There are a numerous factors that affect the performance in the working area. According to some researchers and practitioners, the factors that may affect the performance of employees at work place are the exclusive nature and function of job satisfaction change, or systematic development or weakening in job satisfaction over spell. It was concluded that turnover negatively affected by job satisfaction and performance at the same time. The higher the level of satisfaction; the lower the turnover rate is (Saeed, Mussawar Lodhi, Iqbal, Nayab, and Yaseen, 2013)

2.7 Measuring Turnover

Employee turnover rates can serve as a useful management tool. Their interpretation, however, requires a great deal of care. Low turnover can signal good employee-employer relations or stagnation. High turnover can mean costly loss of experienced personnel or the introduction of needed fresh talent and new ideas. Increases and decreases in turnover rates can indicate changes in labor market conditions and employee reaction to alterations in working conditions, management practices, and compensation policy. Turnover rates are generally expressed as a percentage for a specified period of time. Like any other percentage, turnover rates are a function of what goes into the numerator and denominator CIPD (2006).

According to Ivancevich & Glueck, (1989), we can measure employee turnover in the following ways:-

Separation Rate It shows how much percentage of the employee will leave the organization within a given period of time. It can be calculated as:

$$\text{Separation Rate} = \frac{\text{No. of separation during the month/year}}{\text{Average number of employed}}$$

1. Total Turnover Rate

$$\text{TTR} = \frac{S}{N}$$

Where, **TTR**= Total turnover rate

S= the number of separation in a given time interval

N= the average number of employed

A major problem with this formula is that it does not specify the reasons for separation. For this reason a more useful approach is to divide separation into categories such as voluntary quits, discharge for cause, layoff, deaths, retirement, and other. While the denominator would remain the same for whatever time period studied, the numerator would differ.

$$\text{E.g. Voluntary quit rate} = \frac{\text{number of quits}}{\text{Average number of employed}}$$

2. Avoidable Turnover Rate

$$\text{Avoidable turnover rate} = \frac{\text{total separation} - \text{unavoidable}}{\text{Average work force}} \times 100$$

3. Quit Rate

It eliminates quits by those groups that can be expected to leave; part-times of women leaving for maternity reasons. These data can be refined further by computing turnover per 100 employees by length of employment, jobs classification by each organizational unit.

$$\text{Quit rate} = \frac{\text{Total quits}}{\text{Average workforce}}$$

4. Turnover Cost

Turnover cost = Separation Cost + Replacement Cost + Training Cost

2.8 Methods of Identifying Employee Turnover

Since turnover affects the most important resource of an organization which is the human resource, it needs to be examined and monitored continuously. Organizations need to know who is leaving, why they are leaving, and whether any effort on their part can minimize turnover. Several methods have been stated by different scholars and researcher that can help organization to identify turnover.

2.8.1 Exit Interview

Exit interview is the most common method used by most organization to assess employee's motivation for resigning. Many organizations conduct exit interviews with employees who are voluntarily leaving. These interviews provide important information for changing HR policies and practices to decrease employee turnover, improve efficiencies. (Phillp, 1999)

The most straightforward approach is to take the resigner through a questionnaire of direct questions concerning his/her satisfaction with pay, supervisor, development opportunities, relationships with colleagues and job content. However there are a number of problems with such approaches that can serve to reduce their effectiveness. First, there is the tendency of employees to develop a far more optimistic outlook after they have secured a new job and resigned. Their original reasons for seeking alternative employment offer get forgotten as they

move toward their last day. Such feelings are compounded if counter-offers are made to encourage them to stay and may disappear completely in the last days as cards are signed, leaving presents bought, affectionate speeches given and farewell parties held. This is often not, therefore, the best time to ask them for an honest and well-balanced assessment of their reasons for quitting. (Taylor, 1998)

A further problem arises when supervisors or department heads undertake exit interviews, because leavers will often balk at implying any criticism of them-particularly if they believe that they will require positive references in the future. The reason given for leaving may thus obscure the whole truth or may even be entirely false. It is far easier to say that you are leaving because you were offered more money elsewhere or because your spouse is moving, than to state openly that you disapprove of your new manager's style or feel that you have been treated unfairly in some way. (ibid)

It can thus be argued that exit interviews, if used at all, should be undertaken very soon after the resignation has been confirmed, and that they should be carried out by an individual who will not have any role in writing future job references. According to Carrell *et al* (1995), as cited by Taylor, another way of encouraging candor is to explain to the leaver that the aim of interview is to gather information for improving work conditions. In general, it is necessary to note that leaving employees may not be interested to give the true cause of their resignation if they think that their supervisor is responsible to give future reference or if the employee might want to be reemployed at the future date.

2.8.2 Surveys of Ex-employees

Another way of collecting information about the reason for staff resignation is to contact former employees some months after they left the organization and ask them for a considered view of their reasons for resignation. While the use of this method is relatively rare, as cited by Taylor, there have been a number of cases covered recently in the personnel journals that indicate some large organizations are experimenting with it. Candor is further encouraged if the surveys are carried out by independent bodies and are clearly labeled "private and confidential". (ibid)

2.8.3 Attitude Surveys

A third approach is to seek the views of employees before they leave and so provide a basis for the development of policies and practices that will deter them from so doing. These too are truly effective only if confidential-so as to maximize the chance of employees' stating honestly how

they feel about their jobs, their perceived opportunities, their bosses, colleagues and the organization as a whole. Questions can also be asked about their current intentions as regards the future and about their perception of alternative career paths open to them. Such approaches enable employers to anticipate in which areas future turnover is most likely to occur, and to gain an insight into the main causes.

2.9 Methods to Minimize Employee Turnover

For many years the HR staff was there to provide advice and assistance and have used different techniques as needed to reduce turnover.

Many organizations conduct exit interviews with employees who are voluntarily leaving. These interviews provide important information for changing HR and retention policies and practices to decrease employee turnover and improve organization performance. (Phillips, 1945)

Retention could be improved by many factors like better recruitment effort, selecting right man for the right job, continuous review of job specifications and job descriptions, compensation practices, leadership and supervision, career planning and development, working condition, team building, centralization, organization communication and commitment, counseling leavers, flexible working hours, employee participation, turnover policies and appreciations (Mobley, 1982).

During the recruiting process, the job should be outlined and a realistic preview of the job presented, so that the reality of the job matches the expectations of the new employee. A good way to eliminate voluntary turnover is to improve selection and to better match applicants to jobs. Good employee orientation also helps to reduce turnover, because employees who are properly inducted into the company and are well-trained tend to be less likely to leave, a fair and equitable Compensation system can help prevent turnover, inadequate rewards may lead to voluntary turnover, Career planning and internal promotion can help an organization keep employees, because if individuals believe they have no opportunities for career advancement, they may leave the organization. (Mathis & Jackson, 2001)

It is clear that the general features of any potential HR program contribute to good retention. Most of these are directly related to creating a satisfactory work environment for employees and thus, in turn, to good retention. These features — or ‘motivators’ — include: (Lochhead & Stephens, 2004)

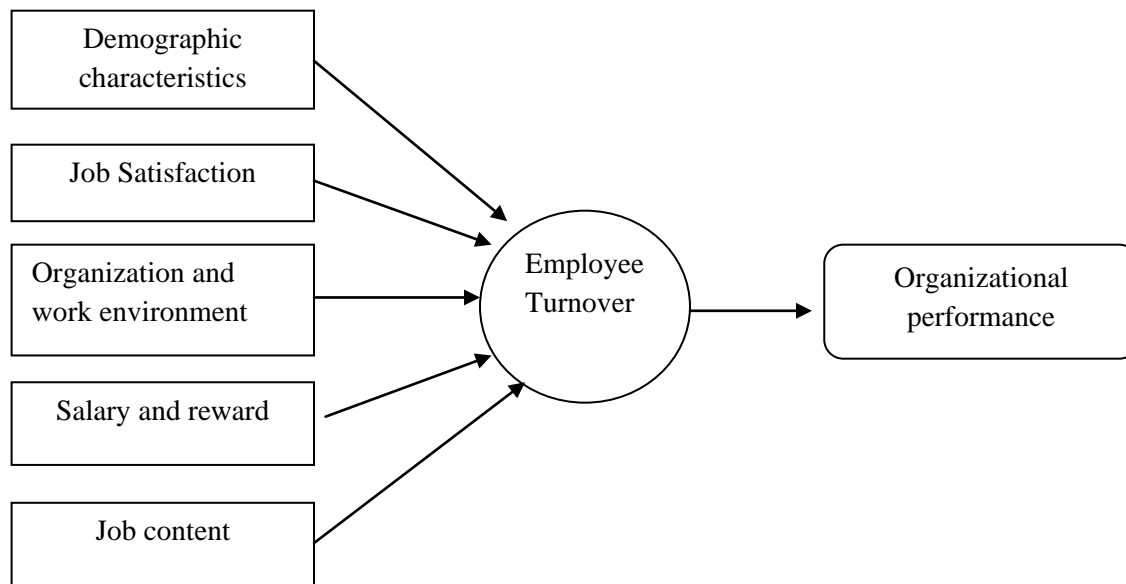
- A stimulating work environment that makes effective use of people's skills and knowledge, allow them a degree of autonomy on the job, provides an avenue for them to contribute ideas, and allow them to see how their own contribution influence the company's well-being.
- Opportunities for learning and skills development and consequent advancements in job responsibilities.
- Effective communications, including channels for open, two-way communication, employee participation in decisions that affect them, an understanding of what is happening in the organization and an understanding of the employer's main business concerns.
- Good compensation and adequate, flexible benefit plans.
- Recognition on the part of the employer that employees need to strike a good balance between their lives at work and outside of work.
- Respect and support from peers and supervisors.

Even though some turnover is inevitable, organizations must take steps to control turnover, particularly that caused by organizational factors such as poor supervision, inadequate training, and inconsistent policies. HR activities should be examined as part of the turnover control efforts.

2.10 Conceptual Framework

The conceptual frame work for this study that organization performance is taken as dependent variable of the study and employee turnover, job satisfaction, salary and work load are the independent variable of the study.

