

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND  
TECHNOLOGY,  
KUMASI, GHANA**

**ASSESSING THE EFFECTS OF HIGH EMPLOYEE TURNOVER IN  
NESTLE BUSINESS SERVICES**

By

Linda Eyram Afi Agotse (BSc. Earth Science)

THIS THESIS IS SUBMITTED TO DEPARTMENT OF  
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**CERTIFICATION**

I hereby declare that this submission is my own work towards the MSc. in Project Management and that, to the best of my knowledge, it contains no material previously published by another person, nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

**LINDA EYRAM AFI AGOTSE (PG 1144817)**

Student name (Student ID)

.....

Signature

.....

Date

**Certified by:**

**PROFESSOR BERNARD K. BAIDEN**

Supervisor

.....

Signature

.....

Date

**Certified by:**

**PROFESSOR BERNARD K. BAIDEN**

Head of Department

.....

Signature

.....

Date

## **ABSTRACT**

In contemporary labour market the issue of labour turnover and its effects on productivity has become a topic of great concern. This therefore calls for assessing the effect of employee turnover in the Nestle Business Services. Using case study design, data was collected through the use of a close-ended questionnaire from a sample of 100 staff, using the quota sampling method. The data was analysed with SPSS and Minitab and presented in percentages and simple statistical tables. The findings revealed that The Nestle Business Services have experienced steady rise in turnover from 2011 to 2017. The average turnover rate was found to be 17.58% and estimate the 2018 and 2019 to hit 19.22% and 20.24% respectively. The significant causes of employee turnover were identified as lack of retention plans or strategies; poor Employee assistant Programs; and work Load or content of employees. The critical effect of high employee turnover in the Nestle Business Services was grouped into positive and negative. The significant negative effects of employee turnover are: increase in work load; decreases organizations performance; increase cost; lowering the knowledge base of the organization; wastage of resources; and decline in work productivity. Also, the significant positive effects of employee turnover are: gaining of fresh ideas by employing new workers and also it gives employees who left the chance to upgrade themselves. It is therefore recommended that the organization should organize capacity building through training, participation in workshops, conferences and seminars to help develop the employees. It is also recommended that working relationship among employees should be improved by appreciating their effort and also paying them well

**Keywords:** Employee Turnover, Nestle Business Services

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## **DEDICATION**

This work is dedicated to all my family and friends.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

The workplace is changing dramatically and demands for the highest quality product and service is increasing. To remain competitive in the face of these pressures, employee education, training and development of the organizational workforce. Employee commitment and leadership styles are the major factors to organization success or failure (Bass et al., 2003). Allen and Myer (1990) suggest that the continued interest of organization is a result of the belief that if properly managed, employee commitment would result in benefits such as leadership effectiveness, improved employee performance, reduced turnover and absenteeism.

According to Armstrong (2012), employee turnover is the movement of employees to and from an organization. Also, Loquercio et al. (2006), defined employee turnover as “the proportion of staff leaving in a given period but prior to the anticipated end of their contract of employment”. Employee turnover can be categorized into two. These are voluntary and involuntary. Voluntary turnover happens when the employee himself/herself decides to leave an organization. In contrast to voluntary, involuntary may occur because of prolonged sickness, death, travel, or termination of contract by the employer (Amankwaa and Anku – Tsede, 2015).

The occurrence of employee turnover in the workplaces is a worldwide phenomenon and not different in West Africa and Africa in general. For example the youth employment network established that high employee turnover rates have always been a major concern a report on private sector demand for youth labour in Ghana and Senegal established that

high personnel turnover rates continue to be of a great concern to the banking sector and other financial institutions in Ghana (Nations, 2009). According to Amediku (2008), this has immense cost consequences for the banking sector.

Due to the high competition among organizations in the various sectors, it is very prudent that organizations retain their central employees to maintain, gain and retain competitive advantage. There is competition arising both locally and globally due to changes in management. Leaders have a role to play when it comes to retaining employees. This is because they have a direct relationship with them and know their abilities (Bernard, 2014).

Martin (2003) contended that in the turnover process every employee points out one reason as the cause for leaving an organization. According to Martin, salaries, job performance, career growth, job satisfaction, employee commitment, conditions of service, work environment, supervisory style, promotional opportunities, and many other factors play a significant role in managing employee turnover.

Griffeth and Hom (2001) asserted that turnover can be categorized as voluntary and involuntary.

## **1.2 Statement of the Problem**

Employee turnover is a major concern in every organization of which Nestle Business Services is not an exemption. According to Kozak and Ukah (2008), management is a very important tool that leaders in organizations need not to joke with it. The reason is that if they make good use of it, it creates a good working atmosphere among employees and increases the performance and output of the organization. Poor leadership behaviors demoralize employees and influence them to leave an organization (Amankwaa and

Anku-Tsede, (2015). Also, Vance (2006) postulates that if good leadership style is employed in an organization, it can help to save huge sums of money.

When employee turnover happens in an organization, remaining employees are forced to make full the emptiness. This leads to an increase in the stress levels and frustration which results in more turnovers. Employees that are left turn to do multiple tasks because of those who left. During periods of high turnover, the job delivery normally suffers because new employees must go through a series of training to be able to perform.

There are many reasons that lead to high employee turnover in an organization. High employee turnover is mostly associated with the employees' age, gender, the maturity level of employees, the working environment, leadership styles and many others. According to Ma et al (2009) if an employee leaves an organization it affects the work delivery and the organization in various ways. Leaders must learn to find out why employees leave their organization.

The turnover rate for the past seven years at Nestle Business Services is alarming. As a result, the remaining employees do more than they are supposed to do which possibly can lead to further turnover. Therefore, this study intended to resolve this problem by assessing the effect of employee turnover at the Nestle Business Services.

### **1.3 Research Questions**

The study sought to answer the following questions;

1. What is the turnover rate of Nestle Business Services?
2. What critical causes high employee turnover in Nestle Business Services?
3. What are the critical effects of high employee turnover in Nestle Business Services?

#### **1.4 Aim of the Study**

The aim of this study is to assess the effect of employee turnover in the Nestle Business Services.

#### **1.5 Objectives of the study**

The specific objectives of this study are:

1. To determine the turnover rate at Nestle Business Services.
2. To identify the significant causes of high employee turnover in Nestle Business Services.
3. To identify the critical effects of high employee turnover in Nestle Business Services.

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

The research is important because the basis and findings would be useful for future researchers, students and academicians who would be looking into the effects of the different leadership styles on employee turnover. Again, NBS will be in a better position to use the findings of this research to develop leadership programs that would help leaders acquire relevant leadership skills for effective management to attract and retain quality and loyal employees in the institution.

#### **1.7. Research Method and Design**

A quantitative survey approach was adopted for this research. Close ended structured questions were collated into a questionnaire and this was used to collect the required data. The questionnaire was designed to illustrate answers to the aim of the research. To achieve the research aim, the following objectives were set as follows: objective one; to determine the turnover rate at Nestle Business Services (NBS). This was resolved from

analyzing secondary data which was obtained from NBS Human Resources Department. Objective two; to identify the significant causes of high employee turnover in Nestle Business Services. This was achieved from section B of the questionnaire. Respondents were asked to indicate whether they agreed or not to some listed factors which had been proven to cause employee turnover. Objective three; to identify the critical effects of high employee turnover in Nestle Business Services, this was also achieved from section C of the questionnaire where respondents were asked to state whether they agreed to a set of effects which were grouped into negative and positive effects.

### **1.8 Organization of the Study**

This work was organized into five chapters. Chapter one was concerned with the general introduction of the study. This included the background, a statement of the research problem, objectives, significance and limitation of the study.

The Chapter two reviews literature related to the study. Here, various definitions from different scholars and writers were assessed.

Chapter three follows with the methodology. This entails the technique for data collection, data collection instrument or tool, population and sampling and data analysis.

Chapter four presents the analysis from the study. Chapter five presents a summary of the results, discussion and conclusion of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents existing literature and concepts relating to this study. It commences with the concept of turnover behavior, effects of turnover and the concept of leadership style. Additionally, effects of leadership style, employee turnover and the relationship between leadership style and employee turnover will be examined.

#### **2.2 Concepts of Employee Turnover**

There are countless definitions of turnover. Armstrong (2012) defines employees' turnover as the rate at which employees leave an organization. Adam et al. (2012) mentioned that in the turnover process every employee states at least one reason. Employee remuneration and conditions of service, job performance, career growth or advancement, work environment, job satisfaction, supervisory or leadership style, promotional or career advancement opportunities, commitment and other factors play a significant role in influencing employee turnover.

Employee turnover is usually caused because of a number of push and pull factors that come into play during the course of employment relationship. As said by Adam et al, (2012) "in the turnover process everyone usually points out one factor for their turnover choice, but there are always more factors that works as push-cart or driving force for turnover intentions".

Employee turnover is common globally. The story in our part of the world is no different. An example is, a report on private sector demand for a youthful workforce in Ghana and Senegal from the 'youth employment network' established that high employee turnover

rates have always been a major concern in the banking sector and other financial services in Ghana (Nations, 2009). A study conducted by Amediku (2008) on employment and labour cost in Ghanaian banking sector indicated that employee turnover has a great cost consequence for the sector. Although the term turnover intention has been accepted as a proxy construct for measuring actual turnover, it is still necessary to tell the difference between these two constructs to ensure a better appreciation of the terms. Loquercio et al, (2006) said that the turnover can be explained as the proportion of employees exiting at a point in time but before the expected contract ends. Turnover can be voluntary or involuntary. Voluntary turnover refers to the number of employee turnover that occurs due to the decision of employees to resign from their positions and voluntarily leave their employers. This is the opposite situation in terms of involuntary turnover, this Involuntary turnover may be due to long term illness, death or the demise of an employee, travel or it could also be initiated by the employer. Voluntary turnover lays emphasis on situations in which employees decide to resign for various reasons rather than their appointment being terminated at the discretion of an employer. As indicated by Vance (2006), employee turnover should never be underestimated considering the cost organizations incur as a result.

Najm (2010) nonetheless, proposes that employee turnover might be significantly reduced if the leadership of these organizations meets the expectations of employees in terms of quality of leadership. Even though a substantial number of these researches or studies established a negative relationship between leadership styles and employee turnover, there is not much in literature to imply how the relationship can be changed, for the better or negatively, by alternative job opportunity given the rate of unemployment (12.5%) in Ghana. Existing literature has indicated turnover intention as a major concern

for organizations. For example, Kumar et al. (2012) contended that turnover causes organizations to lose sales due to the amounts involved in recruiting and selecting new employees including the cost of training the new employees to acquire the required skills and know-how. This statement is like the assertions of several authors in the turnover literature (Vance, 2006) and this indicates the critical implication that turnover has on organizations.

Turnover rates for employees can be measured and compared over time and across companies using what is commonly referred to as the employee turnover index.

