

## A STUDY ON THE ORGANIZATIONAL FACTORS THAT LEAD TO VOLUNTARY EMPLOYEE TURNOVER IN PRIVATE COMPANIES AND THE SATISFACTION THEY DERIVE FROM IT

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### Abstract

Employee voluntary turnover is now found to be prevalent, especially in Private companies after liberalization in our country. Organizations are found to be the cause for this voluntary turnover among employees especially in private companies. Employees too look towards other organizations for better career prospects. A study has been made to identify the cause for voluntary employee turnover in private companies and the satisfaction they derive from it. This will help the organizations to adopt themselves to the needs of the employees, as voluntary employee turnover has an adverse impact on the organization. In order to arrive at reliable results, the researcher to do this study has introduced Structured Equation Model.

Key words: Employee, Voluntary, Turnover, Structured Equation Model.

### INTRODUCTION

We live in a competitive world. Voluntary employee turnover seems to be trend of the present times especially in Private companies in India. Voluntary employee turnover (Job Hopping) takes place when an employee voluntarily chooses to resign from the organization due to more appealing job offer, staff conflict or lack of advancement opportunities. Voluntary employee turnover occurs for many different reasons. Sometimes new job attracts employees and pull them to leave the old one. In contrary, employee are also pushed to leave job due to the dissatisfaction in their present workplace or for domestic circumstances.. 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. Voluntary employee turnover can be extremely devastating for any company. It makes the employers difficult to maintain a steady and successful operation. Management should have their own rating on employees' turnover and measure how this affects the organization. When an employee leaves an organization, it can have a variety of effects that not only impact on the organization, but also the individual employee and the society. Further, employees' attitude towards life and work also plays an important role in the turnover decision. Attraction of 'higher salary' and 'higher portfolio' appears to have the strongest effect on turnover among employees. Subhendu Chakrabarti, Sumana Guha, (June, 2016) says "The perception of job hopping has changed over the past few years, now becoming common in many, especially in IT, ITES sectors. In the past, this would be something that would deter employees. But because of its frequency today, job hopping is replacing the concept of climbing the corporate ladder". Organizational factors seem to be a main cause for voluntary employee turnover. The researcher has therefore undertaken to study the organizational factors that lead to voluntary employee turnover and the satisfaction they derive from it.

### OBJECTIVES OF THE STUDY

- To identify the organizational factors that lead to voluntary employee turnover in private companies
- To find out the relationship between the number of voluntary employee turnover and the satisfaction derived from it

### LITERATURE REVIEW

Carl.P Maertz Jr, Michael A. Campion, (2004) in their paper "Profiles in quitting: integrating process and content turnover theory" has found that those who quit with no job alternative had more negative affect than users of other decision types, suggesting affect-driven, impulsive quitting. His results also suggest that process-content integration is a fruitful direction for turnover research.

Timothy M. Gardner, Chad H. Van Iddekinge, Peter W. Hom, (2016) in his study has found that "Individuals experiencing negative job attitudes tend to reduce job effort, arrive late to work, take absences, or quit the organization altogether". Thomas W. H. Ng, Marcus M. Butts, (2009) study has revealed that "when employees have low intention to stay, they may perceive their job as less satisfying and decide to leave the organization".

Sara De Gieter, Joeri Hofmans (2015) study identified three different employee types revealing a unique relationship pattern between satisfaction with financial, material and psychological rewards and turnover intentions.

Allen, Shore, and Griffeth (2003) results suggest that perceptions of supportive human resources practices (participation in decision making, fairness of rewards, and growth opportunities) contribute to the development of perceived organizational support, and perceived organizational support mediates their relationships with organizational commitment and job satisfaction. Further, perceived organizational support is negatively related to withdrawal, but the relationships are also mediated.

### **NEED FOR THE STUDY**

The rate of turnover varies from organization to organization. The high levels of turnover are normally found in private companies in India. Employees are pushed to leave their jobs due to the dissatisfaction in their present workplace. They are attracted to new jobs. Organizational factors therefore seem to be a main cause for voluntary employee turnover. But not much research has been done in identifying the cause for the organizational factors that lead to voluntary employee turnover. Further, very few studies are made on the satisfaction the employees derive from voluntary employee turnover. Hence, the researcher has proceeded to identify the organizational factors that lead to voluntary employee turnover and the satisfaction derived from it.

### **HYPOTHESIS**

Hypothesis tested by the researcher in this study is

H1: There is no significant relationship between number of voluntary employee turnover and career as an organizational factor for voluntary employee turnover.

H2: There is no significant relationship between number of voluntary employee turnover and work as an organizational factor for voluntary employee turnover.