Fig.2.2 Conceptual frame of the study



Source: Developed by the Researcher (2015)

According to the above fig 2.2 we can see the relationship of the above factors which affect the level of turnover in the workplace and this turnover has a direct effect on organizations performances. The different factors that affect the level of turnover in the workplace are demographic characteristics; Job Satisfaction; Organization and work environment; Salary and reward and Job content. These factors have a significant relationship with the rate of turnover and are the most common reasons to why employees leave. Because of these factors most organizations face a high level of turnover that affects their performance in different ways.

2.11 Empirical framework

There are a number of negative consequences in an organization if turnover is frequent and have high rate. These costs of the organization are not only direct or indirect costs in terms of recruitment and training but also in terms of work disruption, customer service delay and demoralization of the remaining employees is a major expense for the organization.

Different researchers have showed the adverse relationship between turnover and performance. The notion that turnover decreases the organizational performance was supported by the most of researchers. (Rehman, 2012) Also Mobley (1982) suggested that turnover interrupt job performance when an employee who planned to quit become inefficient. As to the study made by

Glebbeck & Bax(2004) has showed that there is a negative relationship between turnover and performance.

As to the reason to why most employees leave, a study made on the banking industry by Shukla & Dr Sinha, 2013 has indicated that the prime factors for employee to leave were job satisfaction and work environment. The high significance level for both variables show that, whether there is a salary compensation or not, employees have a gigantic desire to opt for new ventures in need of better work environment and job satisfaction. Another study made by Butali *et al*, (2013) has clearly showed that staff turnover creates gaps in an organization's establishment. When one staff leaves the organization, all the work that is supposed to be done by that staff is either shared or transferred to the remaining staff. In most cases, where the organization has a lean staff, the work usually becomes overburdening to the remaining staff proxy. This study shows that staff turnover negatively affects customer satisfaction. Whenever staffs leave an organization, services rendered to customers are interfered with. Customers are not attended to in time due to shortage of staff.

A study made by Dr. Dwomoh & Korankye, 2012 on "The effect of employee turnover on performance of in the banking industry" point towards that labor turnover has a major effect on performance of banks in terms of increase in customer complaints. It was indicated that, when employees leave and join other organizations, it takes time for their banks to recruit new ones and it is not always organizations get the recruitment and the selection process right. Even when organizations get them right, when new employees are employed, it takes time for them to acquaint themselves with the core values, processes, procedures and technology adopted by the banks. At the same time as they are in the process of learning, they render services to the dissatisfaction of customers in terms of mistakes. They are also not able to render the services as fast as customers may expect and this makes the customer to complain a lot as services rendered do not meet expectation.

A Meta-Analysis made by Cotton and Tuttle (1986) have clearly showed that overall job satisfaction, satisfaction with the work itself, pay satisfaction, satisfaction with supervision, and organizational commitment also produce highly significant meta-analyses ($p < .0005$), indicating that these are negatively related to turnover. And finally the study concluded that Performance was found to be negatively related to turnover.

CHAPTER THREE

3 Research Design And Data Analysis

3.1 Research Design

Research designs are plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. (Creswell, 2009) The research is Explanatory research. Bhattacharjee (2012) stated that explanatory research seeks explanations of observed phenomena, problems, or behaviors and answers to why and how types of questions. It attempts to “connect the dots” in research, by identifying causal factors and outcomes of the target phenomenon. Moreover to collect the data needed and address the above mentioned problems the researcher uses both qualitative and quantitative research design for data collection method which is the mixed approach. Mixed methods research is an approach to inquiry that combines or associates both qualitative and quantitative forms. A mixed methods design is useful when either the quantitative or qualitative approach by itself is inadequate to best understand a research problem or the strengths of both quantitative and qualitative research can provide the best understanding. (Creswell, 2009)

In this case the researcher uses structured questioner which are close ended and also open ended question where more elaboration and respondents view about the issue are required. At the same time structured interviews which are open ended questions are also used so as to collect the information that is relevant to the study from HR managers and ex-employees of the banks.

3.2 Sampling Design

Sampling is the statistical process of selecting a subset (called a “sample”) of a population of interest for purposes of making observations and statistical inferences about that population. It is extremely important to choose a sample that is truly representative of the population so that the conclusion derived from the sample can be generalized back to the population of interest so the researcher will use stratified random sampling. In stratified sampling, the sampling frame is divided into homogeneous and non-overlapping subgroups (called “strata”), and a simple random sample is drawn within each subgroup. (Bhattacharjee, 2012)

The total population of the study involves 19 banks which are found in Addis Ababa the capital city of Ethiopia. In order to get the relevant target population the researcher have used stratified sampling method.

Table 3.1 List of Banks in Addis Ababa and Their Profit (2013/14)

Name of banks in the banking Industry	Profit in ETB	Years of establishment
1. Commercial bank of Ethiopia	9,700,000,000.00	1963
2. Dashen Bank	928,000,000.00	2003
3. Awash International Bank	861,000,000.00	1994
4. Development Bank of Ethiopia	491,000,000.00	1909
5. Corporate Bank of Oromia	485,000,000.00	2005
6. Nib International Bank	420,000,000.80	1999
7. Wegagen Bank	394,000,000.30	1997
8. Bank of Abyssinia	351,000,000.00	1996
9. United Bank	350,000,000.00	1998
10. Oromia International Bank	205,000,000.40	2008
11. Zemen Bank	131,000,000.00	2009
12. Berhan International Bank	131,000,000.00	2010
13. Lion International Bank	128,000,000.00	2006
14. Construction Business Bank	110,000,000.00	1983
15. Bunna International Bank	109,000,000.00	2009
16. Abay Bank	75,000,000.00	2010
17. Addis International Bank	60,000,000.00	2011
18. Enat Bank	39,000,000.00	2013
19. Dehub Global Bank	19,000,000.00	2012

Source: “List of Banks” 2015

First, the researcher has selected profit to measure the performance of the banks. And as we can see from the above table all the banks found in the banking sector are stated with their profit they have generated. But according to the above table, it was difficult to say that those who generate low profit were low performers than those who generate high profit. This is because years of

experience in the banking industry have its own effect when we compare the effectiveness of banks. For example: according to the above table it's thorny to conclude that Enat bank is a low performing bank by just looking at its profit. So even though a year of experience doesn't have a direct impact on turnover it has an indirect effect on it since years of experience affect the level of profit they generate and profit is one of the most common indicators of performance especially in the financial sector. So the researcher classified the strata based on year of experience because as shown in the above table as year of existence in the banking industry increases, most of the banks profit also raises so by this way we can differentiate between high performers and low performers in the banking industry by looking their year of establishment.

Then the researcher has classified the banking industry into four strata's based on years of experience in the banking industry. Therefore, the first stratum contains banks from the year 1909-1983; the next stratum contains banks that were established from year 1994-1999; the third stratum contains banks that were established between the year 2001-2008 and the last stratum contains banks that were recently established. After classifying the different banks on the banking industry to different strata's the researcher will select 10 banks randomly from the different strata's. The selected banks to be included in the study are Development Bank of Ethiopia and Commercial bank of Ethiopia from the first stratum; Awash International Bank and Bank of Abyssinia from the second stratum; Dashen Bank and Lion International Bank from the third stratum and Enat Bank, Zemen Bank, Debu Global Bank and Bunna International Bank are selected from the last stratum.

Finally, after selecting the banks to be included in the study, employees, HR managers and HR officers who are suitable for the study were selected randomly. In order to determine the appropriate number of sample of the chosen bank who are restricted to head quarter the researcher used a method of sample size determination developed by Carvalho (1984) as presented in the table below.

Table 3.2 Sample Size Determination

Population size	Sample Size		
	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	20	125	200
3021-10000	80	200	315
10001-35000	125	315	500
35001-45000	200	500	800

Source: Carbalho J., (1984), Archival Application of Mathematical Sampling techniques

According to the above table 3.2, the total numbers of employees to be included in the study are 4,178 employees which is the total number of the selected 10 headquarter of different banks. The total population of the study lay's between the numbers 3,021-10,000, therefore the researcher has taken 200 employees as the target population of the study. After determining the sample size of the study the researcher randomly selects 20 employees and 1 Hr manger or HR officials from each bank. Therefore, totally the researcher has selected 210 employees and Hr mangers or officials as a sample from the banking industry.

3.3 Sources of Data

The required data for the study was collected through primary and secondary data collection method. To collect primary data, structured questionnaires and interview were used. The questionnaires were designed to collect data from employees and an interview was conducted to gather information from managers or officials from the human resource department. Also the researcher has gathered some relevant information through informal discussion with banks employees.

Secondary data were collected through the organization records, and from written materials which is related to the research. Moreover various records that are relevant to the study were collected from different literatures about employee turnover, its effect on organization performance and different human resource management books and literatures, websites and other available sources will be referred and cited on the study.

3.4 Measurement Instrument

Different researchers have used different types of measurement instruments which are relevant to their study. The researcher has used questioners which were both open-ended and close-ended question to gather relevant data to the study. The questionnaires of this research are adopted from Abdali (2011) and National Center of Social Research (2004) and were modified according to the specific title of the research. In addition to this the researcher has added some relevant questions which are important to achieve the objective of the research.

The interview made for HR manager and officials was designed by the researcher herself. The questions were structured and were able to acquire the appropriate data form mangers of the banks.

3.5 Method of Data Analysis

To meet the objectives stated in the above section, data's collected from the structured questionnaires were analyzed using a Software Package for Social Science (SPSS) version 20. The researcher has used SPSS version 20.0 for descriptive, correlation and regression statics method which helps to assess the relation between the two variables (Turn over and performance). Frequency distribution method will be used to analyze and interpret the data collected using statics such as percentage, frequency distribution, correlation of variables and also Regression.

3.6 Reliability and Validity

Reliability is the extent to which a measurement procedure yields the same answer however and whenever it is carried out. While, Validity is the extent to which it gives the correct answer (Kirk and Miller, 1986). It indicates the degree to which an instrument measures what it is supposed to

measure. In this research content, the researcher has used questionnaires that their validity and reliability are checked and are modified according to the specific topic.