### **2.3 Types of Employee Turnover**

According to Mullins (2005), employee turnover can also be perceived in terms of positive and negative impacts. Negative employee turnover reveals the financial hardship of an organization as the organization gradually reduces in size to minimize cost, meanwhile, positive turnover results in the creation of jobs as a company or organization expands. Positive turnover usually happens in a discrete manner (Swanepoel et al., 2003). This type of turnover involves private discussions to inform personnel of their job advancements, salary increments and extra duties. These discussions are kept private to ensure confidentiality so as to manage the frustrations of the staff who have not been promoted. As said by Steers (2002), negative staff turnover normally occurs in masses in the corporate world. Bittel and Newstom (2002) however noticed that the system was in a such a way that while employees are losing confidence and their morale in the organization, investors and owners are regaining confidence and assurance as their primary concern is the bottom line of the company or organization. No matter the type of

turnover, an organization will suffer some consequences by shifting personnel. (McConnel, 2004).

It is advisable to plan all employee advancements and redundancies carefully to minimize the impact on daily output. Productivity will take a plunge when new recruits are taken through training to get to be able to do the job and also as newly promoted employees learn about their new roles during handing overs. If staff turnover is not managed properly, an employer can begin to notice lower confidence among employees from senior management to the least on the employees' ladder. (Mathis and Jackson, 2007). Cohen (2000) also stated that an organization that earns a reputation for turning staff over often will not be attractive to entry-level employees as well as executives. According to (Kreitner and Kinicki, 2007), the process of employee turnover, depending on the depth of the turnover may take a year to be completed and usually begins with deliberations by the members of the board and senior management concerning the needed changes to be made. Hamermesh (2001) states that organizations experiencing the effects of negative employee turnover need to give adequate notice to employees, conduct exit interviews and ensure that their duties are properly handed over or distributed to other employees.

#### **2.4 Causes of Employee Turnover**

Employee turnover is a much-studied phenomenon. There is a vast literature on the causes of voluntary employee turnover dating back to the 1950s. Moyinham and Pandey (2008) have shown that the scope or range of factors that influence turnover intentions in organizations can be grouped into three different categories.

a) External environmental factors

This is a situation where economic conditions are responsible for motivating and influencing employee turnover on the labour market.

b) Individual factors

When we talk of individual factors, we are looking at factors that are related to the employee specifically that influence their turnover intentions and cause them to take such decisions as desiring to leave an organization. These factors could range from the age, length of service with an organization, gender, race or ethnicity, family responsibilities, education, personality and other personal considerations.

c) Organizational factors

These are the organizational policies and practices such as avenues for career progression, supportive management, human resources policies that address issues that matter to the employees, the corporate culture etc.

#### ***2.4.1 Lack of retention strategies***

Philips et al (2003) put forward a recommendation on giving special priority to providing avenues for development targeted at building competencies, knowledge and capabilities of employees. He believes, there should be avenues for career progression and advancement in the organization to motivate employees' retention. Based on this, it is realized that employees may only stay with an organization that provides them with opportunities for learning, growth and development. As Smith (2001) clearly states: "Make no mistake about it: all organizations will do a better retention job by spending more resources on training and development. A business that provides education and training will be more competitive and productive and will win the loyalty of its

workforce”. Whether or not retention is an important subject to an organization, well-honed training programs are becoming very important to the continued existence of most contemporary organizations, and this is because of training and development being ardently embraced as key factors to good retention. This has gotten to the level where operational standards such as “The Learning Organization” or the “Knowledge-Based Organization” remain stakeholders in the modern corporate world; training is only likely to become more significant. Meyer et al (2003) suggests that employee growth which includes training and learning but is also related to socialization in the organization adds to retention by building commitment through a show of support, providing employees with the means to deal with stress related job demands and change, serving as an enticement to stay and creating a culture of caring.

#### ***2.4.2 Lack of training and career development***

Martin, (2003) noticed an intricate affiliation between turnover and training. He recommended that establishments that enhance the skills of current employees have lower turnover rates. This means that if staff are not trained appropriately and given career growth, they are likely to leave the organization. On the other hand, turnover is likely to increase when employees are trained and have multiple skills, since this would open them up to many prospects elsewhere. Martin, (2003) observed in his work that the link between lower turnover and training has revealed that off-the job training is associated with high turnover rates seemingly as this type of training conveys more general skills.

Remuneration is vital, but it is not the only reason people leave, in a situation where there is no avenue for growth and progression they will quit. According to a Gallup poll, 32%

cited lack of career advancement opportunities as one of the major motives for exiting. Employees want to grow jobwise, acquiring more skills and progressing up the professional hence ensure there are training programs in place and opportunities for progression (Jones, 2018).

### ***2.4.3 Quality of supervision and Leadership***

The nature of supervision at the workplace has implications on employee turnover. According to Debrah (1993) a supervisor with poor interpersonal skills and who is also inflexible very quickly drives employees away. Various findings clearly demonstrate an area of opportunity for the company to provide support and trainings to their managers to better manage their work force. Lindgren and Togero (1997) outline some reasons employees resign from their positions.

- Retirement
- Down-sizing
- Diverse attractive options
- Changed necessities
- Sudden disappointments
- Job structure

Retirement is unavoidable as it is a requirement by nature and knowledge is lost unless the organization decides and can retain the knowledge in some depository to ensure business continuity. Every organization's stories are often passed on from generation to generation through story telling by the company's veterans. Also, employees may leave because of down-sizing. Re-engineering of business processes and other attempts restructure organizations have caused many organizations to lay off employees. An

advance in technology through the introduction and the use of information systems has given employees easy access to senior management hence rendering middle management redundant. This may be a problem as these people often have the necessary know-how about past occurrences and how to pull people together. Another reason employee leave is due to the attractive appearances of other opportunities. This attraction can be because of the better benefits and remuneration or a much better corporate culture. Often, it is the highly competent and most socially able people who leave, usually to a competitor. As employees grow, they experience dynamism just like the organization. Certain times the job requirements change from what was originally needed. If the employees do not find their work challenging, they are likely to feel bored and resign. According to Rampur (2009) the most prevalent reasons why employees leave organizations is the salary scale because employees are usually constantly searching for greener pastures in terms of well-paying jobs. Desperation may cause individuals to settle for the first one that comes along to carry them through while searching for better opportunities. Poor performance appraisals also result in employees leaving an organization. A lower salary is a good reason an employee may be performing poorly (Rampur, 2009).

#### **2.4.4 Lack of recognition/reward**

Employees like to know their work matters and is contributing to achieve the organizations overall goal and hence has a purpose. Don't underestimate the power of saying thank you. A simple recognition of an employee's effort can influence employee retention. This recognition of effort doesn't necessarily have to be expensive, it could range from getting managers to say thank you, offering monthly rewards or even a shout out on social media when they go above and beyond can all foster a better and more

attractive working atmosphere (Jones 2018). Smith (2009) said that everyone wants to be recognized and rewarded for a good job done. This is human nature. Recognition does not have to be in the form of money being paid. Appreciation is the most effective form of recognition. Recognizing employees is not only just a nice thing to do but also an effective way to communicate appreciation for positive effort while reinforcing those actions and behaviors.

According to Robbins (2003), all employees from top to bottom want to be recognized for their accomplishments on the job. Their achievements do not have to be monumental before they are worthy of recognition, but the compliment must be genuine. Steers (2002) mentioned that one principle Steers (2002) mentioned that one principle inherent in Herzberg's theory (1959) is that most individuals sincerely want to do a good job. To assist them do this, they must be assigned roles that highly utilize their talents as well as areas where they are set up not to fail (Mathis and Jackson, 2007).

Precise, feasible goals and standards should be set for each role and must be made known to employees. Employees should also on a regular basis be given timely feedback on their performance and be made to feel they are being challenged without being overburdened with many challenges. Employees should not be overloaded with challenges that are not easily resolvable. (Tyani, 2001).

#### **2.4.5 Individual Employee**

There are factors peculiar to an employee as an individual that can influence turnover. These consist of both personal and traits-based factors. According to Robbins and Decenzo (2001), personal factors include concerns such as changes in family situations, an aspiration to learn a new skill or trade or an unsolicited job offer. Also, there are

character traits such as larceny, substance or drug abuse, malingering, lazing or vandalism resulting in destruction of property (Page, 2001).

#### **2.4.6 Poor Employee Assistance Programme (EAP)**

According to Russel and Bvuma (2001) every organization has managers who manage the day to day running of the business. How will managers ever know the problems and grievances of their team members and the way they feel if they only talk to them to follow up on duties they have assigned them? Managers only notice employees who have a decline in their performance and sometimes do not realize that the performance is on a decline due to some social problems or they just want the work to be done, they don't care how it is done, if the cause of the decline is not work related. Employees are likely to leave an organization when they feel that the organization does not help in the form of counseling or financial assistance when they encounter social problems (Erasmus, *et al.*, 2003).

EAP's introduction into many organizations is vital as troubled employees can get in-house assistance which would help them cope with problems that have a negative impact on their performance and affect service delivery. EAP is an intervention which was first introduced as a result of alcohol abuse; it however now encompasses a range of other psychosocial issues. Assistance in the form of therapy, rehabilitation and counseling are offered to affected staff as well as other personal issues that result in stress and depression in individuals (Ichniowski, 2004). As said by Russel and Bvuma (2001) organizations that care for their employees become productive in comparison to those who do not show any empathy because they do not experience a high staff turnover rate. Russell and Bvuma (2001) state that organizations that take care of their employee

become productive compared to those who do not care because they do not experience a high staff turnover rate.

Mullins (2001) states that mentoring in the work place is a necessity, to assist employees with their social problems. These problems range from divorce proceedings or losing their loved ones, alcohol addiction and dealing with terminal diseases like aids and cancer. Depression caused by divorce, illness and death of a family member can be so acute that an employee dies (Carrel *et al.*, 2000).

#### **2.4.7 Low or the absence of employee engagement or involvement.**

One of the causes of a high employee turnover can be attributed to the lack of employee involvement (Erasmus *et al.*, 2003). Organizations that involve their employees while effecting certain changes or making decisions which directly affect them are least likely to oppose these decisions when they are made. When employees are sidelined and not included they feel betrayed. Generally, when they are told about a change which is likely to affect their roles or positions or their ways of working, without being involved beforehand, there is a high probability that they will resist (Hopkins, 2005)

According to Harrison and Kessels (2004) one of the human resource functions is to yield an added value by producing and implementing policies that could complement salary conditions to the re-engagement and reorganization of people and to the team building and multiskilling atmosphere. Not all senior managers can envisage upcoming issues and resolve them daily. Mathis and Jackson (2007) studied several concepts related to employee engagement and why organizations that involve employees are more efficient than organizations with vertical structures. Ichniowski (2004) separates these theories into basic groups;

- Those with emphasis on the effort and motivation of workers suggest that people work harder.
- Those that focus on changes in the structure of organizations are most likely to stay as it results in an increase in productivity.