H3: There is no significant relationship between number of voluntary employee turnover and policy as an organizational factor for voluntary employee turnover.

H4: There is no significant relationship between number of voluntary employee turnover and finance as an organizational factor for voluntary employee turnover.

H5: There is no significant relationship between number of voluntary employee turnover and satisfaction derived from it.

H6: There is no relationship between career and policy as organizational factor for voluntary employee turnover.

H7: There is no relationship between career and work as organizational factor for voluntary employee turnover.

H8: There is no relationship between career and finance as organizational factor for voluntary employee turnover.

H9: There is no relationship between finance and policy as organizational factor for voluntary employee turnover.

H10: There is no relationship between work and policy as organizational factor for voluntary employee turnover.

H11: There is no relationship between work and finance as organizational factor for voluntary employee turnover.

### **RESEARCH METHODOLOGY**

#### **Sampling design**

The sample for this research was taken from employees working in private sector in Chennai, Tamil Nadu, India. Chennai was selected for this study as it is populated city which is a hub for major industrial establishments, offices and companies from all over India and abroad. A preliminary investigation was undertaken by contacting 50 employees working in Private companies in Chennai. The questionnaire was pre-tested to confirm the suitability of the content, structure, and design of the questions and the questionnaire. After testing its reliability, the questionnaire was administered to 250 respondents working in various organizations through personal contact. Respondents were clearly explained about the objective and purpose of the research while distributing the questionnaire. After discarding questionnaires that was incomplete, 204 questionnaires were selected for the study.

#### **Questionnaire design.**

A self-administered structured questionnaire consisted of four main questions. Questions were related to the number of times a person has moved from one company to another, organizational factor that lead to voluntary employee's turnover among employees and the satisfaction got from voluntary employee's turnover. These questions were asked on a 9 point scale. SPSS 21.0 with AMON was used to do the analysis.

### **DATA ANALYSIS**

**Application of Structured Equation Model(SEM) to identify the organizational factors that lead to voluntary employee's turnover among the employees.**

To study the organizational factors that lead to voluntary employee turnover among employees, first a Measurement model and then a Path model was developed.

### Exploratory Factor analysis

Factor analysis for the organizational factors that lead to voluntary employee's turnover among employees was done using SPSS 20.0. Sixteen organizational factors that lead to voluntary employee's turnover among employees were identified from Pilot study. Factor analysis were applied using Principal Component method and Varimax (orthogonal) rotation with factor loading based on Eigen values greater than 1. Kaiser-Meyer-Olkin Statistic for measuring sampling adequacy was 0.845. This establishes the feasibility of performing factor analysis as the value of 0.6 is the suggested minimum (Sidanius, 2016). Barlett's test of Sphericity ( $\chi^2 = 1676.223$ ,  $p = 0.000$ ) was also found significant. The 16 items were subjected to Principal Component Analysis (PCA) with Varimax rotation to test the suitability of data for factor analysis. The items having factor loading less than 0.50 should be eliminated (Hair et al. 1996).

**Table 1: Factor analysis for organizational factors that lead to voluntary employee turnover**

	Component				% of Variance
	1	2	3	4	
No provision to develop skills	.828				20.628
No proper guidance	.819				
Inadequate training	.772				
Skills not matching the job	.714				
No provision for innovative work	.614				
Inadequate Grievance redressal measures		.784			40.730
Not a pleasant working environment		.715			
Heavy workload		.704			
Job Insecurity		.700			
Not recognized for work done		.681			
Improper Career advancement			.808		55.040
No scope for career growth			.633		
No well framed hierarchy			.601		
No proper organisational policy			.558		
Few/ Less benefits				.954	66.841
Low salary package				.952	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

Source: Computed

PCA revealed that these 16 Organizational factors that lead to voluntary employee's turnover among employees are grouped into 4 predominant factors with a total cumulative variance of 66.841% .

### Framing the Measurement model for organizational factors that lead to voluntary employee's turnover among employees

After having done the factor analysis, confirmatory factor analysis was done to test whether each factor fits into that particular construct. A Measurement model based on the constructs identified by exploratory factor analysis was then prepared by using SPSS Amos 18.0 software in order to test the hypothesized relationships among the constructs in the proposed model (Figure 1). This helps to determine whether relationships exist between the constructs (Eric, Daniel & Simon , 2016 a). After evaluating the fit of this Measurement model, further analyses using SPSS Amos 18.0 software was done in an effort to improve the fit using several fit indexes. To identify the most significant and meaningful modifications, modification indexes was used to improve the fit of the model and to make theoretical sense. Many factors such as 'skills not matching the job', 'inadequate grievance redressal measures', 'improper career advancement' and 'no scope for career growth' were eliminated in the model since their contribution to the model was very insignificant. A final Measurement model was derived consisting of 4 constructs named as career, work, policy and finance, which was further tested for reliability and validity as shown in Table 2.

