

Reducing Employee Turnover in Small Business

An Application of Employee Turnover Models

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Abstract—The purpose of this paper is to investigate the role of human resource management practices for employee turnover reducing in small business organizations. This investigation is based on the analysis of employee turnover models. The results of content analysis show that job and organizational factors are frequently mentioned in employee turnover models, and among these factors the issues of job content, rewards, control and trust are highlighted. Taking into account the human resource management context of small business organizations, the appropriate practices are proposed for employee turnover reducing.

Keywords—human resource management; small business; voluntary employee turnover; employee turnover model; content analysis

I. INTRODUCTION

Employee turnover reflects the employees voluntary or involuntary leaving the organization. As recent reviews of employee turnover studies show [1-3], these studies mostly are focused on voluntary employee turnover, i.e. on movement initiated by the employee. The involuntary turnover as layoffs and discharges are initiated by the employer, therefore this process is more controllable and forecastable. There are many empirical studies confirmed the negative effect of the high rate of voluntary employee turnover on organization's productivity and profitability [4, 5], workforce performance [6], instrumental communication and behavioral commitment [7], social capital [8] and organizational capital [9]. Since high rate of voluntary employee turnover has negative impact to organization's economic and social processes, the issues of employee turnover management are important for both researchers and practitioners in human resource management, organizational behavior and labor economics field.

The strategy, practices and climate of organization's human resource management have the essential impact on employee turnover. In contemporary scientific studies, the effect of human resource management on employee turnover is investigated by various ways:

- measuring the correlations between organizational performance, including the variables characterized the employee turnover, and human resource management effectiveness or human resource management systems, expressed as a set of specific practices or techniques, e.g. [10-12];

- similarly to previously mentioned but focusing directly to the connections of employee turnover with human resource management systems, e.g. [13];
- measuring the employee turnover correlations with the specific human resource management practice, e.g. [14], or with the specific technique of some practice, e.g. [15];
- presenting the results of review or meta-analysis of studies on employee turnover, e.g. [2];
- developing the employee turnover models, e.g. [16];
- discovering the non-managerial causes of employee turnover that could be avoided by the human resource management measures, e.g. [17].

Considering the abundance of employee turnover studies, nevertheless there is a lack of the narrow review of human resource management function in employee turnover models. Such review could be useful to create a framework for analyzing of human resource management impact on employee turnover in systematic way. In this regard, the following research question is posed: what practices of human resource management are viewed as essential in employee turnover models?

The next focus of author's interest is the features of human resource management to influence employee turnover in small business organizations. This theme is not sufficiently explored in academic literature. For example, the recent reviews of studies on employee turnover [2, 3] do not present details concerning the employee turnover factors dependence from the size of organization. However, it is obvious that some human resource management practices recommended as effective tools to reduce or prevent high rate of employee turnover are unusual or hardly implemented in small business. Therefore, the second research question is what practices of human resource management are applicable to influence employee turnover in small business organizations?

Consequently, the purpose of paper is to investigate the role of human resource management practices for employee turnover reducing in small business organizations. The principal tasks of this study were:

- 1) to find, review and select for further exploration employee turnover models;

- 2) to explore selected models and extract the bands of employee turnover's factors;
- 3) to identify the role of human resource management in employee turnover models;
- 4) based on the previous analysis, to propose the certain human resource management practices for employee turnover reducing in small business organizations.

The deliberate review of employee turnover models in the context mentioned above could contribute to better theoretical understanding of human resource management impact on employee turnover in small organizations.

II. PREVIOUS RESEARCH

Since the early 20th century, a lot of studies had been conducted on employee turnover in psychology, sociology, management and economics. The recent reviews of studies on employee turnover are presented by Allen et al. [1], Steel and Lounsbury [3], and Holtom et al. [2]. According to Steel and Lounsbury, there are at least 24 conceptual models of employee turnover including variations and refinements. Despite of the existence of such models variety, a few attempts were realized to compare these models in detail. The well known academic works devoted to the synthesis of employee turnover models are performed by Maertz and Campion [18], Steel and Lounsbury [3].