Mullins (2001) states that enablement appear to have a thorough effect on the way people work. Grobler et al. (2002) describes an improved job satisfaction and the changing attitude of staff arising from the introduction of empowerment. An organization can only perform at its best if employees are committed to the corporate objectives and perform their duties as an effective team member.

#### **2.4.8 Work Content**

Nel et al. (2004) stated that the amount of work that is performed by an employee at any given point in time can be defined as work content. Mouton (2001) states that quantitative overload involves having excess duties assigned to an employee at a point in time. This has been found to be associated with stress related ailments such as coronary heart disease and ultimately staff turnover. Qualitative overload however involves work that is too challenging (Page, 2001). In the context of voluntary staff turnover, when the employee compares the quantity of work to be done to the remuneration and benefits which may be observed to be lower than the amount of work done, work overload may then influence employee turnover intention (George and Jones, 2002). Habeck et al. (2000) stated that work content at the organization is shared among the team and each team comprises of team leaders and these team leaders give each team member a quota to work on.

According to Smit and de Cronje (2003), if a job is complex or boring, physically demanding and tiring and does not promote something valued by the employee, the employee becomes dissatisfied and may eventually leave the job. Job design provides the specifications of the tasks that constitute a job for an employee or a group of employees. Job design defines the way a job will be performed and the tasks that will be needed in a given job (Grobler et al., 2002). According to Heizer and Render (2006), there are four features of a job that can motivate employees through the structure of the work. These are:

- A job that requires the employee to utilize a variety of skills and talents;
- A job that is wholistic and allows employees to perceive the job from beginning to end;
- A job that provides freedom and autonomy independence and direction
- Feedback, giving precise, timely information about performance.

These core job dimensions determine whether the employee experiences meaningfulness of the work done and responsibility for the outcomes of the job and knowledge of the actual results of the work activities. If these psychological states are fulfilled, the employees will experience motivation, job satisfaction, improved productivity and work effectiveness (Bittel and Newstrom, 2002). Tasks and roles in job profiles are outlined by key performance indicators. The job profiles are a challenge because employees of different categories in the organization have identified that there is an overlap of key performance indicators. According to Harrison and Kessels (2004), employees quit their jobs because of roles and responsibilities that put physical strain and effort on them or may be due to roles and responsibilities that puts physical strain and exertion on them or may be due to roles and tasks that are not properly spelled out.

**Table 2.1 Summary of Causes of Employee Turnover.**

<b>No</b>	<b>Causes of Employee Turnover</b>	<b>Source</b>
<b>1.</b>	Lack of retention strategies	Philips et. al (2003), Meyer (2003)
<b>2.</b>	Lack of training and career development	Martin (2003), Jones (2018)
<b>3.</b>	Quality of supervision and Leadership	Debrah (1993),
<b>4.</b>	Lack of recognition or rewards	Jones (2018), Smith (2009), Robbins (2003)
<b>5.</b>	Individual employee factors	Robbins and Decenzo (2001), Page (2001)
<b>6.</b>	Poor Employee assistance Programme	Russell and Byuma (2001), Ichniowski (2004), Mullins (2001)
<b>7.</b>	Lack of Staff Involvement	Erasmus et al. (2003), Mathis and Jackson (2007)
<b>8.</b>	Work content	Mouton (2001), Smit and de Cronje (2003), Harrison and Kessels

### **2.5 Effects of Turnover**

Employee turnover has diverse effects on the organizations. According to Amediku (2008), there are many cost implications on employee turnover in the banking sector of Ghana. He continued to elaborate on the three main negative effects and their implication on the organizational cost. He also considered why talented staffs or employees can just leave an organization and the effect of employees' morale towards their work. Employee

turnover causes organizations to spend the little resources in terms of money and time to find new people to replace those that have left in order to cut the organization moving. According to Hinkin and Tracey (2000), most organizations spend greater portion of their budget to recruit and train new people to replace those that have left (Hinkin and Tracey, 2000).

As a result of turnover, organizations have to incur both direct and indirect cost to replace workers. According to Ali (2009), increase in turnover brings financial burden to the organization. As a result, other organizational daily operations are not met. This leads to stress and low productivity. Sometimes, turnover leads to increase in the workload of those who are left since they must fill in the gap that has been created. According to Gustafson (2002), turnover comprises costs such as lost productivity, lost sales and management's time. There is loss of intellectual capital to the already incurred cost. This is because it is not only the human capital and relational capital that organizations lose when employees exit, but also their competitors perhaps are potential benefactors of these assets. Therefore, it is important to bear in mind that that when turnover occurs it can have social and psychological effects on the organization.

### **2.5.1 Negative Effects of Turnover**

When employees that are poor in terms of productivity leave an organization, it boosts the morale of the work place for those who are left to put in their best. On the other hand, when unexpected employees leave an organization, it becomes a pain and a big blow to the organization. Because of this, employee turnover is seen as bad for organizations. According to Kokemuller (2017), when there are high turnover rates in an organization, it

is evident that the organization is doing a bad work in choosing the right people for the work and hence they are failing to provide the right atmosphere for employees.

#### **2.5.1.1 Decreased Performance**

One major negative effect of turnover is the decrease of performance of the organization. In the December 2007 Harvard Business School article "Managing the Impact of Employee Turnover on Performance: The Role of Process Conformance," the authors used a 4-year study conducted in a large United States retail chain which showed that turnover affects the profit margin and customer service. As a result, unexperienced workers are not likely to sell higher value solutions and deliver high service.

#### **2.5.1.2 Unfulfilled Daily Functions**

Most of the negative effects of turnover considers the performance quality of the organization, but the "Encyclopedia of Business" points out that organizations that have high turnover rates may find it very difficult to fulfil their daily itinerary. It went ahead to cite an example that, if it takes 10 workers to complete a given work in a given day, it will be very difficult to complete the work of these 10 people if the organization has only seven workers available.

#### **2.5.1.3 Costs**

Literature has shown that turnover affects the organizational effectiveness, and this has serious implications for the bottom line of businesses. The impact of employee turnover is most at time indicated in terms of money. According Vance (2006), the giant multi-national construction equipment manufacturer, Caterpillar saved almost \$9 million in turnover costs alone at one of its European based plants. Cost is one of the most explained negative effects of high turnover. Anytime employees leave an organization,

they are mostly replaced, and this comes with its associated cost. This cost involves the money spent in recruitment and training of new employees. According to the Rain Maker Group, it can cost about one-half of an unskilled worker's salary to replace a lost employee. To replace a highly technical or skilled professional employee or managers can cost as much as three to five times the annual salary. Aside this, there are other cost associated with training and exit interviews.

Also, Reynolds (2017), asserted that the cost of employee turnover differs from one organization to the other. He continued to cite that it can cost as high as £30,000 per employee to get a new worker to recruit and train to add up. This figure may be significantly higher to higher positions but for lower levels, the figure may be way lower. Assuming an employee leaves and he/she is to be replaced, just imagine what will go into the cost of resignation, recruitment, temporary staffing, onboarding and Productivity.

Kumar et al (2012); established that employee turnover causes organizations to lose due to the amount connected in recruiting and selecting new employees not alienated the cost of training the new employee to obtain the needed skills and expertise. John (2000) argued that, in addition to replacement costs, the output would be affected to some extent or output would be maintained at the cost of overtime payment.

#### **2.5.1.4 Team Dynamics**

Frequent changing of employees weakens the team dynamics. This is so because it has to take a lot of time to build relationship among employees. When employees are in a team, they work well. The moment a member of the team leaves, connection is broken and it slows down their movement. The personality and work ethic of the new employee may

vary significantly from the previous employee. High turnover can hurt the overall morale of employees (Frost, S.).

#### **2.5.1.5 Lowers Knowledge Base**

In organizations, the more employees leave, the more the knowledge based is weakened. That is, the level of experience required in the organization reduces though we can replace the employee with more a more qualified person but might not have the experience as possessed by the one that has left. The "Business Link" website showed that the more valuable the positions being turned over are to the organization, the more effect employee turnover will have on current and future performance of the organization (Business Link: Control Staff Turnover).

#### **2.5.1.6 Continuity of service**

The service continuity of an organization is mostly affected by high employee turnover rate. This becomes more serious when the organization depends largely on the relationship with customers or clients. For instance, regular customers will find it difficult building a strong relationship with employee since they often see new faces every now and then. Consistent relationships with clients help build a stronger loyalty to your company. (Missouri Small Business and Technology Development Centers).

#### **2.5.1.7 Time**

Aside the high cost associated with employee turnover, organizations are also affected by time. Management must spend a lot of time to conduct exit interviews. Apart from that, they need time to advertise the job opportunity created because of turnover. They must find time to recruit new people and train them to replace the exited ones. The new

employee may take several months to fully learn the job and achieve competency in the position (Frost, S).

#### **2.5.1.8 Increase Work Load**

Nel et al. (2004) defines work load as an employee work to perform at any given time. When employees leave an organization, the workload of that employee falls on the remaining employees hence increasing their workload. According to Mathis and Jackson (2007), high employee turnover leads to extra workload for the remaining employees. When employee turnover happens in an organization, remaining employees are forced to make full the emptiness. This leads to an increase in the stress levels and frustration which results in more turnovers. Employees that are left turn to do multiple tasks as a result of those who left.

#### **2.5.1.9 Increase Customers complaints**

High employee turnover leads to increase in customer complaints (Nel et al. 2004). Customers will always complain when the quality of service changes. Changes in the quality of service may be because of shortage of staff or employees. Again, when new employees are recruited, it will take a lot of time for them to get use to the terms and proceedings of the organization. As a result, they may provide services that are sub-standard as compared to the previous employees who have left.

According to Gardner (2009), employee turnover may have adverse implication on the service delivery of organizations. As a result, customers are irritated and hence increases complaints.

#### **2.5.1.10 Increase Internal Conflict**

Another negative effect of high employee turnover is the impact it has on the socialization of groups; this results in generating internal conflicts. When Staff turnover occurs, the remaining employees are forced to know the cause for the departure and leads to generating internal conflict between other employees and immediate supervisors and bosses. Again, the interpersonal bond that exists between employees breaks down due to break in communication. According to Swanepoel et al. (2003), a highly satisfied workforce is far more capable of meeting organizational goals and customer needs than an apathetic and uninspired one. Tyani (2001) states that cost is not only financial but must also be measured by the damage to staff morale and deficits in meeting community demand.