**Table:2 Measurement Model result for organizational factors that lead to voluntary employee's turnover among employees**

Constructs	Factors	Loadings (Std. reg. weights)	P value	Validity		
				Reliability Crombach alpha	Average variance extracted(AVE)	Composite reliability
Benchmark			<0.05	>0.7	>0.5	>AVE or >0.7
Career	No provision to develop skills	.864	.000	.883	.700	2.199
	No proper Guidance	.861	.000			
	Inadequate training	.771	.000			
	No provision for innovative work	.848	.000			
Work	Unpleasant working environment	.710	.000	.807	.528	2.842
	Heavy workload,	.703	.000			
	Job insecurity,	.774	.000			
	Not recognized for work done	.719	.000			
Policy	No well framed hierarchy	.767	.000	.704	.541	1.918
	No proper organisational policy	.702	.000			
Finance	Low benefits,	.949	.000	.926	.863	1.174
	Low salary package)	.909	.000			

Source:Computed

### Inference

The above table shows the different organizational factors that lead to voluntary employee's turnover among employees under different constructs.

### Evaluation of Path diagram

In order to find the relationship between the organizational factors that lead to voluntary employee's turnover among employees and number of voluntary employee's turnover and satisfaction due to voluntary employee's turnover a Path diagram was framed. To evaluate the fit of the Path diagram, a variety of different types of fit indexes was used. Using a maximum likelihood estimation method on the Path diagram, the results signify that the model fits the data well. The outcomes of the Structured Equation Model (SEM) are presented in Table 3 along with their corresponding benchmarks (Hooper, D., Coughlan, J., Mullen, M). The fit statistics indicate that the overall fit of the model was very good.

**Table 3 Model Fit Summary**

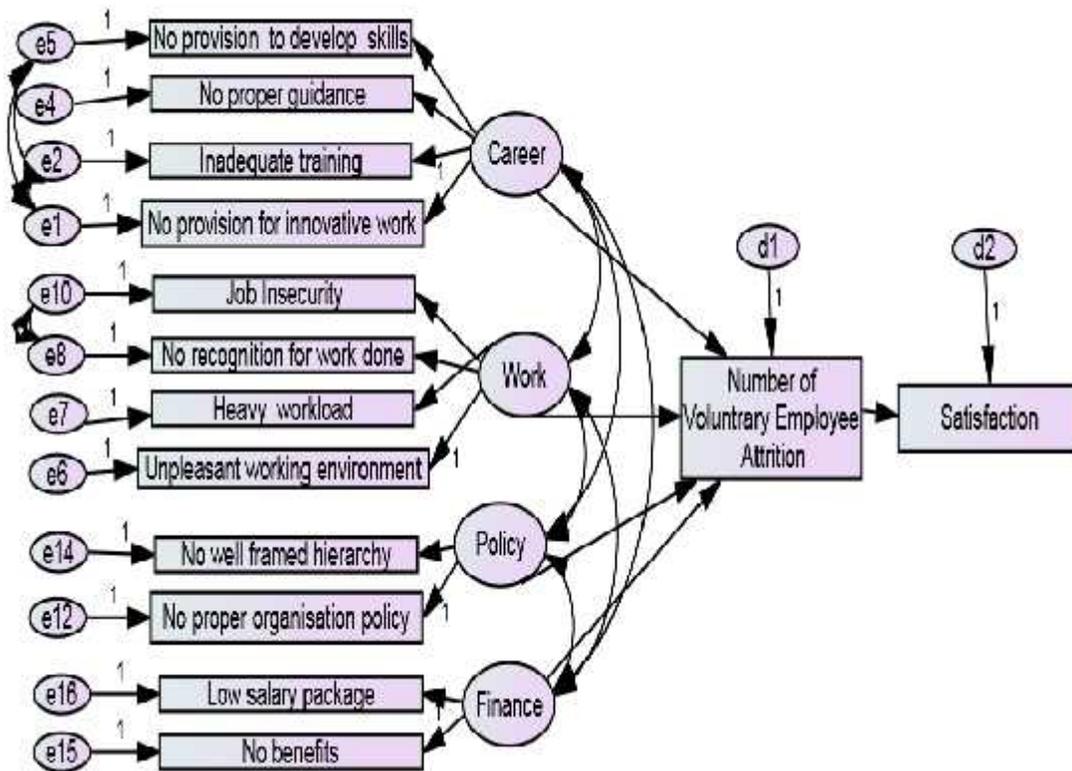
Goodness-of-fit indices	Benchmark	Value	Outcome
<b>Absolute goodness-of-fit measure</b> CMIN/degree of freedom	≤3	1.875	Good fit
<b>Absolute badness of fit measure</b> Root mean square error of approximation (RMSEA)	≤0.08	0.066	Good fit
<b>Incremental fit measure</b> Goodness-of-fit index(GFI)	≥0.90	.923	Good fit
Comparative fit index(CFI)	≥0.95	.958	Good fit
Tucker Lewis index(TLI)	≥0.90	.940	Good fit
Incremental fit index(IFI)	≥0.90	.958	Good fit
<b>Parsimony fit measure</b> Parsimony comparative of fit index(PCFI)	≥0.50	.673	Good fit
Parsimony normed of fit index(PNFI)	≥0.50	.644	Good fit