Currently, there are not certain reports exploring the role of human resource management in employee turnover models. Implicitly this issue is highlighted in Steel and Lounsbury's review [3], where conceptual analysis of 16 employee turnover models is presented. According to authors' opinion, all analyzed models are constructed around the same three core turnover mechanisms – attitudinal variables (job satisfaction and organizational commitment), job-search mechanisms (whether perceptual or market-based), and turnover intentions or stay-quit intentions. The similarities were also observed in the secondary mechanisms, or additional dimensions, of employee turnover models. Respectively, the authors sorted these dimensions into five broad topic areas:

- personal factors (personal traits, values, age, tenure, skill, training, professionalism, family responsibilities);
- job and organizational factors (job-related perceptions, expectations of present job, job rewards, costs of quitting, job stress, role conflict, organizational size);
- mechanisms of external and internal change (desirability of movement, expectations of future job, efforts to change situation, intra-organizational transfer possibility, promotion possibility, demotion possibility, alternative forms of withdrawal);
- consequences of quitting or staying (non-work consequences, job performance);
- decision process mechanisms (system shocks, thoughts of quitting).

The closest topic area mentioned above to human resource management practices is “job and organizational factors”. As it is seen, Steel and Lounsbury define job and organizational factors as a set of objective and subjective variables. Nevertheless, in their “integrative map of the turnover-theory concept map” the job and organizational factors are placed with strict dependence on personal factors and attitudinal variables. Such explanation of job and organizational factors function is discussable because of some personnel characteristics, e.g. skill, training, job satisfaction etc., can be controlled or influenced by purposive human resource management. In other words, there is an interaction between job or organizational factors and employee's characteristics.

Among the objective variables of job and organizational factors, was organizational size. However, this variable was observed only in two employee turnover models [3]. It could be explained not so much by ignorance of organizational size effect, but rather by anticipation of this effect in other, more proximal to employee turnover process, variables.

The concepts of human resource management are also noted in topic area “mechanisms of external and internal change” such as possibility of intra-organizational transfer, promotion or demotion. In overall, Steel and Lounsbury's description of employee turnover secondary mechanisms is quit general, and there is a necessity to conduct an in-depth analysis for accurate understanding of the role of human resource management in employee turnover models.

III. METHODS

The study was formed of three stages. In the first stage, the models of employee turnover were found, reviewed and selected for further exploration. As main sources of information on employee turnover models were peer-reviewed articles, including its references, obtained from electronic databases as *Scopus*, *EBSCOhost Web*, *Google Scholar*, *ScienceDirect*, *Springer Link*. For searching of relevant articles the keywords “employee turnover”, “personnel turnover”, “labor turnover”, “job turnover” were applied in electronic databases. The models for further exploration were selected by four criteria:

- 1) comprehension (does the conceptual description of employee turnover comprehends the whole process of employee turnover?);
- 2) level of analysis (does the conceptual description of employee turnover concentrates on the individual level of analysis?);
- 3) originality (does the conceptual description of employee turnover contains the principal novelty?);
- 4) significance for development of employee turnover research.

The articles proposed some model of employee turnover were analyzed primary in qualitative mode. To be sure about significance of each model, the ranking of corresponding articles was additionally made on the base of articles' citation data acquired from *Scopus* and *Google Scholar*.

In the second stage of study, applying content analysis method, the variables of employee turnover models were grouped into thematic bands, or categories, and the frequencies (*f*) of these categories were calculated. The scale of category occurrence was dichotomous assuming “1”, if description of employee turnover model contained at least one code of category, and “0”, if description of model has not any relevant code. The codes of categories were composed without preliminary list, but concurrently reviewing descriptions of employee turnover models. The content analysis was also applied to determine presence and frequency of the subcategories of job and organizational factors. For this procedure the created list of codes was exploited. The technique of subcategories’ frequencies calculation was similar to previously mentioned.

In the third stage of study, revealed job and organizational factors were linked with appropriate human resource management practices in small business organizations.

IV. RESULTS AND DISCUSSIONS

Based on the search results of publications, at least 50 articles, proposed some theory or model of employee turnover, were found. Evaluating these articles by four criteria, stated above, 16 employee turnover models were selected. It should be noted that the list of selected models slightly differs from Steel and Lounsbury’s list. All selected models describe voluntary turnover process, except Jackofsky’s employee turnover model [19], because it integrates involuntary turnover as well.