**Table 2.2 Summary of Negative effects of employee turnover**

<b>No.</b>	<b>Negative effect of employee turnover</b>	<b>Source</b>
<b>1</b>	Decrease performance	Harvard Business School (2007),
<b>2</b>	Unfulfilled daily functions	Encyclopedia of Business (2nd Ed.)
<b>3</b>	Cost	Tziner and Birati (1996), Reynolds (2017), Kumar et al (2012), Porter (2011)
<b>4</b>	Team dynamics	Frost, Shelley. "Problems of High Turnover Rates".
<b>5</b>	Lowers knowledge base	Business Link: Control Staff Turnover
<b>6</b>	Continuity of service	Missouri Small Business and Technology Development Centers
<b>7</b>	Time	Frost, Shelley. "Problems of High Turnover Rates"
<b>8</b>	Increase work load	Mathis and Jackson (2007) Nel <i>et al.</i> (2004).
<b>9</b>	Increase Customers complaints	Nel et al. (2004)
<b>10</b>	Increases Internal conflict	Swanepoel et al, (2003), Neo et al, (2006), Tyani (2001).

### **2.5.2 Positive Effects of Turnover**

Employee turnover typically has a negative implication, mainly due to the possibly high costs associated with replacing an employee who has left. On the other hand, almost 25 percent of turnover can actually be considered desirable, according to Ere.com. There are

many instances where the advantages of a worker leaving can outweigh the disadvantages (Kokemuller, 2017). Even though the loss of good employees and paying to hire, induct and train replacements are problems. The task for human resources personnel and managers is to avoid losing high performing employees and reduce hiring poor performing workers.

#### **2.5.2.1 Addition by subtraction**

This is a classic situation of good riddance to bad rubbish. If employee turnover means losing an individual who is a “bad actor,” the effect can be useful to your organization. In smaller organizations even one employee who persistently whines, gossips or doesn’t put in effort can have a negative impact on the organizations’ morale. For the remaining workers, when this particular employee leaves it is like a breath of fresh air. For the owner of the business, it means not having to deal with the nuisances that employee caused (Kokemuller, 2017).

#### **2.5.2.2 Acquiring New Ideas**

Employee turnover can also be advantageous if it means replacing an old hand who is stuck in their ways with a fresh employee who brings on a new idea. An old employee who was simply going through the motions or had been biding her time until retirement may have contributed little to the growth of the organization. Replacing such an employee with a fresh mind may also give you access to a mind filled with new ideas and an inventive way of thinking. One of the more evident advantages of turnover occurs when a problematic or low-performing staff quits and is replaced by a high performer. In certain instances, managers recognize poor performers and encourage them to resign at some point. On other occasions too, managers may not even realize an employee is

under-performing until the employee leaves. A replacement may come in and immediately achieve better results (Harvard Business School, 2007)

### **2.5.2.3 Avoiding Painful Decisions**

An insightful employee may see the handwriting on the wall if the organization is experiencing some crisis of some sort and decide to leave before he has to be laid off. If the employee was paid well but didn't necessarily make a contribution worthy of his salary, you also have the option of replacing him with a new hire at a lower salary to reduce cost (Kokemuller, 2017).

### **2.5.2.4 Improving Diversity**

Employee turnover presents the opportunity to create a more diverse working environment. An exit or various exits can pave the way to make such changes. For instance, if you have a predominantly Christian workforce, consider hiring Muslims to replace those who have left. You can also look at gender or ethnicity or nationality. Depending on the personalities and tolerance level of your current workforce, you may have to first provide some diversity training or awareness to make the transition as smooth as possible for all parties (Reynolds, 2017).

### **2.5.2.5 Morale**

Detached employees sap the enthusiasm, passion, energy and hence productivity of an organization. When such employees exit the organization, employee morale or assurance is regained and restored. When employees who are performing at marginal levels exit the organization, it inspires the rest of the employees and restores the organization to a team-oriented atmosphere where everyone is focused, driven and interested in doing a good

job. The stress placed on an organization by managing employees whose presence affects the entire workforce is lifted when those employees are separated from the organization (Mayhew Ruth).

#### **2.5.2.6 Removal of Negative Influence**

Turnover of team leaders or influential employees with destructive outlooks is also advantageous. These individuals could be the causes of the loss of some high performers in the organization. Companies may have high employee turnover and not realize until exit interviews that one manager or team lead contributes many of the challenges. A surly or impolite manager can cause good employees to leave without necessarily having to say so. In addition, a self-confident and involved employee in a department may cause fellow employees to search for other opportunities if he is hard to work with (Mullins, 2001).

#### **2.5.2.7 Salary Reduction**

Organizations sometimes use layoffs of highly paid staff as a means to minimize cost during financial crisis. Others offer early retirement plans in order to reduce the number of highly paid staff from the payroll and replace them with fresher, less-experienced and less-expensive employees. The ideal is realized when a high salary earning, poor performing employee leaves and is replaced by a more productive and low income earning employee (Harvard Business School, 2007).

According to Mayhew Ruth, in his article “Advantages of Turnover” pointed out that when veteran employees leave, the organization no longer owes employees long service benefits. Employers can reset their compensation practices and set new entry level wages for less experienced entry level employees. The cost of maintaining employees who have worked in the organization for long is high in terms of benefits due them. Organizations

that contribute more for retirement for their employees can start afresh with new employees at a lower rate.

**Table 2.3 Summary of Positive effects of employee turnover**

<b>No.</b>	<b>Positive effect of employee turnover</b>	<b>Source</b>
<b>1</b>	Gaining Fresh Ideas	Harvard Business School (2007).
<b>2</b>	Avoiding Painful Decisions	Kokemuller (2017).
<b>3</b>	Improving Diversity	(Reynolds, 2017).
<b>4</b>	Morale	Mayhew Ruth. "Advantages of Turnover".
<b>5</b>	Removal of Negative Influence	Mullins (2001).
<b>6</b>	Salary/Cost Reduction	Harvard Business School (2007), Mayhew Ruth. "Advantages of Turnover".
<b>7</b>	Addition by Subtraction	Kokemuller (2017).

## **2.6 Effects of Leadership Style On Employee Turnover**

According to Ng'the et al, (2012), organizations can not look down on the concept of leadership and its impact on employee retention and turnover. Leaders and leadership style contribute immensely in the employee retention process of any organization typically the banking sector (Ng'the et al., 2012). The style of leadership possessed and portray by a leader goes a long way to encourage or discourage the employees and this can cause employees to stay or leave the organization (Belonio, 2012). According to Nair and Malewar (2013), a leader is a person who gives life into a team or a group of people. This action of the leader causes the employees to feel encouraged to stay or discouraged

to leave the organization. As a result, the role that leaders play in the organization is essential when it comes to the retention of employees (Ng'ethe et al., 2012). Budhiraja and Malhotra see leadership as the pivot of the organization and they ensure either the organization succeed or fails (Budhiraja and Malhotra, 2013). Also, Aruna and Anitha (2015) sees employee retention as a way through which hard working and committed employees are made to stay in an organization.

According to Rehman and Waheed (2012), an employee's commitment to an organization is dependent on leadership.

Ng'ethe et al., (2012) suggest that the danger of leaving the concept of employee retention in the hands of the human resource is great. It will rather be better and more effective if this responsibility is given to leaders who are directly involved in the daily activities of the organization with the employees. This is because it is the leaders who are building the organization and hence can take good look at the employee retention as well. The possibility of employees staying in an organization is very high when they have a good working relationship with their leader (Ng'ethe et al., 2012). According to Michael (2008), the length of stay of an employee is directly related to the relationship they have with their immediate supervisors or bosses. As a result, if leaders have healthy and cordial relationship, it can foster employees to remain in the organization for a very long time. Wakabi (2016) consider leaders as the hidden instrument that is needed to maintain employees in an organization. The right style of leadership will always attract employees to stay in an organization (Nwokocha and Iheriohanma, 2015).

Harvey et al. (2007) indicated that most employees quit their jobs because of their leaders. They leave not because they don't like the job but they just want to get away with the attitude or character of their leader. This made Ng'ethe et al (2012) to suggest that

it is deadly to leave the concept of employee retention in the full hands of only the human resource department. We can then conclude that whether an employee will leave or stay is highly dependent on the kind of leaders and supervisors we have in the organization. It can be deduced from this that supervisors and leaders in organizations. This places leadership style in a higher platform when it comes to employee retention in our organizations today.

When employee turnover happens in an organization, remaining employees are forced to make full the emptiness. This leads to an increase in the stress levels and frustration which results in more turnovers. Employees that are left turn to do multiple tasks because of those who left (Stroth, 2010). According to Chitra (2013), employees are often likely to stay in organizations when they realize that their leaders like them and think about them. Thus, indicating that the leadership style of a direct leader or supervisor can lead to an employee leaving or staying in the organization.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHOD**

#### **3.1 Introduction**

This chapter deals with the methods employed by the researcher in the study. It considers design used, study population, data collection technique and the techniques employed in analyzing the data. Again, the profile of the study area is also considered.

#### **3.2 Profile of the study area**

Nestle Business Services is a shared service center or an institution set up by Nestle to manage all the transactional activities in their processes. NBS Accra was set up to manage all Nestle employees in Central, Western, Eastern and Southern Africa, leaving Northern Africa for NBS Cairo. There are five other shared services in the world which work for Nestle.

It comprises the 6 end to end departments that can be found in any nestle organization. These are Plan to Execute, Idea to Launch, Record to Report, Order to Cash, Source to Pay and Hire to Retire.

Hire to retire focuses on employees. They work for employees. They ensure that employee's life cycles are managed in SAP; a business accounting tool, from when they are hired to when they leave or retire. They work hand in hand with the human resources to manage the system. They work as data entry clerks and analysts by entering data into the system for each employee and then they analyze this data to ensure that everything in the database is valid and compliant.

They ensure employees are paid all their entitlements each month. They have a set of controls set in place which have to be abided by to ensure that all labour laws are obeyed

while ensuring that employees get paid for the work they have done. Employees are managed using the SAP Accounting software and the SAGE VIP accounting software.

In order to ensure quality in all processes not only Hire to Retire, NBS has a quality assurance team called the Nestle Continuous Excellence. This team is made up of individuals from the various functions (end to end departments). NCE ensures quality by incorporating Total Quality Management, Lean Office Implementation as well as adopting certain quality principles which govern the smooth running of the business. There are 5 foundations of NCE known as Goal Alignment, Compliance, Leadership and Development, Focus Improvement and Education and Training. And upon these foundations, there is the Lean Office Pillar.

This research is of great significance as it will identify the various reasons why there are high employee turnover rates in Nestle Business Services. This research would be of interest to Management, Human Resource Managers and Nestle Business Services in Ghana and the other Nestle Business Service Centers all over the world. As well as Human Resource Managers in the shared services industry.

This study seeks to highlight these issues and create awareness which can cause management to find a better way to manage the situation.