Prior to the actual data collection, pilot test was conducted by distributing sample questionnaires to 40 respondents in three different banks to ensure the reliability of the instrument in this case of study and the researcher has tested the reliability using Cronbach's Alpha (α). Cronbach's Coefficient (α) is calculated to estimate the internal consistency of reliability of a measurement scale. Cronbach's Coefficient is a reasonable indicator of the internal consistency of instruments that do not have right or wrong marking schemes, thus can be used for questionnaires using scales such as rating (Black & Leslie, 1999). Cronbach's alpha coefficients should fall within a range of 0.70 to 1.00. (Sun, Chou, Stacy, Ma, Unger and Gallaher, 2007)

Table 3.3 Reliability Statistics

Cronbach's Alpha	N of Items
.842	33

3.7 Ethical Considerations

While conducting the study, ethical issues were mainly considered. Before the data collection process all the necessary information about the study like who is conducting the study and for what purpose is the study conducted and other necessary information that respondents like to know were provided to all respondent so that it can help them to decide whether to participate or not in this study. They were also notified that their participation in the study is voluntary and also that they have the freedom to withdraw from the study at any time without any unfavorable consequences, and they are not harmed as a result of their participation or non-participation in the study. They were also guaranteed for their anonymity and confidentiality of their response.

Chapter Four

4 Data Presentation, Analysis and Interpretation

In this section the data collected through questionnaires and interviews were presented using different tables, graphs and charts. The presented and analyzed data are also interpreted by the researcher.

As stated on the research methodology, 200 questionnaires were distributed to 10 different banks that were selected from the banking industry of Ethiopia which are found in Addis Ababa. Out of the total 200 questionnaires only 178 were fully filled and returned which makes the response rate to be 89%. Data was collected and analyzed in order to assess the effect of turnover on performance in the banking industry. The data collected from employees through questionnaire is analyzed and presented by using tables, graphs and charts followed by its interpretation based on the responses frequency and percentage.

Part 1 Questionnaire Data of Survey Respondents

4.1 Personal Profile of Respondents

Demographic Data		Frequency	Percent	Validity Percent	Cumulative Percent
Sex	Male	118	64.3	64.3	64.3
	Female	60	33.7	33.7	100.0
	Total	178	100.0	100.0	
Age	20-30	48.9	48.9	48.9	48.9
	31-40	34.3	34.3	34.3	83.1
	41-50	11.2	11.2	11.2	94.4
	Above 50	5.6	5.6	5.6	100.0
	Total	178	100.0	100.0	
Marital status	Single	102	57.3	57.3	57.3
	Married	74	41.6	41.6	98.9
	Divorced	2	1.1	1.1	100.0
	Widowed	0	0	0	100.0
	Total	178	100.0	100.0	

Educational Background	Diploma	14	7.9	7.9	7.9
	1st Degree	138	77.5	77.5	85.4
	Masters	26	14.6	14.6	100.0
	PHD	0	0	0	100.0
	Total	178	100.0	100.0	
Tenure	Below 1 Year	62	34.8	34.8	34.8
	1-5 years	78	43.8	43.8	78.7
	5-10 years	30	16.9	16.9	95.5
	Above 10 years	8	4.5	4.5	100.0
	Total	178	100.0	100.0	
Salary	2,500-5000	61	34.3	34.3	34.3
	5,001-7,500	86	48.3	48.3	82.6
	7,501-10,000	27	15.2	15.2	97.8
	Above 10,000	4	2.2	2.2	100.0
	Total	178	100.0	100.0	

Source: Own survey, 2015

As shown in the above table 4.1 the gender distribution of respondents which is 64.3% of the respondents are male while the rest 33.7% are female. This shows that the number of male employees dominates the number of female employees in the banking industry.

As to the age distribution of the respondents, out of the total respondents 48.9% of the respondents are between the age 20 -30; 34% of the respondents are found between the age 30 to 40; 11.2% of the respondents are found between the age of 41-50 and 5.6% of the respondents are more than 50 years old. This indicates that most employees found in the banking sector are young employees and young employees need better payment, good working condition, challenging works and are also sensitive to any inequity or other ill treatment by supervisor or the management.

As to the marital status of the respondents and we can see that out of 178 respondents, 57.3% of the respondents are single; 41.6% of the respondents are married while 1.1% were divorced and none of the respondent are widowed. This shows that more than half of the respondents aren't married and according organizational behavior studies by Kondalkar (2007), married employees typically are found to be somewhat less likely to quit than employees who have family and dependants responsibilities. This employee's most likely to have parental responsibilities and have low level of commitment than those who are married.

As shown in the above table 4.1, only 7.9% of the respondents have a diploma; 77.5% of the respondents have 1st degree and 14.6% of the respondents have master's degree. Based on this the above data it's possible to say that most employees in the banking industry are holders of 1st degree which means most employees in the banking industry are well educated and can have different opportunities in the market by different organization.

As to the tenure (length of service) of respondents within their current organization, out of the total respondents 34.8% of the respondents have served the bank less than one year; 43.8% of the respondents have served the bank in the year between 1-5; 16.9% of the respondents have served the bank between the year 5 to 10 and the rest 4.5% of the respondents have served the bank for more than 10 years. As its shown in the table most employees have worked on their current bank for a short period of time which is only 1-5 years and below one year. This entails that most employees have few years of work experience which is considered to be lower employee productivity since experienced employees perform well and Kondalkar, 2007 has stated that there is a positive relationship between seniority and job performance. Also this shows that the banks don't have a strong retention strategy.

As it has been shown in the table 4.1.6 the salary of the respondent in the bank industry is 34.3% of the respondents earn Birr 2,500-5000; 48.3% of the respondents earn Birr 5001-7,500; 15.2% of the respondents earn Birr 7,501-10,000 and the rest only 2.2% of the respondents earn more than Birr 10,000 a month. As we can see from the analysis most employees in the banking industry are paid within the range of Birr 2,500-7,500 per month. Salary is one of the number issues that most employees consider when leaving or joining to a specific organization. And according to the nonstop increment in the day to day life cost, it's really difficult to say the salary of these employees is enough or satisfying.

4.2 Reasons for Employee Turnover

There are many reasons to why employees leave their current organization. In this study demographic and personal characteristic; job satisfaction; organization and work environment; salary and reward and job content are given much focus.

Table 4.2.1 Demographic and Personal Characteristics

Questions	Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Female employees are more loyal than men; they don't quit their job as men do.	Strongly Disagree	4	2.2	2.2	2.2
	Disagree	11	6.2	6.2	8.4
	Neutral	10	5.6	5.6	14.0
	Agree	94	52.8	52.8	66.9
	Strongly Agree	59	33.1	33.1	100.0
	Total		178	100.0	100.0
Turnover intention of younger employees is higher than older employees in the organization	Strongly Disagree	5	2.8	2.8	2.8
	Disagree	10	5.6	5.6	8.4
	Neutral	8	4.5	4.5	12.9
	Agree	69	38.8	38.8	51.7
	Strongly Agree	86	48.3	48.3	100.0
	Total		178	100.0	100.0
Turnover intention of highly qualified employees are higher than less qualified employees	Strongly Disagree	2	1.1	1.1	1.1
	Disagree	11	6.2	6.2	7.3
	Neutral	7	3.9	3.9	11.2
	Agree	115	64.6	64.6	75.8
	Strongly Agree	43	24.2	24.2	100.0
	Total		178	100.0	100.0
Turnover intention of high level income employees are higher than low level income employees	Strongly Disagree	82	46.1	46.1	46.1
	Disagree	73	41.0	41.0	87.1
	Neutral	10	5.6	5.6	92.7
	Agree	13	7.3	7.3	100.0
	Strongly Agree	-	-	-	100.0
	Total		178	100.0	100.0

Source: Own survey, 2015

The above table shows the demographic and personal characteristics of employees and out of the total 178, 2.2% of the respondents strongly disagree that female employees are more loyal than men and they don't quit their job as men do and also 6.2% of the respondents also disagreed to

this premises; 5.6% of the respondents were neutral while 52.8% and 33.1% of the respondents agreed and strongly agreed on this question. This indicates that the majority of the respondents support this premises and this implies that female employees are more loyal to their work than men are.

For the second question, only 5.6% and 2.8% of the whole respondents disagreed and strongly disagreed on that turnover intention of younger employees is higher than older employees; 4.5% of the respondents were neutral while 38.8% of the respondents agreed and 48.3% of the respondents strongly agreed. This indicates that more than 85% of the respondent's think that turnover intention of younger employees is higher than older employees.

The third premise was if turnover intentions of highly qualified employees are higher than less qualified employees. Only 1.1 % of the respondents strongly disagreed and 6.2% of the respondents disagreed on this issue; 3.9% of the respondents were neutral to this question while 64.6% of the respondents agreed and 24.2% of the respondents strongly agreed on this question. This entails that the majority of the respondents support the premise that turnover intention of highly qualified employees are higher than less qualified employees.

On the emphasis of income, 46.1% of the respondents strongly disagreed to the question of Turnover intention of high level income employees are higher than low level income employees and 41% of the respondents disagreed. 5.6% of the respondents were neutral and the majority of the respondents which is 46.1% of the respondents strongly agreed and 5.6% of the respondents agreed and 7.3% of the respondents strongly disagreed on this premise. This clearly indicated that more than 87.1% of the respondents believe that income of employees directly affects level of turnover intention and turnover intention of employees who earn high level of income is lower than those who earn low level income.