The analysis of employee turnover models shown that variables of these models, excluding “employee turnover”, or “quitting” and similar terms, can be grouped into ten thematic bands, or categories (Tab. I). Commonly, employee turnover is explained by employee attitude towards job (by job satisfaction or organizational commitment or by both these attitudes). In the majority of models, these attitudes towards work are linked with formation of employee intention to stay or leave. The employee attitudes towards job, in turn, are often explained as consequences of other individual factors (demographic, professional, socio-economic and psychological factors) interaction with job and organizational factors. The role of external alternatives is also accepted in employee turnover models, in which employee perceived opportunities are more emphasized than such objective variables of labor market as unemployment rate.

The content analysis of employee turnover models revealed that variables related to job and organizational factors are included as often as the employee job satisfaction (Tab. I). Both categories are the most frequent categories presented in employee turnover models. The least presented category is employee’s demographic factors. It could be explained by assumption that impact of these factors on individual decision to leave or stay is distal. For example, the more proximal factors to such decision is employee attitude towards job or work situation than employee age [23].

TABLE I. FREQUENCIES OF CATEGORIES IN EMPLOYEE TURNOVER MODELS

Employee turnover models	Organizational equilibrium theory [20]	Met expectations model [21]	Intermediate linkages model [22]	Structural model [23]	Expanded process model [24]	Multidisciplinary model [25]	Multi-route model [16]	Cusp-catastrophe model [26]	Investment model [27]	Integrated process model [19]	Labor economic model [28]	Alternative linkage model [29]	Unfolding model [30]	Job embeddedness theory [31]	Evolutionary search model [32]	Forces model [33]	Frequency	Relative frequency
Intention to leave or stay	1	1	1	1	1	0	1	0	0	1	1	1	1	1	1	1	13	0.81
Job satisfaction	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	15	0.94
Organizational commitment	0	0	0	1	0	1	1	1	1	0	0	1	1	1	1	1	10	0.63
Job search activities	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	14	0.88
Labor market	1	0	0	0	1	1	1	0	0	1	1	1	1	0	0	0	8	0.50
Job and organizational factors	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	15	0.94
Employee’s demographic factors	1	1	0	0	1	1	1	0	0	1	0	0	0	0	0	0	6	0.38
Employee’s professional factors	1	1	0	1	1	1	1	1	1	1	1	1	1	1	0	0	13	0.81
Employee’s social-economic factors	1	1	1	1	1	1	1	0	1	0	0	0	1	1	1	1	12	0.75
Employee’s psychological factors	1	1	1	1	1	1	1	0	0	1	0	1	1	1	1	1	13	0.81

Among job and organizational factors the pay, peer group interaction and supervision are the most pointed out in employee turnover models (Fig. 1). The size of organization is mentioned in four models, i.e. in 25% of cases.

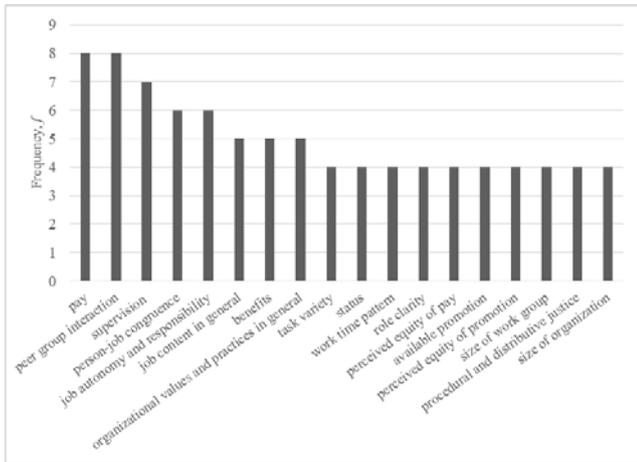


Fig. 1. The frequencies of job and organizational factors' subcategories (with *f* at least four)

The detected subcategories were consolidated into thematic groups, i.e. into higher level of subcategories:

- 1) job content (*f*=24): job content in general, person-job congruence, task variety, workload, status, job stress in general;
- 2) pay and benefits (*f*=17): pay, benefits, perceived equity of pay;
- 3) control and trust (*f*=17): supervision, job autonomy and responsibility, opportunities for participation, feedback and recognition;

- 4) work group (*f*=12): size of work group, peer group interaction;
- 5) organizational culture and climate (*f*=9): organizational values and practices in general, procedural and distributive justice;
- 6) promotion (*f*=8): available promotion, perceived equity of promotion;
- 7) job related information (*f*=7): available information about the job and organization, role clarity.