### **3.3 Study type and Design**

According to Polit and Hungler (1999), the research design is the “blueprint, or outline, for conducting the study in such a way that maximum control will be exercised over factors that could interfere with the validity of the research results”. The research design talks about the plan the guides the researcher in the entire work. This study used an exploratory and descriptive design to assess leadership style and employee turnover at

Nestle Business Services. Saunders et. al., (2009) stated that exploratory studies a causal relationship between variables; it focuses on studying a problem or situation in order to explain the relationship between variables. With regards to this, this research attempts to assess the effects of employee turnover in NBS by establishing a relationship between the significant causes and the critical effects. Descriptive research however is mainly used to portray “an accurate profile of persons, events or situations” (Robson, 2002) as cited by Saunders et. al. (2009). Pinsonneault and Kraemer (1993) stated that descriptive research helps to seek the situations, events, attitudes or opinions that are happening in the study area. Descriptive research does not classify and organize it simply tells what the situation is. This study is therefore descriptive because it tells us the current situation in NBS concerning high employee turnover.

### **3.4 Research Strategy**

The research strategy is adopted based on the aims, objectives and questions of the research and several types exist. Some of these are experimental, survey, ethnography, case study, action, grounded theory and archival (Saunders et al., 2009). This study adopted the case study approach. According to Yin (2003) a case study design can be considered when the behaviors of those involved in the study cannot be manipulated, when you want to cover contextual conditions because you believe they are relevant to the phenomenon under study or the boundaries are not clear between the phenomenon and context. A case study approach was therefore adopted because the study sought to determine the effects of high employee turnover on employees in NBS Accra while examining the critical causes. This is all related exclusively to employees of NBS and hence cannot be considered without the context of NBS Accra employees. NBS Accra

was chosen for this study because the turnover rate has been rising steadily since 2011 and the human resources department as well as the management are alarmed. This study therefore chose this setting to help deduce the critical causes and effects which would influence decision-making in the future.

### **3.5 Sample Size and Sampling Method**

LoBiondo-Wood and Haber (1998) describe a sample as a portion or a subset of the research population selected to participate in a study, representing the research population. Quota sampling method was used to select the sample. Quota sampling is a kind of stratified sampling in which the selection within strata is non-random. Quota sampling starts with the premise that a sample should be well spread geographically over the population and that it should contain the same fraction of individuals having certain characteristics as does the population. Here, the characteristic to be taken into consideration is the departments. The population will be grouped into five departments as shown in Table 3.1. A sample of one hundred (100) was taken for the study.

The researcher chooses 45% of the respondent from the Order to Cash department because most of those who leave are from this department. Hence it was prudent to go to the hypothetical crime scene and investigate. Also, 15% was taken from the Support Functions department. This department includes Human Resource which is responsible for recruitments and employee relations. They are also the department that handles exit interviews and hence are most likely to know why people leave. Also, since they are responsible for employee relations, they will be preview to the effects this has on employees. The remaining 40% was selected from the other three departments. 50% of this was given to departmental heads and the various team leads. Like the human resources department, they are involved in the exit interviews and since they manage the

employees they would know why an employee would have a turnover intention. The rest were given to random employees, with the aim of getting their views and outlook on the issue. They have relationships with people who have left and are in a good position to tell us why these people left. Also, they may be nursing the thought of leaving and hence were in a good position to tell us why.. The summary is shown in Table 3.2 below.

**Table 3.2: Samples selected from each department**

No.	Departments	Total Staff	Sample
1	Order to Cash	122	45
2	Record to Report	48	9
3	Hire to Retire	62	11
4	Source to Pay	108	20
5	Support Functions	40	15
	<b>Total</b>	<b>380</b>	<b>100</b>

*Source: HR Department; Nestle Business Services.*

### **3.6 Data Collection Methods**

This study used both primary and secondary data. Primary data was collected using a structured questionnaire. Again, data on employee turnover was taken from the human resource department of NBS. The main data collection method employed was quantitative with the aid of a questionnaire. This method was chosen because it makes the respondent remain anonymous and hence encouraged openness and honesty. It and is affordable, quick and simple to understand and use. Since questionnaires were filled in the absence of the researcher, respondents felt no pressure with regards to a time limit. They had ample time to think through responses to provide the most appropriate ones.

The structured nature of the questions made it easy for the SPSS software to be used for the analysis of the data

### **3.7 Data Collection Instrument**

A structured close ended questionnaire was used in collecting primary data from the respondents together with secondary data from the human resources department. The questionnaire for primary data was self – administered. Since the researcher and the respondent were in the same location, it was easy to follow up on respondents to ensure responses did not delay.

The questionnaire was designed to look professional and engaging to encourage a high response rate. Following the suggestions of Fisher (2010), it was as brief as possible and divided into parts which correspond with the objectives of the research, which was confirmed by Cohen et al. (2007) “the appearance of a questionnaire is very important and it must look easy, attractive and interesting.” According to Oppenheim (1992); Morrison (1993); Willson and Mclean (1994) as cited by Cohen et al. (2007), piloting a questionnaire is advantageous, mostly to make it more “reliable, valid and practical”. They mentioned that, it also checks clarity of the questions; gains feedback to remove any uncertainties and checks to ensure the readability of the respondents.

Before the questionnaires were distributed, it was piloted using two employees from each department making a total of six questionnaires. All were returned. Only one issue was raised; two out of the six respondents complained that they did not understand some of the questions. Subsequently some questions were rephrased to provide clarity. The others however were satisfied with the questionnaire and finished within fifteen (15) minutes.

To achieve the aim of this research, the research questions needed to be answered. Materials on relevant literature were gathered to arrive at some causes and effects of employee turnover in general. Questions from similar studies were also chosen and adapted to suit this research. Possible causes of Employee turnover were presented and respondents were asked to show how much they agreed to these or disagreed. The Likert Scale was used throughout the questionnaire as it is able to measure the weight of the respondent's perception of the issue and the easiest to construct (Kumar, 2011). A five - point Likert scale was used for Section B and C as follows;

In both Sections B and C; the questions were formulated using the Likert Scale ranging from 1 to 5 with 1 – strongly disagree; 2 – disagree; 3 – neutral, 4 – agree and 5 – strongly agree. Section B; the questions were formulated using the Likert scale ranging from 1-5 with 1=strongly disagree; 2=disagree; 3= neither agree nor disagree, 4=agree and 5= strongly agree.

The questionnaire was divided into three (3) sections:

Section A required the demographic and personal data of the respondent. It was meant to collect data on the age, gender, and marital status, length of service and educational level of respondents. This was important because some of these underlying factors would determine why an employee would have or develop turnover intention.

Sections B and C were used to answer objectives two and three which are as follows:

Objective one

1. To identify the significant causes of high employee turnover in Nestle Business Services.

Objective two

2. To identify the critical effects of high employee turnover in Nestle Business Services.

### **3.8 Data Analysis and Presentation**

The data analysis involves organizing the raw data in a form that can help draw a meaningful conclusion by developing summaries and making statistical references. The data was scrutinized to identify and correct possible mistakes and omissions that may likely occur, to ensure consistency across respondents. The data were coded and analyzed using the Statistical Package for Social Sciences (SPSS) Version 21.

Frequencies and percentages were used to summarize the data gathered from the respondents as this is the descriptive statistics. Summaries of data analyzed were presented using tables and graphs. The Pearson Chi-Square was also employed in the analysis. It is a tool used in estimating the statistical significance of associations between variables. The chi-square was used to determine whether or not two attributes were associated. The chi-square was not used as a measure of the degree of relationship or the form of relationship between two attributes but to determine the significance of such a relationship. Also, time series analysis was employed to assess the trend of employee turnover at NBS.

### **3.9 Ethical Consideration**

Approval will be obtained from;

- i. Ethics Review Committee of the Kwame Nkrumah University of Science and Technology (KNUST)
- ii. Consent of all the respondents will be sought before including them in the research.

- iii. Also, the rights of the respondents will be explained to them and they will be assured of confidentiality and anonymity.

### **3.10 Validity and Reliability**

Fisher (2010) and Saunders et al., (2009) stated that construct validity gives an indication of how well the questionnaire measures the constructs that were intended to be measured. According to Kumar (2011) construct validity is determined by estimating how much each construct contributes to the total variance observed. In this research, expert review was used to determine the construct validity.

## CHAPTER FOUR

### ANALYSIS, RESULT AND DISCUSSION

#### 4.1 Introduction

In this chapter of the study, the analysis of the data is presented and it begins with basic statistical analysis (descriptive statistics). Exploratory factor analysis was employed to explore causes of employee turnover at the Nestle Business Services. Furthermore, the trend of employee turnover at the Nestle Business Services was analyzed using time series analysis. The software used in the analysis is SPSS and Minitab.

#### 4.2 Demographic Characteristics of respondents

Table 4.1 present the socio-demographic characteristics of the respondents considered in this study. In all, one hundred respondents were considered.

From Table 4.1 below, it can be observed that out of the total respondents, there were more males (56%) than females (44%). Most of the respondents (60.6%) were aged between 20 years and 30 years, followed by people who were aged between 31 years and 40 years (33.3%), and the least number of respondents were people who were aged 51 years and above. However, more than two-third of the respondents are single and 32% are married. Furthermore, most of the respondents (81%) were graduates from the tertiary institutions, with quite number of them (13%) being postgraduate students and a few of them were SHS graduates and diploma holders. In addition to this, majority of the respondents (47.5%) were people with working experience below 2years, followed by people (35.4%) who have working experience between 2years and 5 years, only few have had working experience above 10 years (5.1%).

**Table 4.1: Socio-demographic Characteristics of Respondents**

<b>Characteristic</b>		<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	<b>Male</b>	<b>56</b>	<b>56</b>
	<b>Female</b>	<b>44</b>	<b>44</b>
<b>Age</b>	<b>20 - 30</b>	<b>60</b>	<b>60.6</b>
	<b>31 - 40</b>	<b>33</b>	<b>33.3</b>
	<b>41 - 50</b>	<b>5</b>	<b>5.1</b>
	<b>51 &lt;</b>	<b>1</b>	<b>1</b>
<b>Marital Status</b>	<b>Single</b>	<b>67</b>	<b>67</b>
	<b>Married</b>	<b>32</b>	<b>32</b>
	<b>Others</b>	<b>1</b>	<b>1</b>
<b>Educational Level</b>	<b>SHS</b>	<b>2</b>	<b>2</b>
	<b>Diploma</b>	<b>4</b>	<b>4</b>
	<b>Tertiary</b>	<b>81</b>	<b>81</b>
	<b>Post graduate</b>	<b>13</b>	<b>13</b>
<b>Working Experience</b>	<b>Under 2 years</b>	<b>47</b>	<b>47.5</b>
	<b>2 - 5 years</b>	<b>35</b>	<b>35.4</b>
	<b>6 - 10 years</b>	<b>12</b>	<b>12.1</b>
	<b>Above 10 years</b>	<b>5</b>	<b>5.1</b>