Table 4.2.2 Job Satisfaction

Questions	Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Most employees leave because their expectation doesn't match with what they do	Strongly Disagree	-	-	-	-
	Disagree	5	2.8	2.8	2.8
	Neutral	3	1.7	1.7	4.5
	Agree	108	60.7	60.7	65.2
	Strongly Agree	62	34.8	34.8	100.0
	Total	178	100.0	100.0	
Job satisfaction level has a major effect to the level of turnover in the organization	Strongly Disagree	-	-	-	-
	Disagree	5	2.8	2.8	2.8
	Neutral	1	.6	.6	3.4
	Agree	99	55.6	55.6	59.0
	Strongly Agree	73	41.0	41.0	100.0
	Total	178	100.0	100.0	
I am satisfied with my current job.	Strongly Disagree	39	21.9	21.9	21.9
	Disagree	90	50.6	50.6	72.5
	Neutral	8	4.5	4.5	77.0
	Agree	34	19.1	19.1	96.1
	Strongly Agree	7	3.9	3.9	100.0
	Total	178	100.0	100.0	

Source: Own survey, 2015

Table 4.2.2 shows that if employee's expectation has an impact on turnover. As we can see there is no respondent that strongly disagrees with this premise but only 2.8% the respondents disagreed and 1.7% of the respondents were neutral. 60.7% of the respondents agreed to the fact that most employees leave their organization because their expectation doesn't match with what they do and 34.8% of the respondents strongly agreed to this. This implies that most employees leave there current banks because there expectation doesn't match with what they actually do.

As we can see from the above figure no respondent strongly disagreed to the above premise (Job satisfaction level has a major effect to the level of turnover in the organization). 2.8% of the respondents disagreed; 0.6% of the respondent was neutral. 55% of the respondents agreed and 41% of the respondents strongly agreed to this premise. Almost all (96%) of the respondents

responded by saying that job satisfaction level has a major effect to the level of turnover in the organization and this undoubtedly indicates that job satisfaction has a major effect on turnover.

According to the above table 4.2.2, we can see that out of the total respondents 21.9% of the respondents are very dissatisfied; half or 50.6% of the respondents were dissatisfied; 4.5% of the respondents were neutral and the rest 19.1% and 3.9% of the respondents were and very satisfied with their job. The analysis made and presented in the above figure clearly confirms that, majority employees in the banking industry are not satisfied with their job and this might lead most organization to face turnover since most employees aren't satisfied with their job.

Table 4.2.3 Organization and Work Environment

Questions	Valid	Frequency	Percent	Valid Percent	Cumulative Percent
The coordination between managers or supervisors with their subordinates create and impact employee turnover	Strongly Disagree	-	-	-	-
	Disagree	10	5.6	5.6	5.6
	Neutral	20	11.2	11.2	16.9
	Agree	99	55.6	55.6	72.5
	Strongly Agree	49	27.5	27.5	100.0
	Total	178	100.0	100.0	
There is a good relationship between the workers and the management in the bank	Strongly Disagree	35	19.7	19.7	19.7
	Disagree	88	49.4	49.4	69.1
	Neutral	10	5.6	5.6	74.7
	Agree	30	16.9	16.9	91.6
	Strongly Agree	15	8.4	8.4	100.0
	Total	178	100.0	100.0	
There is discrimination in the bank based on gender, race or on any other bases	Strongly Disagree	14	7.9	7.9	7.9
	Disagree	21	11.8	11.8	19.7
	Neutral	13	7.3	7.3	27.0
	Agree	107	60.1	60.1	87.1
	Strongly Agree	23	12.9	12.9	100.0
	Total	178	100.0	100.0	
There is a miss match between jobs and employees in the	Strongly Disagree	-	-	-	-
	Disagree	27	15.2	15.2	15.2
	Neutral	35	19.7	19.7	34.8
	Agree	101	56.7	56.7	91.6

organization	Strongly Agree	15	8.4	8.4	100.0
	Total	178	100.0	100.0	
I like the working condition of my organization	Strongly Disagree	32	18.0	18.0	18.0
	Disagree	86	48.3	48.3	66.3
	Neutral	3	1.7	1.7	68.0
	Agree	48	27.0	27.0	94.9
	Strongly Agree	9	5.1	5.1	100.0
	Total	178	100.0	100.0	

Source: Own survey, 2015

Organization and work environment are one of the many reasons why most employees leave their organization. In the above table 4.2.3, 5.6% of the respondents disagreed to the premise(the coordination between managers or supervisors with their subordinates creates an impact on employee turnover); 11.2% of the respondents were neutral ; 55.6% of the respondents agreed and 27.5% of the respondents strongly agreed. The majority of the respondents responded by saying that the coordination between managers or supervisors with their subordinates create an impact on employee turnover. This indicates that the relationship between employees with their managers is one of the factors that lead most employees to quit their job.

Employees were asked if they have a good relationship between the workers and the management in the organization. Out the total respondents 19.7% of the respondent’s strongly disagreed and 49.4% of the respondents disagreed. 5.6% of the respondents were neutral; 16.9% of the respondents agreed and 8.4% of the respondents strongly agreed. As we can see from the analysis, more than half(69%) of the respondents responded by saying that, they don’t have a good relationship with the management in the organization. This implies that in the banking industry the relationship between employees and the management in most banks is not good.

In the third premise (there is discrimination in the bank based on gender, race or on any other factor) out of the total 178 respondents, 7.9% of the respondents strongly disagreed; 11.8% of the respondents disagreed; 7.3% of the respondents were neutral about the issue. And 60.1% of the respondents and 12.9% of the respondents strongly agreed. This shows that in the banking industry there is discrimination based on different factors like gender, race and also on other factors and Abdali (2011) have stated that the perception of getting fairness about the level of compensation, the equality in the sharing of pay and rewards, strongly create turnover.

As we can see from the above table, table 4.2.3, there is no single respondent that strongly disagrees but 15.2 % of the respondents disagreed that there is a miss match between jobs and employees in the organizations and 19.7% of the respondents were neutral about it. The largest group of the respondents which is 56.7% of the respondent agreed and 8.4% of the respondents strongly agreed that there is a miss match between jobs and employees in their organization. This shows that majority of the employees in the banking industry are not positioned to where they are supposed to be.

Out of the 178 respondents 18% and 48.3% of the respondents don't like the working condition of their organization; 1.7% of the respondents were neutral. But the rest 27% and 5.1% of the respondents like the working condition of their organization. As we can see from the above figure majority (66%) number of employees doesn't like the working condition of their organization and this might lead employees to leave but if the work condition is good even if there are other factors that lead to quit employees might prefer to stay.

Table 4.2.4 Salary and Reward

Questions	Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Most employees leave their organization because of low salary in search of better salary	Strongly Disagree	-	-	-	-
	Disagree	2	1.1	1.1	1.1
	Neutral	-	-	-	-
	Agree	92	51.7	51.7	52.8
	Strongly Agree	84	47.2	47.2	100.0
	Total	178	100.0	100.0	
Internal motivation lowers the chance of exit from the organization	Strongly Disagree	-	-	-	-
	Disagree	-	-	-	-
	Neutral	9	5.1	5.1	5.1
	Agree	114	64.0	64.0	69.1
	Strongly Agree	55	30.9	30.9	100.0
	Total	178	100.0	100.0	
The salary of the bank is good according to the work you are performing.	Strongly Disagree	43	24.2	24.2	24.2
	Disagree	103	57.9	57.9	82.1
	Neutral	2	1.1	1.1	83.2
	Agree	26	14.6	14.6	97.8
	Strongly Agree	4	2.2	2.2	100.0
	Total	178	100.0	100.0	

Over the past two years, the management here has introduced changes in the payment system.	Strongly Disagree	-	-	-	-
	Disagree	70	39.3	39.3	39.3
	Neutral	24	13.5	13.5	52.8
	Agree	77	43.3	43.3	96.1
	Strongly Agree	7	3.9	3.9	100.0
	Total	178	100.0	100.0	
The reward practice in the organization matches the performance of employees.	Strongly Disagree	32	17.9	17.9	17.9
	Disagree	98	55.1	55.1	73.0
	Neutral	9	5.1	5.1	78.1
	Agree	39	21.9	21.9	100.0
	Strongly Agree	-	-	-	100.0
	Total	178	100.0	100.0	

Source: Own survey, 2015

The above tables 4.2.4 shows that if salary and reward practice in the organization can be the reason to why employees leave in the banking industry. And out of the total 178 respondents none of them strongly disagreed but only 1.1% of the respondents disagreed to the premises. 51.7% of the respondents agreed that most employees leave their organization because of low salary and 47.2% of the respondents strongly agreed. This indicates that almost all (98.9%) of the respondents think that most employees leave their organization because of low salary and pushes them to find other jobs with better salary in other institutions.

The second item in the above table, 5.1% of the respondents were neutral on the issue regarding internal motivation lowers the chance of exit from the organization. 64% of the respondents agreed and 30.9% of the respondents strongly agreed. This indicates that the different types of reward or motivation techniques that organization use to motivate their employees also decrease the chance of exit.

According to the data presented in table 4.2.3, 24% of the respondents strongly disagreed and 58% of the respondents disagreed to the third premises which is the salary of the bank is good according to the work they are performing. 1.1% of the respondents were neutral; 15% of the respondents agreed and 2% of the respondents strongly agreed to it. As we can see from the analysis majority (82.1%) of the respondents responded that their salary is low in accordance to what they do.

In the forth item of table 4.2.3, there was no respondent who strongly disagreed but still 39.3% of the respondents disagreed to the premises (Over the past two years, the management here has introduced changes in the payment system.) 13.5% of the respondents were neutral; 43.3% of the respondents agreed and 3.9% of the respondents strongly agreed. These shows that majority of the respondents agreed that there has been a change in the payment system of their organization with in the past two years.

In the last item of the above table, 17.9% of the respondents strongly disagreed to the premises that the reward practice in the organization matches the performance of employees and 55.1% of the respondents disagreed to it. 5.1% of the respondents were neutral while 21.9% of the respondents agreed and there was no respondent who strongly disagreed. This indicates that majority of the respondents think that the organization reward policy and practice doesn't match their performance.

