A Research Study on the Reasons for High Employee Turnover Rates in a Manufacturing Facility

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A certain amount of turnover is unavoidable, but too much can ruin a company (Reh, 2014).

Background Information

- Manufacturing Facility in Middle Georgia
  - Employees-160

- 1 year

- Layoffs- Company Wide
  - Human Resource Manager – 2
  - Resigned/Terminated

- **Problem Needed to Addressed!!**

Purpose of the Study

- To discover the reasons and possible solutions to the problem of high employee turnover rates within a particular manufacturing organization located in central Georgia

Research Questions

- What are the reasons for high employee turnover rates within a particular manufacturing organization based on an evaluation of company HR documents and employees' perceptions?

- Based on employees' perceptions, how does the organization's hiring and retention process affect the reason for employee turnover?

- What incentives, from the employees' perspectives, are the most beneficial to employee retention?

Research Method

- Qualitative - WHY?? It begins without preconceptions and seeks discoveries.

- Phenomenology - to answer questions that had not been answered in the previous literature. The qualitative phenomenological approach was an appropriate strategy for this study because it provided a systematic way of looking at events, collecting data, analyzing information, and reporting the results (Moustakas, 1994).

Participants

- Total population 160 hourly and salaried employees

- 30% were chosen to participate in the study, although not all 30% were interviewed
  - Information was taken from past employees' exit interviews

- Male and Female

- 23 to 65 years of age

- Ethnic backgrounds:
  - Caucasians-19
  - African Americans-16
  - Latinos-8
  - Japanese-5

- Job descriptions:
  - HR (6)
  - Housekeeping (3)
  - Accounting (2)
  - Purchasing (3)
  - Safety (3)
  - Logistics(2)
  - Production Manager (4)
  - Supervisor (3)
  - Paint Line Employees (6)
  - Forming Line Employees (7)
  - Off Line Employees (4)
  - Sorting (6)

Data-Collection Tools

- Observation. Observed employee interaction throughout the workplace.
  - Twice a week
  - Employee Performance Review Checklist.
- Interviews. Conducted one on one interviews to establish a better relationship with each participant.
  - Open-ended questions to understand how each employee felt about working for their current employer.
- Employee Demographic Survey. To group employees into categories.
- Documents. Past exit interview forms from the HR department to locate reason for previous employee turnover from the previous 2 years

Interviews Questions

1. Think back to previous jobs. What are the three incentives or management strategies that you would identify as the most effective in persuading you to remain with the organization?

2. In your current job, what would you identify as the most beneficial incentives or strategies used by supervisors and /or organization?

3. Identify the weakest incentives that pertain to your current job.

4. If you had the opportunity to identify the incentives that you would like to have available, what incentives would you choose, and why?

5. In your own words, identify how and why the incentives that you have mentioned are important to the way you feel about a job?

6. Are there any incentives that should not be offered in your current position and why?

7. In your opinion, what are the incentives that would make this a stronger organization?

8. When you were ready to leave your last job, was there anything that the company could have offered that would have convinced you to stay?

9. Has the way any supervisor treated you been a decisive factor in leaving or staying with a job?

10. Of the most important incentives that you identified, which is the most important and why?

Theoretical Framework

- McClelland's Need Theory(1961) that focuses on three needs that are important in and to the workplace: achievement, power, and affiliation.
- Adams's Theory (Ramlall, 2004) examines how individuals look at and rate forms of exchange like salaries and recognition.
  - Establish balance
  - Perceived Fairness
- Vroom's Expectancy Theory (Ramlall, 2004) that an employee's actions are determined by what he or she hopes to receive.
- Goldratt's Theory of Constraints (Taylor, Murphy, & Price, 2006)
  - Developed for manufacturing
  - Focuses on the efficiency of all processes as a whole rather than the efficiency of any single process

Results

- Question 1 indicated that high employee turnover could be remedied either through a reduction in firings and layoffs or by incentivizing employees (because the decision to terminate employment was just as likely to be the organization's decision as the employees), improving management's treatment of employees, and offering more money to employees thinking of leaving.

- Question 2 showed that holding employees accountable for either violations of policies or for poor performance was responsible for a large number of terminations. More flexible processes for termination by the organization, increasing the supportiveness of management, and increasing salaries might be useful in reducing turnover.

- Question 3 addressed incentives, from the employees' perspectives, that are the most beneficial to employee retention. The two most valuable incentives were recognition and appreciation (such as an employee of the month program or just saying "thank you" more often) and monetary incentives (including increases in pay or increases in benefits such as retirement plans, prizes for exceptional work, cash bonuses, or holiday pay).

Imperative Findings

- One of the findings from this study was that despite the large number of employees who received acceptable performance ratings, a large percentage of terminations were employer initiated. This is consistent with the results from prior studies that have shown that in recent years, organizational terminations may be more responsible for high levels of turnover than employee-initiated terminations

- Although an increase in monetary considerations is a common method for decreasing turnover, one of the most relevant findings from this study was that many employees believed increasing support from managers and appreciation for their work would also decrease turnover

Three Primary Conclusions

- First, employee turnover presents organizations with a difficult problem because of the high costs associated with finding, hiring, and training new employees and the adverse effects on the morale of the remaining employees (Boe, 2010; Bolman & Deal, 2008; Griffeth et al., 2012; Mitchell et al., 2010; Nelson & McCann, 2010; B. Smith & Rutigliano, 2013; Taplin & Winterton, 2007).

- Second, managers and HR personnel need to increase their efforts to retain qualified and experienced employees (Dychtwald & Baxter, 2007; Gerson, 2008; Tholén & Hamberg, 2010).

- Third, additional research on employee turnover was needed to assist organizations in developing a comprehensive approach to recruiting, hiring, training, and retaining qualified employees (Bolman & Deal, 2008; Carsten, 2006; Limpanitgul et al., 2003; Song & Naimi, 2012; Tse & Lam, 2008).

Recommendations for Organizational Practice

- Recommend that managers and administrators at manufacturing facilities should proactively attempt one or more of the three avenues to decrease turnover identified in this study.
  - Reduction in firings and layoffs
  - Improving management's treatment of employees
  - Offering more money to employees
- Recommend that managers and administrators should explore ways to encourage and support employees to a greater extent because this may be the easiest and least costly way to decrease turnover.
- A quantitative study should be conducted to provide further numeric information on which of the three potential avenues for reducing turnover would be likely to have the greatest effect. The three potential avenues found in the current study were a reduction in firings and layoffs, improving management's treatment of employees, and offering more money to employees.

Limitations

- It may be the case that the results from the current study have broad or narrow generalizability.

- Therefore, the methodology and procedures from this study should be replicated in other contexts to determine the extent to which the results are specific to the manufacturing facility that was the target of this study or, conversely, are generalizable outside this facility.

- Other manufacturing facilities in Georgia and outside of Georgia as well as nonmanufacturing-oriented businesses would be likely targets for these replication studies.

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