Source: Field work, 2018

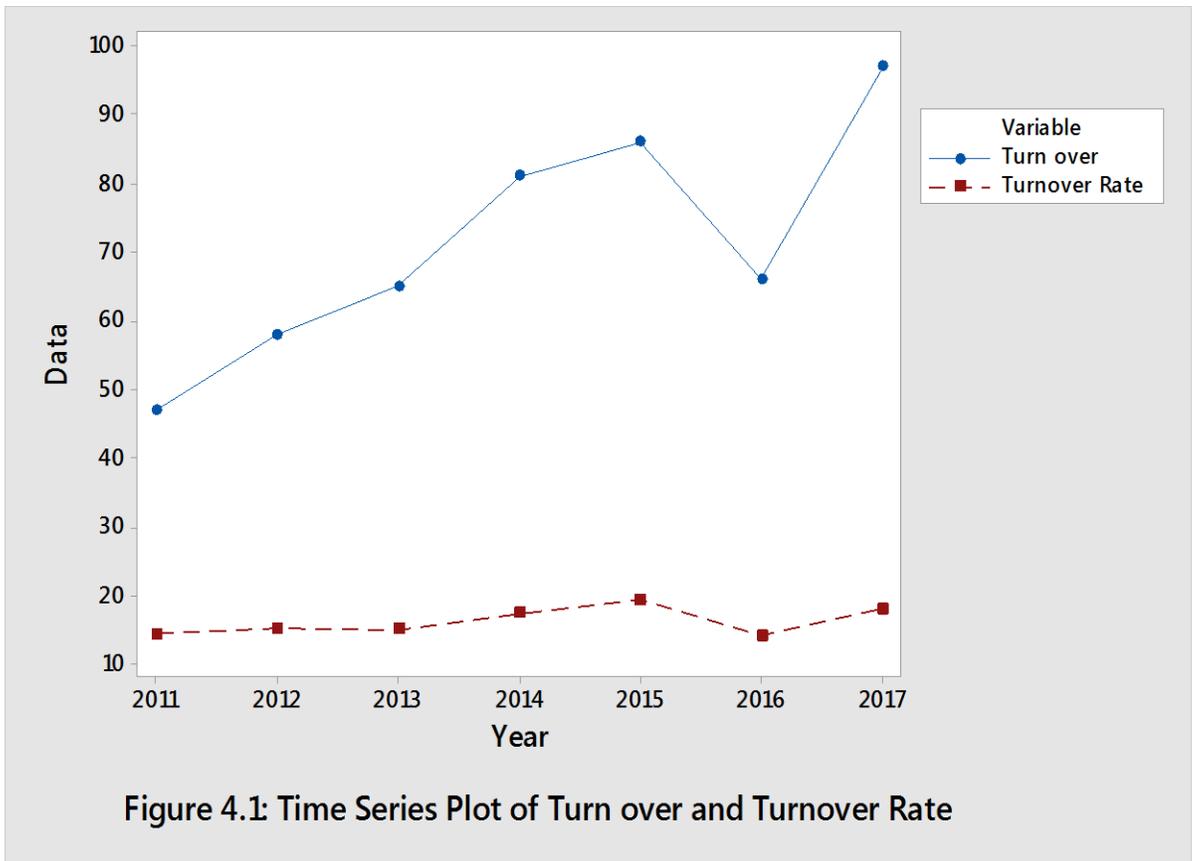
### 4.3: Turnover Rate and Trend at Nestle Business Services

**Table 4.2: Turnover and Turnover rate of employees from 2011 to 2017**

<b>Year</b>	<b>No. in Employment</b>	<b>No. of those who left</b>	<b>Turnover (%)</b>
2011	325	47	14.46
2012	383	58	15.14
2013	433	65	15.01
2014	464	81	17.46
2015	443	86	19.41
2016	468	66	14.10
2017	537	97	18.06
<b>Total</b>			<b>17.58</b>

*Source: Field work, 2018*

From Table 4.2, it can be observed that the highest turnover rate (19.41%) occurred in 2015, followed by 2017 with employee turnover rate being 18.09%. This implies that more employees left Nestle Business Services in 2015 and 2017. The least employee turnover rate (14.10%) was recorded in 2016 followed by the employee turnover rate (14.46%) in 2011, which implies that less employees left Nestle Business Services in 2016 and 2011 as compared to the other years. On the average, turnover rate increased from 2011 till 2016 where it declines and again increased in 2017.



**Figure 4.1: Time Series Plot of Turn over and Turnover Rate**

*Source: Field work, 2018*

From Figure 4.1, it can be observed that the employee turnover increases as the years progresses but in 2016 the employee turnover appears to decrease which can be attributed to other factors not considered in the study. However, it can also be observed that there is a steady increase in employee turnover rate over the years.

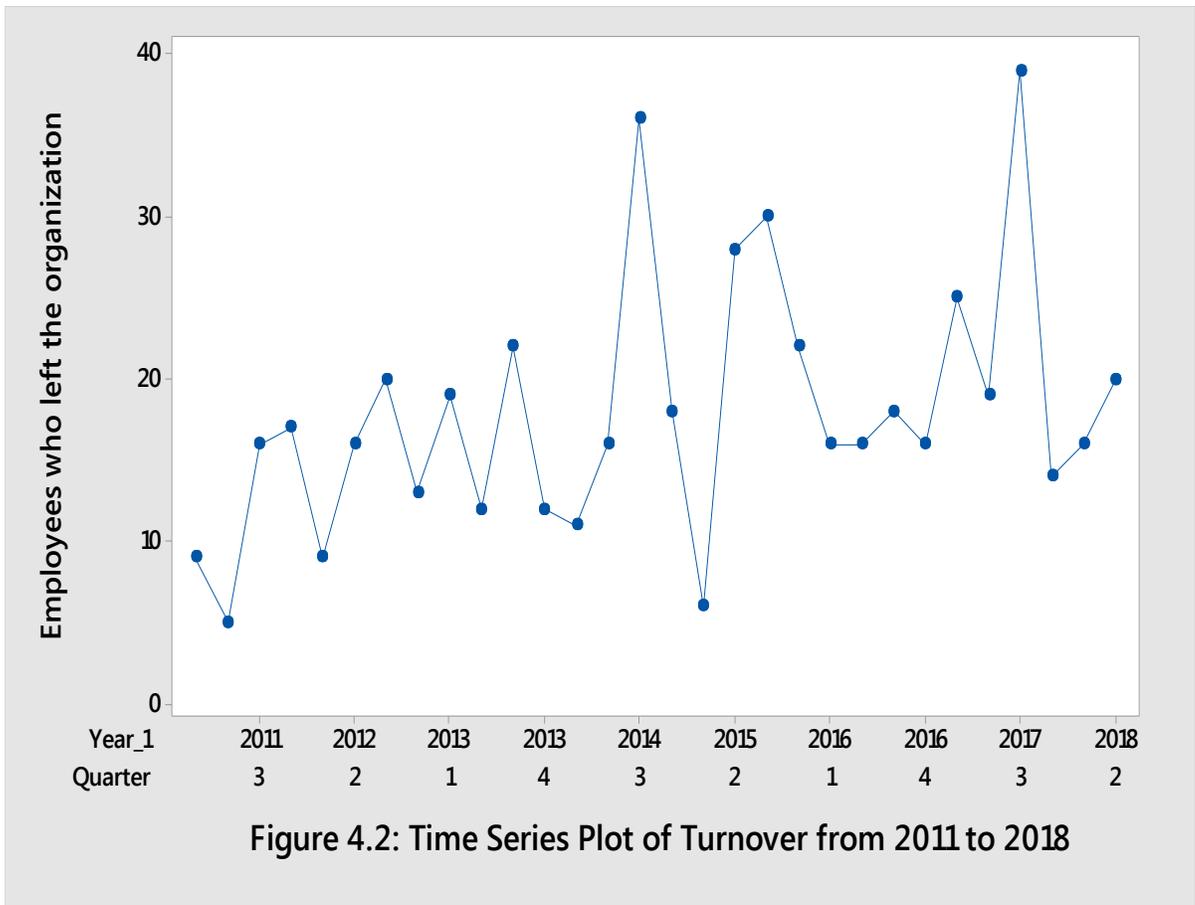
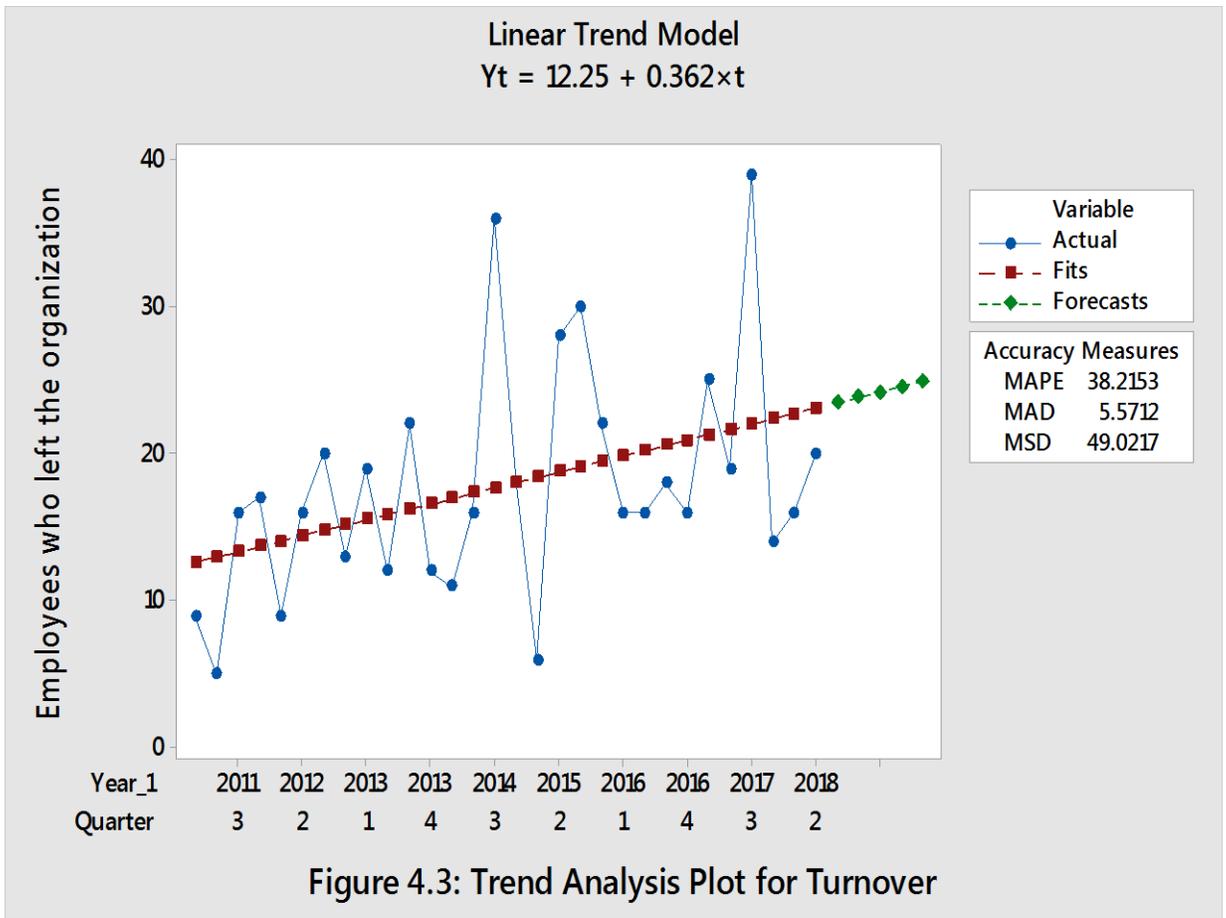


Figure 4.2: Time Series Plot of Turnover from 2011 to 2018

Figure 4.2: Time Series Plot of Turnover from 2011 to 2018

Source: Field work, 2018

From Figure 4.2, it can be observed that there is a steady increase in employee turnover as the year progresses. That is, the plot is characterized by an upward movement (positive slope). It can also be seen that the turnover of employees rises to the peak on every third quarter of the year hence depicting seasonality in the time series plot.