Table 4.2.5 Job content

Questions	Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Employees who are involving in routine work were most likely to quit their job.	Strongly Disagree	-	-	-	-
	Disagree	19	10.7	10.7	10.7
	Neutral	23	12.9	12.9	23.6
	Agree	113	63.5	63.5	87.1
	Strongly Agree	23	12.9	12.9	100.0
	Total	178	100.0	100.0	
Complexity of job most increases of satisfaction with work and loyalty to the organization in employees who have strong growth needs that those employees who have low growth need in the organization	Strongly Disagree	1	0.6	0.6	0.6
	Disagree	21	11.8	11.8	12.4
	Neutral	24	13.5	13.5	25.8
	Agree	103	57.9	57.9	83.7
	Strongly Agree	29	16.3	16.3	100.0
	Total	178	100.0	100.0	

The job that I do consists of a more routine task which is tired some and tedious	Strongly Disagree	11	6.2	6.2	6.2
	Disagree	34	19.1	19.1	25.3
	Neutral	20	11.2	11.2	36.5
	Agree	73	41.0	41.0	77.5
	Strongly Agree	40	22.5	22.5	100.0
	Total	178	100.0	100.0	

Source: Own survey, 2015

The above table 4.2.5 shows that if job content can be the reason for turnover in the banking industry. And out of the total 178 respondents none of them strongly agreed to the premises that employees who are involving in routine work were most likely to quit their job. 10.7 % of the respondents disagreed and 12.9% were neutral about it. The rest 63.5% of the respondents agreed and 12.9% strongly agreed. This shows the majority of the respondent's supported the idea that when a job contains a routine task it leads employees to quit their job.

In the second item only 0.6% of the respondents strongly disagreed and 11.8% of the respondents disagreed to the issue regarding Complexity of job most increases of satisfaction with work and loyalty to the organization in employees who have strong growth needs that those employees who have low growth need in the organization; 13.5 % of the respondents were neutral while 57.9% of the respondents agreed and 16.3% of the respondents strongly agreed. This implies that complexity of job, for employees who have strong growth need will acts as a motivation to do their job and increases job satisfaction and when employees are satisfied with their job the likely stay longer.

The last item of this table 4.2.4 shows how employees describe their job. 6.2% of the respondents strongly disagreed and 19.1 % of the respondents disagreed to the fact that their job consists of a more routine task which is tired some and tedious; 11.2% of the respondents were neutral while 41% of the respondents agreed and 22.5% of the respondents strongly agreed to it. According to the data gathered most employees have described their job as repetitive or routine, tired some and boring. This implies that most of the jobs in the banking industry are routine, exhausting and tedious and this might lead most employees to leave their job.

4.3 Effect of Turnover on Performance

Table 4.3.1 Effect of Turnover on Performance

Questions	Valid	Frequency	Percent	Valid Percent	Cumulative Percent
The organization is experiencing a high rate of employee turnover	Strongly Disagree	-	-	-	-
	Disagree	35	19.7	19.7	19.7
	Neutral	11	6.2	6.2	25.8
	Agree	81	45.5	45.5	71.3
	Strongly Agree	51	28.7	28.7	100.0
	Total	178	100.0	100.0	
There is a big loss when experienced employee leaves from this bank	Strongly Disagree	3	1.7	1.7	1.7
	Disagree	25	14.0	14.0	15.7
	Neutral	9	5.1	5.1	20.8
	Agree	85	47.8	47.8	68.5
	Strongly Agree	56	31.5	31.5	100.0
	Total	178	100.0	100.0	
There are a lot of losses or mistakes committed by new employees who are tiring to learn how to perform tasks.	Strongly Disagree	4	2.2	2.2	2.2
	Disagree	24	13.5	13.5	15.7
	Neutral	13	7.3	7.3	23.0
	Agree	85	47.8	47.8	70.8
	Strongly Agree	52	29.2	29.2	100.0
	Total	178	100.0	100.0	
There is a work load due to task shift that will be made when an employee leaves.	Strongly Disagree	5	2.8	2.8	2.8
	Disagree	23	12.9	12.9	15.7
	Neutral	10	5.6	5.6	21.3
	Agree	80	44.9	44.9	66.3
	Strongly Agree	60	33.7	33.7	100.0
	Total	178	100.0	100.0	
Different staffs spend their time helping new employees to adapt the work.	Strongly Disagree	11	6.2	6.2	6.2
	Disagree	22	12.4	12.4	18.5
	Neutral	6	3.4	3.4	21.9
	Agree	86	48.3	48.3	70.2
	Strongly Agree	53	29.8	29.8	100.0
	Total	178	100.0	100.0	
Different types of	Strongly Disagree	9	5.1	5.1	5.1

training which are costly to the organization are given to new employees.	Disagree	22	12.4	12.4	17.4
	Neutral	6	3.4	3.4	20.8
	Agree	88	49.4	49.4	70.2
	Strongly Agree	53	29.8	29.8	100.0
	Total	178	100.0	100.0	
It takes longer time to hire and train new employees to the level they are fully able to perform the work with the level of the replaced employee.	Strongly Disagree	5	2.8	2.8	2.8
	Disagree	21	11.8	11.8	14.6
	Neutral	13	7.3	7.3	21.9
	Agree	68	38.2	38.2	60.1
	Strongly Agree	71	39.9	39.9	100.0
	Total	178	100.0	100.0	
Due to staff turnover there will be a performance gap in delivering the service required until the position is filled by a new employee.	Strongly Disagree	-	-	-	-
	Disagree	26	14.6	14.6	14.6
	Neutral	12	6.7	6.7	21.3
	Agree	64	36.0	36.0	57.3
	Strongly Agree	76	42.7	42.7	100.0
	Total	178	100.0	100.0	
In general employee turnover in this work place highly affects the performance of the organization.	Strongly Disagree	-	-	-	-
	Disagree	26	14.6	14.6	14.6
	Neutral	8	4.5	4.5	19.1
	Agree	61	34.3	34.3	53.4
	Strongly Agree	83	46.6	46.6	100.0
	Total	178	100.0	100.0	
The organization incur high amount of cost in order to replace the leaving employees and make them fully able to perform the work at the	Strongly Disagree	5	2.8	2.8	2.8
	Disagree	27	15.2	15.2	18.0
	Neutral	6	3.4	3.4	21.3
	Agree	95	53.4	53.4	74.7

work place.	Strongly Agree	45	25.3	25.3	100.0
	Total	178	100.0	100.0	

Source: Own survey, 2015

Table 4.3 shows the analysis made on the effect of turnover on performance. Out of the total 178 respondents not one respondent strongly disagreed and only 19.7% of the respondents agreed to the fact that their organization is experiencing a high rate of turnover. 6.2% of the respondents were neutral. The rest 45.5% and 28.7% of the respondents agreed and strongly agreed. This indicates that most organization in the banking industry is facing a high rate of turnover.

In the second item of table 4.2, 1.7% of the respondents strongly disagreed and 14% of the respondents disagree to the premise that there is a big loss when experienced employees leave form the bank; 5.1% of the respondents were neutral while the rest 47.8% of the respondents agreed and 31.5% of the respondents strongly agreed. This indicates that when experienced employees leave their current organization, the organization faces a big loss since these experienced employees are bases for the success of the organization.

In the third item of the above table, 2.2% of the respondents strongly agreed to the fact that there is are lot of losses or mistakes committed by new employees who are training to learn how to perform a task; 13.5% of the respondents disagreed to it and 7.3% of the respondents were neutral while the rest 47.8% of the respondents agreed and 29.2% of the respondents strongly agreed. This indicates that there are different types of mistake that new employees make before they are familiar with the work.

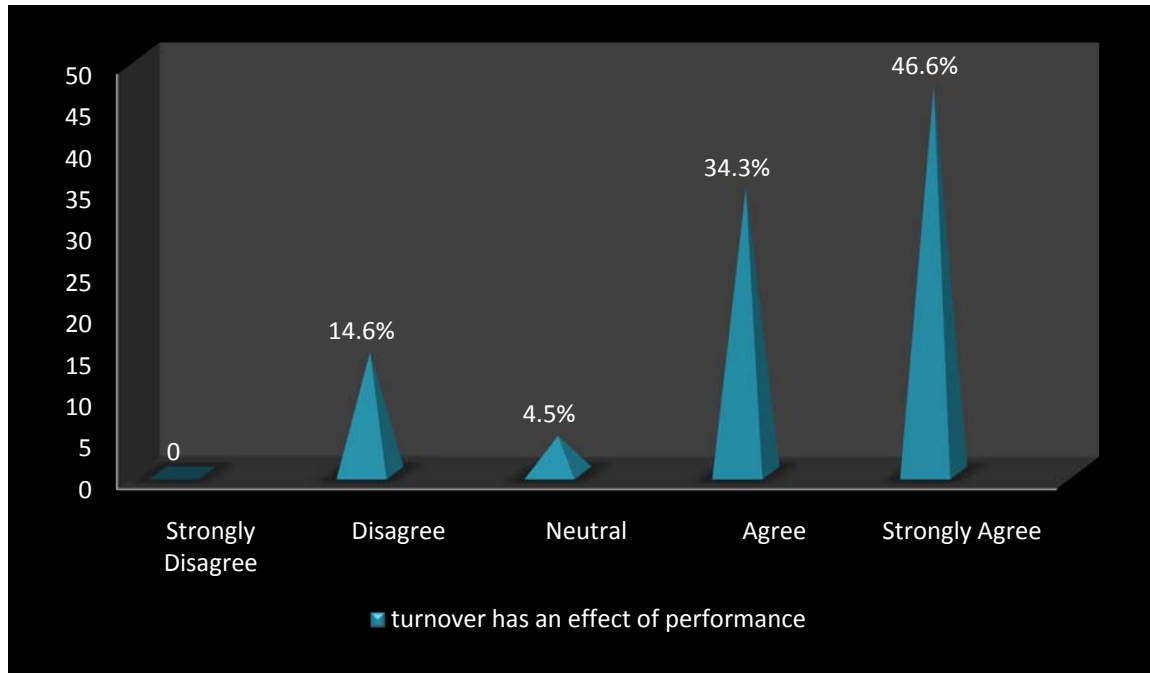
According to the analysis made in the above table 2.8% of the respondents strongly disagreed and 12.9% of the respondents disagreed to the premises that there is a work load due to task shift that will be made when an employee leaves. 5.6% of the respondents of the respondents were neutral while 44.9% of the respondents agreed and 33.7% of the respondents strongly agreed to it. This shows us that most employees in the bank have faced a difficulty in covering the work of a coworker whenever they leave. The task of the one employee will be shifted to the other until that position is filled with a new employee.