The frequencies of the rest thematic groups were lower: hardly controlled organizational variables (*f*=6), work time (*f*=4), employee expectation for keeping job (*f*=3), organizational critical events (*f*=1), and organizational reputation (*f*=1).

Summarizing the results of presented above thematic groups' analysis, it could be concluded that the greater focus is put on the adjustment of job content, rewards system and management-subordinate relationships. The improvement of peer-group interaction, the employee involvement in decision-making process, and adherence to principles of justice and fairness are also highlighted in employee turnover models.

The majority of job and organizational factors, described in employee turnover models, are realizable in small business organizations. However, there are some restrictions for ensuring the employee promotion or transfer, task variation and employment security. The restrictions covered these and other possibilities to reduce employee turnover could be determined not only and so much by small size of organization, but by insufficiency of professional expertise in human resource management. Usually, small organizations do not have human resource units or specialists, therefore the quality of human resource management is often depended on owner competencies.

TABLE II. EXAMPLES OF HUMAN RESOURCE MANAGEMENT PRACTICES FOR EMPLOYEE TURNOVER REDUCING IN SMALL BUSINESS ORGANIZATIONS

Subcategories	Examples of human resource management practices
Job content	Task assignment considering employee motivation and abilities; preventing high-level stress by workload optimization.
Pay and benefits	Clear and fair system of reward; performance or tenure related reward contingencies; competitive level of wage; fringe benefits.
Control and trust	Control practices confirming to employee's independence level; supportive supervisory style; recognition expressing; employee involvement in decision-making.
Work group	Regular collective events; constructive conflict solving; feedback about performance of firm and unit.
Organizational culture and climate	Suitable candidates selection; distributive and procedural justice keeping; clear communication; work conditions improvement.
Promotion	Employee assignment to higher position or status (if it is possible).
Job related information	Realistic job preview; new employee induction; training; clear and timely feedback on performance; regular meetings.
Work time	Holidays and vacation scheduling with respect to employee wishes; flexible work schedule.
Employee expectation for keeping job	Clear and fair rules of sanctions and dismissals; clear and timely informing about essential changes.
Organizational critical events	Clear and timely informing about organizational changes in future; employee involvement in decision-making determining their future employment.
Organizational reputation	Fair employment practices.

As results of content analysis show, the job and organizational factors of employee turnover are formulated in quit general terms that do not communicate to employer what specific practices or tools is effective to manage employee turnover. Therefore, it is necessary to operationalize these factors into specific human resource management practices (Tab. II).

To reduce employee turnover in effective way, the bundles of human resource management practices should be selected. Besides objective activities, initiating by owner or manager to reduce employee turnover, employee perception of these activities is crucial. For that reason, owners and managers should pay attention to communication with subordinates receiving their opinions and forming their understandings.

V. CONCLUSIONS

The high rate of employee turnover is costly for all organizations. The resources and methods for employee turnover reducing in small organizations differ from those in larger organizations. As critical factor in small organization's employee turnover processes is owner competencies and attitude towards subordinates.

There are few investigations on small organization's employee turnover management in academic literature. The analysis of employee turnover models allows to provide a general comprehension of human resource management impact on employee turnover in small organizations.

Factors described in employee turnover models could be grouped into ten thematic bands: employee intention to leave, job satisfaction, organizational commitment, job search activities, labor market, job and organizational factors, employee's demographic, professional, socio-economical and psychological factors. As results of content analysis show, job and organizational factors are one of the most frequent category presented in employee turnover models. These factors are often mentioned as determinants of job satisfaction.

Content analysis also revealed that among job and organizational factors the issues of job content, rewards, control and trust are highlighted. Operationalization of these factors into specific practices of human resource management could contribute to development of employee turnover theory and its practical application.

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