Source:Computed

All the measures indicate an acceptable fit and are within the common acceptance levels.

A graphic representation of the final structural model, which includes the standardized path coefficients is displayed in Figure-1

**Figure-1 Structured Equation Model - The path diagram with standardized parameters estimates**



SPSS Amos Graphics has specified path-diagram in Figure1, which shows the relationship between the independent variables (career, work, policy and finance) and dependent variable (number of voluntary employee employee’s turnover) and the relationship between the independent variable (number of voluntary employee employee’s turnover) and the dependent variable (satisfaction).

### 3.1.4 Analysis of the result for Organizational factors that lead to Voluntary employee’s turnover among employees

As the model is validated as shown in Table 2, and all the measures indicate an acceptable fit and exists within the common acceptance level as shown in Table 3, an examination of the regression weights estimate can be done for the structural model to establish the relationship between the independent and the dependent variables. The estimates with the largest value represent the most important dimension in terms of its influence on the dependent variable. Thus, the estimates can be used to test the hypothesis framed by the researcher in order to derive at a meaningful conclusion for the research done.

#### (a) Hypothesis Testing based on regression

After evaluating the model fit the research hypothesis was tested using the results of the Path analysis In order to approve or reject the hypothesis, P value and critical ratio was used. Critical ratio is calculated by dividing the regression weight estimate by the estimate of its standard error. If the critical ratio is larger than 1.96 for a regression weight, then that path is significant at 0.05 level or in other words the estimated path parameter is significant. Additionally P value less than 0.05 indicates a significant difference between the calculated regression weights and zero at 95% confidence limit.

#### (b) Relationship between the number of voluntary employee turnover and the organizational constructs for voluntary employee turnover.

To find the relationship between the number of voluntary employee turnover and the organizational constructs that lead to voluntary employee turnover, the following hypothesis was framed to be tested.

H1: There is no significant relationship between number of voluntary employee turnover and career as an organizational factor for voluntary employee turnover.

H2: There is no significant relationship between number of voluntary employee turnover and work as an organizational factor for voluntary employee turnover.

H3: There is no significant relationship between number of voluntary employee turnover and policy as an organizational factor for voluntary employee turnover.

H4: There is no significant relationship between number of voluntary employee turnover and finance as an organizational factor for voluntary employee turnover.

The result is shown in Table 4.

**Table 4. Regression coefficients of number of voluntary employee's turnover and the organizational constructs for voluntary employee turnover.**

	Regression Coefficient	Critical ratio (CR)	P Value	Results
Number of Voluntary employee turnover <--- Career	.023	.274	.784	H1 is supported
Number of Voluntary employee turnover <--- Work	.106	.587	.557	H2 is supported
Number of Voluntary employee turnover <--- Policy	.088	.460	.646	H3 is supported
Number of Voluntary employee turnover <--- Finance	.097	2.057	.040	H4 is not supported

**Inference**

As the P value for finance as a construct is less than 0.5, it can be concluded that the main cause for number of voluntary employees turnover is finance. Other causes for voluntary employee turnover such as career, work and policy do not contribute much towards the number of voluntary employee turnover.

**(c) Relationship between the number of voluntary employee turnover and satisfaction from voluntary employee turnover**

To study the relationship between the number of voluntary employee turnover and satisfaction from voluntary employee turnover, the following hypothesis were framed to be tested.

H5: There is no significant relationship between number of voluntary employees turnover and satisfaction derived from it. The results are shown in Table 5.

**Table 5. Regression coefficients for number of voluntary employee turnover and satisfaction from voluntary employee turnover**

	Regression Coefficient	Critical ratio (CR)	P Value	Results
Satisfaction <--- Number of voluntary employee turnover	.097	2.057	.040	H5 is not supported

**Inference**

As the P value is less than 0.5, it can be concluded that there is a significant difference between the number of voluntary employee turnover and satisfaction from voluntary employee turnover.