The other item in the table is that different types of training which are costly to the organization are given to new employees. 5.1% of the respondents strongly disagreed and 12.4% of the respondents disagreed to this premises; 3.4% of the respondents were neutral while the rest 49.4% of the respondents agreed and 29.8% of the respondents disagreed. This indicates the most banks give different kinds of training which are costly to assist new employees so that they can accomplish their task as to the requirement of the organization

Out of the total 178 respondents 2.8% of the respondents strongly disagreed and 11.8% of the respondents disagreed to the fact that it takes longer time to hire and train new employees to the level they are fully able to perform the work with the level of the replaced employee; 7.3% of the respondents were neutral while the rest 38.2% of the respondents agreed and 39.9% of the respondents strongly agreed. This shows that majority of the respondents responded that it takes a longer time to hire and train new employees.

According to the above table 4.3, not one employee strongly agreed to the fact that due to staff turnover there will be a performance gap in delivering the service required until the position is filled by new employees but 14.6% of the respondents disagreed to it. 6.7% of the respondents were neutral while the rest 36% of the respondents agreed and 42.7% of the respondents strongly disagreed. As it is shown in the analysis majority of the employees in the banking industry agreed that there will be a performance gap due to turnover.

Figure 4.3.1 Effect of Employee Turnover on Performance



Source: Own survey, 2015

As we can see from the above figure 4.3.1 there wasn't a single employee of the bank who responded strongly disagrees on the fact that employee turnover in the banking industry highly affect performance but 14.6% of the respondents disagreed to it; 4.5% of the respondents were neural while the rest 34.4% of the respondents agreed and 46.6% of the respondents strongly agreed. This indicated the majority number of the respondents which is 80.9% of the respondents supported this fact which is the turnover in the banking industry highly affects the performance of employees and the organization.

The last item in the above table 4.3.1 was that the organization incur high amount of cost in order to replace the leaving employees and make them fully able to perform the work at the work place and 2.8% of the respondents strongly disagreed and 15.2% of the respondents disagreed; 3.4% of the respondents were neutral and the rest 53.4% of the respondents agreed and 25.3% of the respondents strongly agreed to it. This indicates that most of the banks incur high amount of costs in order to hire (recruit and select) and to train them so that they could be able to perform well.

4.4 Practice to Minimize Turnover

Table 4.4.1 Practice to Minimize Turnover

Questions	Valid	Frequency	Percent	Valid Percent	Cumulative Percent
The Bank gives a lot of attention to the issue of turnover	Strongly Disagree	52	29.2	29.2	29.2
	Disagree	78	43.8	43.8	73.0
	Neutral	9	5.1	5.1	78.1
	Agree	35	19.7	19.7	97.8
	Strongly Agree	4	2.2	2.2	100.0
	Total	178	100.0	100.0	
There is no exit interviews or questionnaires to leaving employees as to why they are leaving	Strongly Disagree	7	3.9	3.9	3.9
	Disagree	68	38.2	38.2	42.1
	Neutral	11	6.2	6.2	48.3
	Agree	66	37.1	37.1	85.4
	Strongly Agree	26	14.6	14.6	100.0
	Total	178	100.0	100.0	
The Bank uses other methods other than exit interviews	Strongly Disagree	30	16.9	16.9	16.9
	Disagree	71	39.9	39.9	56.7
	Neutral	28	15.7	15.7	72.5
	Agree	40	22.5	22.5	94.9
	Strongly Agree	9	5.1	5.1	100.0
	Total	178	100.0	100.0	
No formal survey has been conducted to know the overall effects of employee turnover on performance	Strongly Disagree	11	6.2	6.2	6.2
	Disagree	13	7.3	7.3	13.5
	Neutral	47	26.4	26.4	39.9
	Agree	59	33.1	33.1	73.0
	Strongly Agree	48	27.0	27.0	100.0
	Total	178	100.0	100.0	

Source: Own survey, 2015

The above table 4.4.1 shows the practices that are used to minimize turnover in the banking industry and how well they are applied. Out of the total 178 respondents 29.2% of the respondents strongly disagreed and 43.8% of the respondents disagreed to the premises that the

organization gives a lot of attention to the issue of turnover; 5.1% of the respondents were neutral while the rest 19.7% of the respondents agreed and 2.2% of the respondents strongly agreed. This indicates that most of the banks in the banking industry don't give that much of attention to the problem of turnover.

In the second item of the above table 4.4.1, 3.9% of the respondents strongly disagreed and 38.2% of the respondents disagreed to the fact that there is no exit interview or questionnaires to leaving employees as to why they are leaving; 6.2% of the respondents were neutral while the rest 37.1% of the respondents agreed and 14.6% of the respondents strongly agreed. This indicates that most banks don't use exit interview but there are some banks that use exit interview to know the why their employees are leaving.

In the third item employees were asked if their organization uses other method other than exit interview to tackle the problem of turnover and as we can see from table 4.4.1, 16.9% of the respondents strongly disagreed and 39.9% of the respondents disagreed to the premises and 15.7% of the respondents were neutral while the rest 22.5% of the respondents agreed and 5.1% of the respondents strongly agreed. This indicates that most organizations in the banking industry do not use other methods other than exit interview.

The last item of the table is that no formal survey has been conducted to know the overall effects of employee turnover on performance and 6.2% of the respondents strongly disagreed and 7.3% of the respondents disagreed to this premises; 26.4% of the respondents were neutral while the rest 33.1% of the respondents agreed and 27% of the respondents strongly agreed. This implies that most banks in the industry haven't made a formal survey to minimize this problem as much as possible.

Open Ended Questions

The following are responses acquired from open ended question where respondents have showed there different opinions from their experiences. Therefore the researcher has presented the response of employees underneath the questions asked.

1. Have you ever thought of leaving the bank you are currently working on? If yes, please state your reasons and what changed you mind?

Out of the total 178 respondents only 114 employees answered this question. Out of the 114 employees most of them (83 employees) have thought of leaving the organization. And according to their response the reason behind it was low salary, inequity and job disaffection. As to their response majority of the employees of the bank earn low amount of salary so they have searched and still are searching for better salary in other institutions. The other reason was inequity of employees based on ethnic group. Some respondents have stated that even better opportunities like promotion or other benefits are given by managers to employees who are in the same ethnic group and the other thing they mentioned is that they are not satisfied with what they do. Some employee's responded that there are around 10 to 16 employee working in one office and the others have stated that their job is very tired some. After stating their different reasons, majority of them changed their mind because the salary in the banking industry are more alike (they don't have that much of a difference) ;the others have stated that they have changed their mind in seek for promotion and some have stated that they have a dependents to support. This indicates that most employees of the bank are not loyal or someone you can depend on. They might leave as they get something better since most of them are working with the intention of quitting. But the rest 31 respondents responded by saying "no" which indicates that they have never thought of leaving.

This indicates that majority number of the employees have an intention of leaving the bank because of low salary, inequity and job dissatisfaction so this employees will leave the organization as soon as they get a better job opportunity.

2. From your experience in the bank, “Was there any challenge that you have faced which limited you from fully performing your job when a coworker or a team member quits? If yes, what was it?”

This question was answered by 162 respondents. Out of the total respondents majority number of the respondents which is 143 employees responded by saying “Yes” and as to their response, the incident was that most of the time when a coworker leaves there will be a delay of the outcome expected from them since most of their works are related. So the other team member or coworker have to cover the position of the ex employee and this creates a work load for most employees. The other thing was that when a coworker leave and is replaced by new employees, its takes time until that employee becomes familiar with how things are run in the team or the organization and also new employee need to be guided until there are able to perform on their own so until that its the employees who guide this employees and they do this together with their own job. Also some employees stated that when experienced and qualified employees leave, there was a performance gap to the result of the team they were assigned on. The rest 19 employees responded that from their experience they haven’t experienced this kind of difficulty due to turnover.

As to the response of the employees, majorities (88.2%) of the respondents have faced difficulty in perfuming their job appropriately. This Cleary indicates that employee turnover has affected their performance. From the experience of most employees due to turnover there are late outputs, workloads, not able to perform once own task because of times spent guiding new employees and team results will vary. This implies that turnover was an obstacle in their performance and work life.

Part 2 Interview Data of survey Respondents

Interview for HR managers

Out of the 10 HR manager from who were notified to be interviewed with regarding to the issue of employee turnover they are experiencing and the effects it have on performance, the researcher could only interview 7 HR managers so for the rest banks, the researcher has collected the data needed by interviewing HR officials. The researcher have presented the response of the HR managers and officials with the question they were asked.

1. Do you think that there is a high rate of turnover in your organization?

Out of the 10 HR managers and HR officers interviewed only 4 of them responded that they are experiencing a high rate of turnover and also the have stated that their employees are leaving and entering to another banks. The managers have stated that this day's employee turnover is very frequent and high. This day's employees continuously search for better job opportunities for their life and they wouldn't stay a day if they find one. And one of the managers has shared his experience by saying that "back in our days employees used to be loyal to their organization but now a day's especially the young population is always in search of other better opportunities and most of the turnovers which are voluntarily are made by the younger population. The rest 6 HR manager said that they have frequent turnover but it's not a turnover that is said to be high.

The HR mangers of the different banks were asked to specify their voluntary turnover rates in the year 2014 within the headquarters. And some banks don't calculate and keep a record of each headquarter and branches TTR separately.

Rate of turnover in year the organizations in year 2014

As to the response of some HR mangers and HR officials, total turnover rate wasn't calculated only on head quarters and other branches separately. The HR departments of the head quarters calculate the TTR of employees including the different branches totally. So the researcher have gather the necessary information's which are number of employees in the begging year (2014) and number of employees at the end of the year plus the number of ex employees who have left by self imitative (voluntarily) in the year 2014. Then the researcher have calculated the total rate

of turnover of the Head quarters of the different banks using the formula of TTR by Ivancievich & Glueck, (1989).

$$TTR = \frac{S}{N}$$

Where, **TTR**= Total turnover rate

S= the number of separation in a given time interval

N= the average number of employed

Using the above formula and other input from this banks the researcher have calculated the TTR of the banks in the headquarters which were made by self initiative and are presented as follows:

Table 4.5 TTR initiated by of employees in the headquarter in year 2014

Name of the banks	Total turnover rate
DBE	0.07%
CBE	0.008%
AIB	0.02%
BOA	0.04%
DB	0.01%
LIB	0.07%
EB	0.11%
DGB	0.08%
BIB	0.07%
ZB	0.02%

Source: interview from HR managers

According to the above table 4.5, we can see that most of the banks are experiencing high rate of turnover and this clear that this has affected their performance. As the researcher have indicated profit is the most common indicator of performance and if we look at table 3.1 in the previous

chapter, the profit of this banks that have high turnover rate has a lower performance form other selected banks within the same strata. This clearly indicates along with other factors turnover has a negative effect on performance of the organization.