**Figure 4.3: Trend Analysis Plot for Turn over**

*Source: Field work, 2018*

Figure 4.3 depicts the trend analysis of our time series plot. The blue line shows the original plot of the series while the red line shows the fitted linear trend. This fitted trend line is devoid of seasonality and smooths the time series plot. The green line shows the plot of forecast values using the linear trend equation which is given by  $Y_t = 12.25 + 0.362t$ . Where  $Y_t$  is the forecasted turnover and  $t$  is the time period. The forecast for the third and fourth quarters of 2018 and the four quarters of 2019 is shown in Table 4.3 below.

**Table 4.3: Forecast of Turnover at the Nestle Business Services**

<b>Year</b>	<b>Quarter</b>	<b>Forecast</b>
2018	3	23.4805
2018	4	23.8426
2019	1	24.2048
2019	2	24.5670
2019	3	24.9292
2019	4	25.2820

*Source: Field work, 2018*

Table 4.3 show the forecast of turnover for the Nestle Business Services. We expect that 23 employees will leave the company in the third quarter of 2018 and 24 in the fourth quarter of 2018. This will give a total turnover of 94 which gives a turnover rate of 19.22%. The first quarter of 2019 will record a total of 24 employees. The second, third and the fourth quarter of 2019 will record approximately 25 employees each. In all, we expect the turnover of 2019 to stand at approximately 99 which gives an approximate turnover rate of 20.24%.

#### 4.4 Causes of Employee Turnover

**Table 4.4: Respondent's response to causes of employee turnover**

Statement	Agreed		Neutral		Disagreed	
	N	%	N	%	N	%
Quality of supervision and leadership skills	43	43.0	20	20.0	37	37.0
Lack of opportunities for training and development	39	39.8	21	21.4	38	38.7
Lack of retention plans / strategies	69	69.7	18	18.2	12	12.1
Poor Employee assistant Programs	66	67.4	17	17.3	14	15.3
Lack of sense of belonging to the organization/recognition	43	43.0	23	23.0	34	34.0
Individual employee factors	42	42.4	21	21.2	36	36.3
Work Load / Content	56	57.7	20	20.6	21	21.7
Lack of employee involvement	48	48.5	14	14.1	37	37.4

*Source: Field work, 2018*

From Table 4.4, it can be observed that most of the respondents (69.7%) believe that the cause of employee turnover is as a result of retention plan/strategies which confirms what Philips et.al (2003) and Meyer (2003) findings. Some (67.4%) also believe that Poor Employee assistant Programs is also a contributing factor. This is in line with Erasmus, *et al.*, 2003 who indicated the employees are likely to leave an organization when they feel that the organization does not help in the form of counseling or financial assistance when

they encounter social problems. According to Mullins (2001), states that mentoring in the work place is a necessity, to assist employees with their social problems.

However, some respondents (57.7%) are also of the view that the cause of employee turnover is as a result of Work Load / Content. This also confirm what George and Jones said that work overload may then influence employee turnover intention (George and Jones, 2002)

Other respondents (68.5%) also belief that some of the causes can be attributed to lack of employee involvement. According to Erasmus et.al, One of the causes of a high employee turnover can be attributed to the lack of employee involvement (Erasmus, et al. 2003). Hopkins also indicated that when employees are told about a change which is likely to affect their roles or positions or their ways of working, without being involved beforehand, there is a high probability that they will resist (Hopkins, 2005).

Considering 50% or more agreement rate to indicate significance, then we can indicate that Lack of retention plans / strategies, Poor Employee assistant Programs and Work Load / Content are the significance causes of turnover at the Nestle Business Services.

#### **4.4.1 Factors that cause high employee turnover**

In this section of the study, a factor that causes turnover was explored through the exploratory factor analysis.

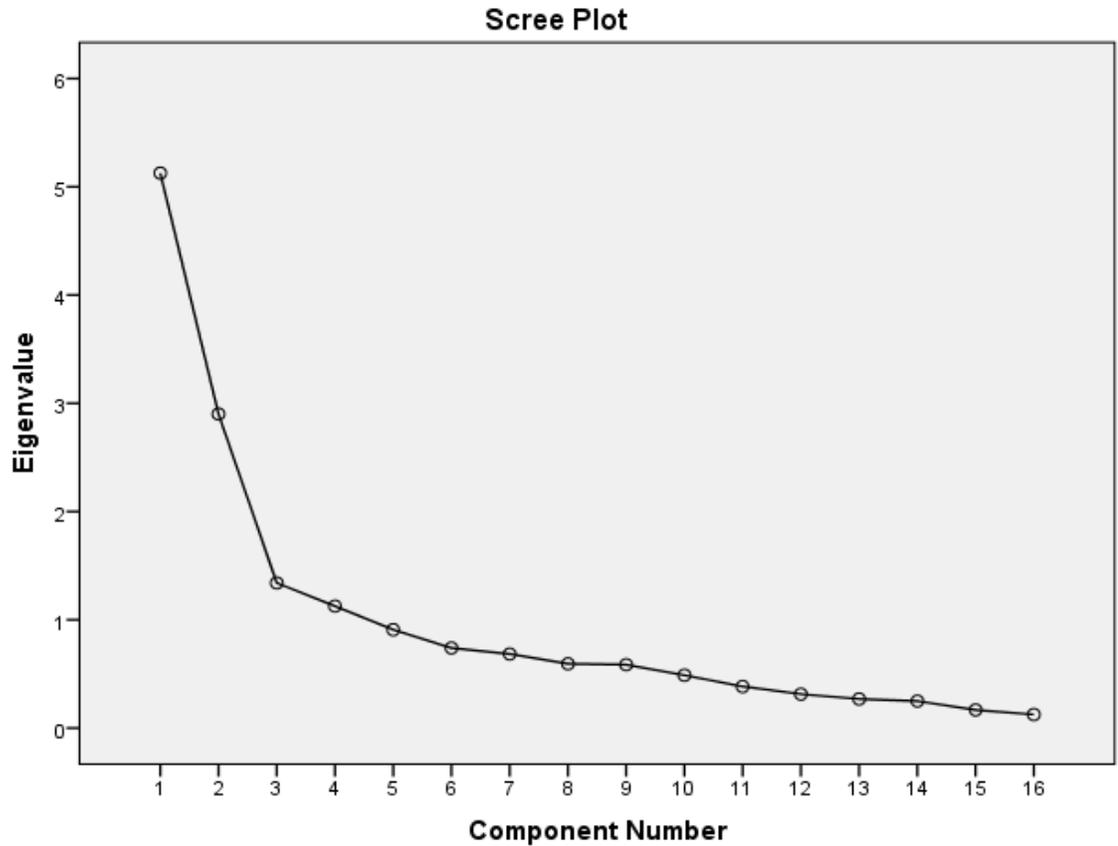
Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) measures the ratio of the squared correlation between variables to the squared partial correlation. For an appropriate data, the value should exceed 0.6. Bartlett's test tests if the R-matrix is an identity matrix (matrix with only 1's in the diagonal and 0's off-diagonal). The test results are presented in Table 4.5.

**Table 4.5: KMO and Bartlett's Test**

<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</b>	<b>0.744</b>
<b>Bartlett's Test of Sphericity</b>	<b>673.580</b>
<b>Approx. Chi-square</b>	<b>0.000</b>
<b>P-value</b>	

*Source: Field work, 2018*

From Table 4.5, the KMO value is 0.744, and the Bartlett's test is significant ( $p - value = 0.000$ ). This is indicative that factor analysis used was appropriate. In order to know the number of factors to retain in the analysis, parallel analysis was performed through the Scree plot of Eigenvalue associated with the number of components (factors). This is presented in Figure 4.4.



**Figure 4.4: The Scree plot**

From Figure 4.4, the optimal number of factors to retain lies between 3 to 6 factors. In this study, 4 factors (components) was considered since they have eigen values greater than one. These explained about 65.6% of the causes of turnover in the Nestle Business Services. This is further shown in Table 4.6.

**Table 4.6: Total Variance Explained**

Component	Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	5.126	32.040	32.040
2	2.901	18.129	39.647
3	1.340	8.377	57.668
4	1.127	7.042	65.588

*Source: Field work, 2018*

Table 4.6 present the factors retained in the factor analysis that is believed to influence the turnover in this study. Here, each component (factor) is made up of a number of variables denoted by  $X_i$  that were used in assessing the causes of turnover.

**Table 4.7: Component Matrix**

Variable	Components			
	1	2	3	4
$X_1$		.900		
$X_2$		.708		
$X_3$		.690		
$X_4$	.670			
$X_5$		.536		
$X_6$	.501			
$X_7$		.744		
$X_8$	.648			
$X_9$	.666			
$X_{10}$	.712			
$X_{11}$	.752			
$X_{12}$			.664	
$X_{13}$			.781	
$X_{14}$			.859	
$X_{15}$			.688	
$X_{63}$				.892

*Source: Field work, 2018*

The variables are defined as follows:

$X_1$  = Quality of supervision and leadership skills

$X_2$  = Poor communication system in the organisation

$X_3$  = Supervisor does not appreciate my effort

$X_4$  = Lack of challenging job within the organisation

$X_5$  = The unavailability and inadequate opportunities for training and development

$X_6$  = Lack of competitive pay system

$X_7$  = Career expectation not met

$X_8$  = Lack of sense of belonging to the organization/recognition

$X_9$  = Poor Career growth and Development

$X_{10}$  = Alternative Job Opportunities

$X_{11}$  = Relationship with other colleagues

$X_{12}$  = Lack of Career Advancement

$X_{13}$  = Work Load

$X_{14}$  = Location of the organization

$X_{15}$  = Lack of employee involvement

$X_{16}$  = All others

From Table 4.7, factor one (F1) constitutes of the variables  $X_4$ ,  $X_6$ ,  $X_8$ ,  $X_9$ ,  $X_{10}$  and  $X_{11}$ . These variables loaded greatly in this component. Thus, this factor addresses Innovation and Reflexivity at the work place. Thus, this factor will be referred to the DEVELOPMENT OPPORTUNITIES at the work place. Factor two (F2) also constitute

of the variables  $X_1$ ,  $X_2$ ,  $X_3$ ,  $X_5$ , and  $X_7$ . This factor shall be called LEADERSHIP AND SUPERVISION. In addition, the variables  $X_{12}$ ,  $X_{13}$ ,  $X_{14}$  and  $X_{15}$  constitute the third factor (F3).  $X_{13}$ , and  $X_{14}$  load high on F3 hence we referred to as WORK LOAD AND LOCATION in this study. Furthermore, the variable  $X_{16}$  explains factor three (F4) and hence called ALL OTHERS. This result is consistent with Moyinhan and Pandey (2008) who grouped the causes of employee turnover into external, internal and organizational. It also confirms Debrah (1993) who indicated leadership as a cause for employee turnover and Nel et. al (2004), Page (2001) and Mouton (2001) who also indicated that work load or content leads to employee turnover.