**(d) Organizational factors contributing to the constructs**

The organizational factors contributing to the constructs for voluntary employee turnover are studied by looking into the Standardized Regression Weights.

**Table 6. Regression coefficients of organizational factors contributing to the constructs for voluntary employee turnover.**

Factors		Constructs	Regression Coefficient
No proper guidance	<---	Career	.868
No provision to develop skills	<---	Career	.857
No provision for innovative work	<---	Career	.840
Inadequate training	<---	Career	.765
Job insecurity	<---	Work	.775
No recognition for work done	<---	Work	.719
Unpleasant working environment	<---	Work	.709
Heavy work load	<---	Work	.702
No well framed hierarchy	<---	Policy	.775
No proper organizational policy	<---	Policy	.701
Low salary package	<---	Finance	.949
No benefits	<---	Finance	.909

### Inference

Looking at Table 5, 'no proper guidance' followed by 'no provision to develop skills', 'no provision for innovative work' and 'inadequate training' are the main factors that result in career as an organizational factor construct for voluntary employee turnover. In case of work as an organizational factor construct for voluntary employee turnover it is 'job insecurity' followed by 'no recognition for work done', 'unpleasant working environment' and 'heavy work load'. In case of policy as an organizational factor construct for voluntary employee turnover it is 'no well framed hierarchy' followed by 'no proper organizational policy'. While in case of finance as an organizational factor construct for voluntary employee turnover it is 'low salary package' followed by 'no benefits'.

### (e) Hypothesis testing based on Correlation between the Constructs

To study the relationship between the Organizational factors construct for voluntary employee turnover, the following hypothesis was tested using Correlation.

H6: There is no relationship between career and policy as organizational factor for voluntary employee turnover.

H7: There is no relationship between career and work as organizational factor for voluntary employee turnover.

H8: There is no relationship between career and finance as organizational factor for voluntary employee turnover.

H9: There is no relationship between finance and policy as organizational factor for voluntary employee turnover.

H10: There is no relationship between work and policy as organizational factor for voluntary employee turnover.

H11: There is no relationship between work and finance as organizational factor for voluntary employee turnover.

**Table 6. Correlation between the organizational factors construct for voluntary employee turnover**

Organisational Factors for Voluntary Employee turnover		Organisational Factors for Voluntary Employee turnover	Estimate	P value Covariance	Result
Career	<-->	Policy	.658	***	H6 is not supported
Career	<-->	Work	.647	***	H7 is not supported
Career	<-->	Finance	.240	.002	H8 is not supported
Policy	<-->	Work	.788	***	H9 is not supported
Policy	<-->	Finance	.143	.103	H10 is supported
Work	<-->	Finance	.105	.190	H11 is supported

## Inference

From Table 6 we can conclude that there is high positive Correlation in organizational factor for voluntary employee turnover between constructs such as career and policy, career and work and policy and work. There is also low correlation in organizational factor for voluntary employee turnover between constructs such as career and finance. There is no correlation between constructs such as policy and finance and work and finance.

## 2. FINDINGS AND CONCLUSION

Voluntary employee turnover seems to be a major problem in organizations during the present era. Adequate steps should be taken to reduce voluntary employee turnover so that there will be smooth functioning in the organization. Though career, work, and policy seem to contribute towards voluntary employee turnover, the main cause for voluntary employee turnover is 'finance'. If the organizations pay reasonable salary and provide benefits, they can reduce voluntary employee turnover among the employees. The organizations should also take steps to provide proper guidance, pave way to develop skills, make provision for innovative work and provide adequate training so that 'career' as an organizational factor construct for voluntary employee turnover may be reduced. In order to reduce 'work', as an organizational factor construct for voluntary employee turnover, job security, recognition for work done, pleasant working environment and reasonable work load must be provided. Similarly, to reduce 'policy' as an organizational factor construct for voluntary employee turnover, well-framed hierarchy, and proper organizational policy has to be implemented in the organization.

There is high correlation between policy and work, career and policy, career and work, which implies that employees who are career oriented are also bothered about the organizational policies and the nature of work. Hence, organizations must look into the welfare of career-oriented employees by looking into their nature of work and the organizational policies, which will help in reducing employee voluntary employee turnover.

It is surprising to note that employees are satisfied with their decision taken towards voluntary turnover. This concludes that organizations should try to adopt means to retain efficient and skilled workers; otherwise they will lose efficient employees due to voluntary turnover.

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