2. Why do most employees leave the bank?

The Hr manager and officials of the bank responded to this by saying that there are a number of reasons to why employees leave. Out of those reasons the Hr managers and HR official stated the most similar once are search for better salary and better job opportunities; different types of personal reasons like family reasons, moving to another place and also some employees quit when they are transferred to other branches of the bank. But the most common reason mentioned by most employees who voluntary leave is for better salary and job opportunity. They stated that especially these days the number one factor that most employee concern is that “Salary”. This indicates that most employee leave because of low salary. It’s true that salary is one of the reasons to why most employees leave but it’s not the only reason. According to the data gather from employees there were other factors that push employees away like inequity, job dissatisfaction and their job content itself but as we can see the management is unaware of the other reasons.

3. Can you list some challenges the bank has faced due to turnover related with performance?

Most Hr mangers and officials of the banks have responded that they have faced several challenges due to turnover. Some of them are:

1. Delay in expected outcomes until ex employee is replaced by new employee
2. Even after replacing ex employees, most of the time new employees won’t deliver the expected outcome. There will be a performance gap until they are familiar with the organization and the task assigned to them and as to the response of one HR manager an employee can’t be fully replaced meaning there might be another but you can never find an employee with the same experience and ability as the ex employees especially when well experienced, trained and qualified employees leave.

3. Different type of costs are incurred with regarded to recruitment and selection and different types of trainings
4. The time wasted by employees by giving on job training for new employees
5. Until new employees become fully familiar with the organization culture and work environment they are confused with what to do or how to fix their mistakes and this creates

But some HR managers have responded that turnover of an employee doesn't affect the organization performance that much. The major challenge we face is that when an employee at a managers or a president or a vice president or other managerial positions terminates. This might create a challenge for the bank until that position is filled. And it very costly and hard to find those people and due to those reasons the organization might face different holdups in performance and on other related things. Form the response of this HR managers and HR officials the banks have faced the above stated challenges due turnover these clearly indicates how turnover has an effect on performance of the individuals and organization as whole.

4. To what extent does turnover affects the performance of the organization and what is your attitude towards it?

The majority number of the respondents responded by saying that turnover has highly affected their performance in different ways but they have stated that the effect is more of a short term performances problem like service delivery or delay of different reports and etc it doesn't have a huge effect on performance of the organization as a whole.

The attitude of HR managers towards turnover was that, most HR managers see turnover as a healthy condition in the organization especially when less qualified or aged employees leave. This is an opportunity for change and new blood to the organization but it is seen as a problem when professional, well qualified, well trained, experienced and high performers leave the organization. And some HR managers stated that is a normal condition. They said " These days only few employees are loyal and committed to their organization while the majority number of employees are always in search of better opportunities therefore you can't force employees to stay in our organization."And surprisingly this was one of the response of one HR official form the selected banks. He responded by saying that "employees come and go, no big deal". And few

mangers responded by saying that turnover is a big problem in the organization. It has affected their performance especially when well qualified, trained and experienced employees leave. They also stated that turnover in this industry is more of within the same sector meaning employees leave for joining other banks. Most of the employees leave for joining other banks and we also give more opportunity for newly hires which have worked in other banks because it's easier to train them than to hire those with no experience in the banking industry. This indicates that, the attitude of most managers was that, they believed that turnover is a normal incident in the work place and it doesn't highly affects the work of their organization if it's not frequent and well performers leave.

**5. Does the bank use Exit interview or other methods to know the reason of turnover?
If yes, how accurate are these methods.**

Majority of The HR managers and officials of the different banks stated that they use exit interview and questionnaires so as to know why most employees leave and to help them take some measurement and minimize the turnover of skilled and experienced employees from the bank. But some banks don't use exit interview or any other mechanism to minimize this frequent turnover they are facing.

Exist interviews are one of the most common techniques used to minimize the rate of turnover. It's good that most banks make an exit interviews for leaving employees. For any solution to be made the first step is identifying the problem and this helps the banks to identify the major reasons that make employees leave the bank and take some actions so as to keep the rest and minimize the rate of turnover. But the question is that how accurate this method is? And as to the accuracy of this method, some HR mangers responded that it's a more accurate method than other methods and some said that it could be biased. The researcher has informally asked the HR manager to when they make the interview and the interview takes places before employee finish the procedures of terminating their contract. This entails why exit interview can be biased. Employees might give falsified information in fear a delay of the termination process and in need of good recommendation letter.

6. What kind of techniques has the bank practiced to overcome turnover and how effective were this methods?

Some of the interviewees responded that they haven't don't much about it but there have been some kinds of changes in the organization and some HR managers have responded by saying that this changes were deliberately done to retain employees which was increment of salary and they have stated that this frequent turnover that they used to face before has gone down to after the salary increment was practiced. And some Hr managers have responded that they are doing their best they can to retain their employees using different mechanisms like giving trainings; providing different kind of opportunities for long term development (educations), incentive and promotions but still much haven't change in their rate of turnover. Some HR managers have responded by saying that they use exit interview and questioners and have used the data collected through it and have made changes in the salary scale.

This indicated that even the HR department of the banks hasn't given that much of attention to this problem. As stated by different scholars employees are the key successes and competitive advantage to the organizations if they are well manage, motivated and retained. And those who give attention to this problem have only made salary change and if the HR managers and officials of the banks have considered turnover as a problem, they would have found out that salary wasn't the only problem and they would have also focused on other push factors.

Correlation Analysis

Correlation coefficient statistics measure the degree to which two sets of numbers are related. A higher correlation coefficient signifies a stronger relationship. At one extreme, a correlation coefficient of 1.0 means a perfect positive relationship as one set of numbers goes up, so does the other. At the other extreme, a correlation of -1.0 means a perfect negative correlation—when one set of numbers goes up, the other goes down. In the middle, a correlation of 0 means there is no correlation at all.(Noe *et al*, 2011) so the researcher have made a correlation analysis to test to what extent how this variables are related(turnover and its effect on performance)

Table 4.6 Correlations analysis

		Turnover	In general employee turnover in this work place has a high effect on performance
Turnover	Pearson Correlation	1	.908**
	Sig. (2-tailed)		.000
	N	178	178
In general employee turnover in this workplace has a high effect on performance	Pearson Correlation	.908**	1
	Sig. (2-tailed)	.000	
	N	178	178

** . Correlation is significant at the 0.01 level (2-tailed).

As we can see from the above table 4.6 there is a significant relationship between turnover and performance. This indicates that this two variable are strongly related since $r(\text{Pearson Correlation})$ is so close to 1 and are also positively related meaning when the level of turnover increases, the level of its effect that it has on performance also increases at the same time.

Regression Analysis

Regression is the determination of a statistical relationship between two or more variables. In simple regression, we have only two variables, one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable). Regression analysis is a statistical method to deal with the formulation of mathematical model depicting relationship amongst variables which can be used for the purpose of prediction of the values of dependent variable, given the values of the independent variable.(Kothari, 2004) And as to this case the independent variable is Turnover and the dependent variable is performance and the According to table 4.7 , 82.5% of the variation in performance in the banks is explained by employee turnover.

Table 4.7 Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 ^a	.825	.824	.437

a. Predictors: (Constant), Turnover

Chapter Five

5. Summary of major findings, Conclusions and Recommendation

5.1 Summary of major findings and discussion

According to the data collected through questionnaires and interview the major finds of the study are presented as follows:

As to the demographic data of the respondents: It was found that the number of male employees dominated the number of female employees in the banking industry; most employees in the banking industry are young employees with age between 20-30 and single; most employees are holders of 1st degree which indicates that they are educated are enrich of different opportunities in the industry and due to many reasons it was found out that level of tenure is low in the banking industry and also most employees earn a salary which lays in the range of 2,500-7,500 ETB.

With regard to intention of turnover, most employees of the banking industry have an intention of quitting furthermore it was found out that female employees are more loyal than men and have low intention of quitting and the banking sector is dominated by men : turnover intention of younger employees is higher than older employees and most employees in the banking industry are young; ; turnover intention of highly qualified employees is higher than less qualified employees and again this sector consists of qualified employees who can easily be hired by other institutions and also turnover intention of high level income employees are lower than low level income employees and most employees in this industry are unsatisfied or earn low salary according to the work they are performing. And according to Griffeth R.W., Horn, P.W., & Gaertner S (2000), intention to leave is one of the strongest predictors and immediate precursor of employee turnover. Therefore the researcher has found out that the banking industry is more exposed to turnover.

Above the many reasons to why most employees leave it was found out that job satisfaction was one of the reasons to why most employees leave and most employees of the banks are not satisfied with their job. The other reason was that the organization and work environment of the

banks. The researcher has found out that in most banks employees don't have a good relationship with the management of the bank and there is inequality and a miss match between jobs and employees and because of this reasons most employees don't like the working condition of their organization. Based on the significant percentage of the respondents, it was found out that majority number of employees leave because of low salary and different types of internal motivations lower the exit of employees. The Salary and reward practice of the banks is the banking industry doesn't match with the performance of employees even though there was a change in the payment system. Job content was also another reason to why employees leave and it was found out that most employees think that tasks which are routine tasks create tiredness with on job and also make employees fed up with what they do. And as to the response of most employees the work in their organization is exhausting and boring which increase the level of job dissatisfaction and level of turnover.

It was found out that most of the organizations are facing a high rate of employee turnover and due to this turnover performance of the organization is highly affected in several ways. There are a lot of mistakes done by new employees; there are workloads; different staffs spend their time guiding new employees; different types of training which are costly given to new employees. It was also found out it takes longer time to hire and train new employees so that they can reach the expected level of performance. This all creates performance gap in the organization therefore this issue should be given a lot of attention but as to the data collected it was found out that most banks do not give the required attention to employee turnover. The attitude of HR manager is that they believe that employees "come and go" due to this some banks don't even use exit interview but there are some banks in the industry that use this method to know why their employees leave and still the accuracy of this method is not certain because the interview and questionnaires are made before employees get their recommendation letter. And as to the data collected, the researcher has found out that there was a gap between the response of employees and their HR managers. This gap is created because employees don't respond truthful in fear of getting a bad recommendation. And most banks in the industry don't use other methods other than exit interview and also no formal survey has been conducted in most of the banks.

5.2 Conclusions

The researcher has undertaken an in depth analysis over this area of topic and found out that there is a high rate of employee turnover in the banking industry and the main reasons behind this turnover are low salary scale in the banking industry, job dissatisfaction, undesirable organization and working environment and the job itself . This was the main reason to why most employees leave and most of the employees in the banking industry are unsatisfied with their salary, unsatisfied with their job, unhappy with the organization and the working environment. This may lead most banks to face turnover and lose their competent and fruitful employees in the coming years although the banking industry is exposed to turnover due to the high number of male, young and unmarried employee in the industry. And as to the response of most employees have an intention of leaving the bank due to the above stated reasons and the work that is done whit an intention of leaving is as satisfying as a the work performed by a committed employees. This high and frequent rate of turnover has a negative effect on performance in different ways like delay in expected output, work load, times waste to guide newly hires, performance gap and the different types of costs incurred to replace an employee. This should mostly concern the HR department of the banks. The HR department should be responsible for the recruitment and selecting, training and retained employees in an organization but the attitude of most HR managers and officials in the organizations was that they did not give turnover the attention that it should be given to it since employees are the competitive advantage of an organization. Some banks have used different techniques like using exit interviews when employees request to terminate their employment contract and have made a salary increment in most organizations but still this hasn't stopped the frequent turnover in the organization.

5.3 Recommendation

The efforts exerted by some banks in the industry to reduce voluntary turnover and retain competent employees should continue. In most cases the causes of staff turnover are a combination of one or more factors. Therefore, the best solution for the problem is to identify the major causes and treating these problems to reduce it from the working environment. According to the finding and conclusion made the following are recommendations are offered by the researcher so as to strength and help the banks to minimize the level of voluntary turnover as much as possible.

1. First and foremost HR managers of the banks should give the attention to the issue of turnover. It's true that some level of turnover is healthy to the organization but when this turnover is frequent and takes away the most valuable employees of the organization it's a problem. Therefore it should be given the necessary attention and the organizations should make formal survey as to know where the problem is.
2. According to Mobley, 1982 Retention could be improved by many factors like better recruitment effort, selecting right man for the right job so in order to minimize and avoid miss match between jobs and employees. Therefore, the organization should start from hiring the right employees for the job and also after hiring; organizations should give clear and realistic job preview because this eliminates the gap between the expectation and the reality and avoids termination during the first few mounts of employment.
3. The organization should create a healthy working environment which is more attractive so that it can motivate employees. The organizations could do this by creating a good relationship between managers and employees; create an inspiring work environment: create different opportunities for learning and skill development and avoid any kind of discriminations or inequity on any grounds so as to avoid employees from being demotivated. The organization should make a change in salary scale based on the work they perform and that matches the living cost of employees; make the reward and compensation system adequate to the employees in the banking industry. The other thing is that organizations should redesign some job in the organization. Jobs should be challenging and encourage employees by giving them the chance to use the range of their skills.

4. The HR department should perform the exit interview after employees finish the procedure of termination otherwise the response they give might be very biased and in fear of getting a bad recommendation on their service. And also the organizations should use other methods like survey of ex employees and attitude survey. The HR department of the bank should use the information on exit interview. This will help the bank to realize the true reasons for the cause of their depart and the HR department should record the level of turnover rate separated from other branches so as to know which branch is subjected to high turnover and take the necessary measures. Furthermore turnover quality as opposed to turnover quantity must also be considered, high rate of turnover with low performers leaving do not have an impact on performance while that of low turnover rate with top performers, highly experienced employees leaving has a major effect on performance.
5. The banks practices should be transparent and consistent regarding retention, promotion, compensation scheme and clear and prompt responses should be given to employee's who deserve it and this should not be based on any other factor other than performance.

Moreover, to reduce the high rate of employee turnover in the banking industry, the banks should have continues follow up towards the basic reasons that force employees to leave the bank and take corrective actions towards different problems indentified. By doing so, the banks can improve their performance and assure a smooth flow of operation and increase its service. Through a detail analysis on the cases of turnover and taking corrective actions the banks can facilitate the day to day tasks and avoid avoidable costs which are related to high rate of turnover in the industry. Therefore never accept that employee turnover is predictable due to the industry or the country you are in. Any company can reduce turnover by making employment more attractive to workers. If you go through all the efforts to hire the best, make sure that you have a system in place to retain the best.

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Appendix

ADDIS ABABA UNIVERSITY SCHOOL OF GRADUATE STUDIES

MA PROGRAM IN HUMAN RESOURCE MANAGEMENT

A Questionnaire for Employees

Dear Respondents,

I am a graduate student who is currently studying for Masters of Art (MA) degree in Human Resource Management in Addis Ababa University School of Commerce. I am conducting a study entitled “The effect of Employee Turnover on organizations performance in the Banking Industry of Addis Ababa”. This questionnaire is developed in order to conduct a thesis for the award of MA in Human Resource Management so the researcher would like to seek your assistance in order to make the study successful. The study will only be used for academic purposes and certainly you are assured of the confidentiality and anonymity of your participation in the study. In case you have any question, please do not hesitate to contact me using my telephone number **0920-22-53-34** (Feruza Abdurezak) or email (**feruzab19@gmail.com**).

I look forward to receiving your reply.

Thank you very much, for your cooperation and timely response in advance.

Sincerely yours,

General Instruction

- No need of writing your name.
- Please put (✓) this sign in the appropriate box or bracket.
- For the open ended questions that demands your opinion, please try to honestly describe as per the questions on the space provided

Section 1. Personal data

1. Sex
 A. Male B. Female
2. Age
 A. 20-30 B. 31-40 C. 41-50 D. >51
3. Marital status
 A. Single B. Married C. Divorced D. Widowed
4. Educational background
 A. Diploma B. 1st Degree C. Masters D. PHD
5. Length of service
 A. <1 year B. 1-5 Years C. 5.10 years D. >10 years
6. Salary
 A. 2500-5,000 B. 5,001-7,500 C. 7501-10,000 D. >10,000

Section 2. Reasons for employee turnover

s.no	Demographic and personal characteristics	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Female employees are more loyal than men; they don't quit their job as men do.					
2	A turnover intention of younger employees is higher than older employees in the organization.					
3	Turnover intention of highly qualified employees are higher than less qualified employees					
4	Turnover intention of high level income employees are higher than low level income employees					
	Job satisfaction					
5	Most employees leave their organization because their expectation doesn't match with what they do.					
6	Job satisfaction level has a major effect to the level of					

	turnover in the organization.					
7	I am satisfied with my current job.					
	Organization and work environment					
8	The coordination between managers or supervisors with their subordinates creates an impact on employee turnover.					
9	There is a good relationship between the workers and the management in the bank.					
10	There is discrimination in the bank based on gender, race or on any other bases					
11	There is a miss match between jobs and employees in the organization.					
12	I like the working condition of my organization.					
	Salary and Reward					
13	Most employees leave their organization because of low salary in search of better salary					
14	Internal motivation lowers the chances of exit from the organization.					
15	The salary of the bank is good according to the work you are performing.					
16	Over the past two years, the management here has introduced changes in the payment system.					
17	The reward practice in the organization matches the performance of employees.					
	Job content					
18	Employees who are involving in routine work were most likely to quit their job.					
19	Complexity of job most increases of satisfaction with work and loyalty to the organization in employees who have strong growth needs that those employees who					

	have low growth need in the organization.					
20	The job that I do consists of a more routine task which is tired some and tedious					

Section 3. Effect of employee turnover

S.no	Effect of turnover on performance	<i>Strongly Agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
1.	The Bank is experiencing a high rate of employee turnover.					
2.	There is a big loss when experienced employee leaves from this bank.					
3.	There are a lot of losses or mistakes committed by new employees who are tiring to learn how to perform tasks.					
4.	There is a work load due to task shift that will be made when an employee leaves.					
5.	Different staffs spend their time helping new employees to adapt the work.					
6.	Different types of training which are costly to the organization are given to new employees.					
7	It takes longer time to hire and train new employees to the level they are fully able to perform the work with the level of the replaced employee.					
8.	Due to staff turnover there will be a performance gap in delivering the service required until the position is filled by a new employee.					
9.	In general employee turnover in this work place highly affects the performance of the organization.					
10.	The organization incur high amount of cost in order to					

	replace the leaving employees and make them fully able to perform the work at the work place.					
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Section 4. Practices to minimize turnover

S.no	Exit interview	<i>Strongly Agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
1.	The Bank gives a lot of attention to the issue of turnover					
2.	There are no exit interviews or questioners to leaving employees as to why they are leaving.					
3.	The Bank uses other methods other than exit interview to tackle the problem.					
4.	No formal survey has been conducted to know the overall effects of employee turnover on performance of the organization at the work place.					

Open ended questions

1. Have you ever thought of leaving the bank you are currently working on? If yes, please state your reasons and what changed you mind?

.....

2. From your experience in the bank, “Was there any challenge that you have faced which limited you from fully performing your job when a coworker or a team member quits? If yes, what was it?

.....

Interview

1. Do you think that there is a high rate of turnover in your organization?
2. Why do most employees leave the bank?
3. Can you list some challenges the bank has faced due to turnover related with performance?
4. To what extent does turnover affects the performance of the organization and what is your attitude towards it?
5. Does the bank use Exit interview or other methods to know the reason of turnover? If yes, how accurate are these methods.
6. What kind of techniques has the bank practiced to overcome turnover and how effective were this methods?