## 4.5 Effect of Employee Turnover

**Table 4.8: Respondent's response to effect of employee turnover**

Effects of Turnover	Agreed		Neutral		Disagreed	
	N	%	N	%	N	%
<b>Negative</b>						
High employee turnover decreases organizations performance	59	59.6	17	17.2	13	13.1
High employee turnover leads to unfulfilled daily functions	58	58.6	23	23.2	18	18.2
High employee turnover leads to Cost	59	62.1	17	17.9	19	20.0
High employee turnover leads to lower knowledge base of the organization	51	52.1	24	24.5	23	23.4
High employee turnover leads to loss of customers	47	47.9	24	24.5	27	27.6
High employee turnover cause wastage of resources	57	57.6	23	23.2	19	19.2
High employee turnover causes reduction in work productivity	55	55.6	20	20.2	24	24.3
High employee turnover leads to decline in service provision	57	57.0	15	15.0	28	28.0
High employee turnover increases internal conflict	36	36.0	25	25.0	39	39.0
High employee turnover leads to increase in customer complaints	58	58.6	17	17.2	24	24.3
High employee turnover leads to increase in work load	73	73.7	14	14.1	12	12.1
<b>Positive</b>						
Employee turnover leads to removal of negative influence	42	42.5	34	34.3	23	23.3
Employee turnover leads to gaining of fresh ideas	48	48.0	28	29.0	23	23.0
Salary reduction	38	39.2	27	27.8	32	33.0
Employee upgrades	47	48.0	23	23.5	28	28.5
It leads to addition of new staff by subtraction	48	49.0	31	31.6	19	19.4

*Source: Field work, 2018*

Table 4.8 shows the analysis of the responses on the effect of employee turnover. 73.7% of the respondents agree that high employee turnover leads to increase in work load.

Also, approximately 60% of the respondents agreed that high employee turnover decreases organizations performance. More than half of the respondents also agreed that high turnover affect the organization negatively by leading to unfulfilled daily function, increase cost.

Again, high employee turnover leads to decline in service provision (57.0%) that leads to increase in customer complaints (58.6%) which affects the organization negatively. Majority of the respondents disagree to the fact that high turnover increases internal conflict (39.0%).

The significant negative effects of employee turnover are; increase in work load, decreases organizations performance, increase cost, lowering the knowledge base of the organization, wastage of resources and decline in work productivity.

Furthermore, the respondents agreed that employee turnover has got some advantages or positive effects. Among this include the fact that it leads to gaining of fresh ideas (48%) by employing new workers to replace those that have left. Also, it gives employees who left the chance to upgrade themselves.

Significantly, high employee turnover leads to the following positive effects; gaining of fresh ideas by employing new workers to replace those that have left and also gives employees who left the chance to upgrade themselves.

## 4.6 Controlling Employee Turnover

**Table 4.9: Reducing employee turnover**

Statement	Agreed		Neutral		Disagreed	
	N	%	N	%	N	%
Working relationship between employees must be improved	70	71.5	17	17.3	11	11.2
Employees must be recognized when they achieve goals	83	84.7	10	10.2	5	5.1
Employees must be paid well	88	88.9	8	8.1	3	3.0

*Source: Field work, 2018*

Majority of the respondents agreed that employee turnover can be reduced by improving working relationship among employees (71.5%), recognizing employees when they achieve goals (84.7%). Lastly, 88.9% agreed that if employees are paid well, it will help reduce employee turnover in the company.

## 4.7 Chapter Summary

Analysis of the data shows that employee turnover is a major problem in the Nestle Business Services. The result indicates that the turnover rate is high and keep increasing every year. The major reason that have accounted for the high turnover rate are alternative job opportunities, lack of competitive pay system, career expectation of the worker not met, supervisors not appreciating employee's effort and poor communication. The effects of employee turnover was found to include increase in work load, decreases organizations performance, increase cost, lowering the knowledge base of the organization, wastage of resources and decline in work productivity.

Employee turnover also leads to gaining of fresh ideas by employing new workers to replace those that have left and also gives employees who left the chance to upgrade themselves.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter gives a summary of the research findings, conclusions drawn from the findings and recommendations that will help reduce the employee turnover at the Nestle Business Services.

#### **5.2 Summary of Findings**

This section presents the summary of findings based on the set objectives for the research.

##### **5.2.1 The Trend and Turnover Rate at Nestle Business Services.**

The plot of the quarterly employee turnover from 2011 to the second quarter of 2018 indicated a steady increase in employee turnover as the year progresses. It also revealed that the turnover of employees rises to the peak on every third quarter of the year hence depicting seasonality in the time series plot.

This also reflected in the turnover rates from 2011 to 2017. The turnover rates for the Nestle Business Services from 2011 to 2017 were found to be 14.46, 15.14, 15.01, 17.46, 19.41, 14.10, and 18.06 percent respectively. Averagely, the turnover rate of the company stands at 17.58%. The result also revealed that the 2018 and 2019 rates will stand at 19.22% and 20.24% respectively.

### **5.2.2 Significant Causes of High Employee Turnover in Nestle Business Services.**

The significant causes of employee turnover at the Nestle Business Services was found to be lack of retention plans / strategies, poor Employee assistant Programs and work Load / content of employees. This was also reflected in the factor analysis with different names as development opportunities, leadership and supervision and workload/location.

### **5.2.3 Critical Effects of High Employee Turnover in The Nestle Business Services.**

The critical effect of high employee turnover in the Nestle Business Services was grouped into positive and negative. The significant negative effects of employee turnover are; increase in work load, decreases organizations performance, increase cost, lowering the knowledge base of the organization, wastage of resources; and decline in work productivity.

Also, concerning the positive effect of employee turnover, the result revealed that, high employee turnover leads to gaining of fresh ideas by employing new workers and it gives employees who left the chance to upgrade themselves.

## **5.3 Conclusions**

Inferring from the increasing turnover trend in Nestle Business services, we can conclude that employee turnover is a major problem. The turnover rate of NBS Accra is high and keeps increasing every year.

According to the survey conducted, the major reasons that have accounted for the high turnover rate are lack of retention plans or strategies, poor employee assistant programs or poor employee welfare policies and work Load and content. This was also reflected in the factor analysis with different names as development opportunities, leadership and supervision and workload or location.

The effects of employee turnover include increase in work load, a dip in the organization's performance, increased cost, loss of talent, wastage of resources and decline in work productivity. It also leads to leads to decline in service delivery which results in an increase in customer complaints. These affect the organization negatively. Employee turnover also results in gaining of fresh ideas by employing new workers to replace those that have left and gives employees who left the chance to upgrade themselves.

#### **5.4. Limitation of the Study**

This research is limited to employees in Nestle Business Services, Accra only and can therefore not be generalized for all other employees in other Nestle Business Services worldwide as well as employees in other organizations. Another constraint of the study is the limited time which did not permit the researcher to do cover a larger population.

#### **5. 5. Recommendations**

Based on the above summary and conclusions, it is recommended that management should:

- i. Organize capacity building through training, participation in workshops, conferences and seminars to help develop the employees.
- ii. Improve working relationship among employees.
- iii. Appreciate employees' efforts by recognizing their achievements through rewards.
- iv. Implementing a good pay structure and ensuring there are other added incentives in the form of allowances and paid absence from work for certain events such as Study or Examination, aside the Salary.

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## QUESTIONNAIRE

I am **LINDA EYRAM AFI AGOTSE**, a Master of Science (Project Management) student undertaking a research on **the effect of employee turnover in the Nestle Business Services**. I would be very grateful if you could provide appropriate responses to the questions below. The information you provide will be used for solely academic work and will be treated with utmost confidentiality it deserves.

*Please provide appropriate code in the box provided.*

### SECTION A

#### Background Information

1. **Sex:** Male: .....1   
Female: ..... 2

2. **Age:**  
20 – 30 years .....1  
31 – 40 years..... 2   
41 – 50 years ..... 3  
51 years and above ..... 4

#### 3. Marital Status

Single .....1  
Married .....2   
Other (Specify).....

#### 4. Educational level

Secondary/S.H.S..... 1  
Diploma ..... 2  
Tertiary (graduate)..... 3   
Post-graduate..... 4  
Other (Specify).....

**5. How long have you been working here?**

- Below 2 years ..... 1
- 2 – 5 years ..... 2
- 6 – 10 years .....3
- Above 10 years ..... 4

**SECTION B**

**Employee turnover**

6. Please indicate your response on the causes of employee turnover

	<b>Item</b>	1	2	3	4	5
		Strongly Disagree	Disagree	Don't Know	Agree	Strongly Agree
B1	Quality of supervision and leadership skills					
B2	Poor communication system in the organisation					
B3	Supervisor does not appreciate my effort					
B4	Lack of challenging job within the organisation					
B5	The unavailability and inadequate opportunities for training and development					
B6	Lack of competitive pay system					
B7	Career expectation not met					
B8	Lack of sense of belonging to the organization/recognition					
B9	Poor Career growth & Development					
B10	Alternative Job Opportunities					
B11	Relationship with other colleagues					
B12	Lack of Career Advancement					
B13	Work Load					
B14	Location of the organization					

B15	Lack of employee involvement					
B16	Others					

## SECTION C

### Effects of Turnover

7. Please indicate your response on the effects of employee turnover

	<b>Item</b>	1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Negative</b>						
1	High employee turnover decreases organizations performance					
2	High employee turnover leads to unfulfilled daily functions					
3	High employee turnover leads to Cost					
4	High employee turnover leads to lower knowledge base of the organization					
5	High employee turnover leads to loss of customers					
6	High employee turnover cause wastage of resources					
7	High employee turnover causes reduction in work productivity					
8	High employee turnover leads to decline in service provision					
9	High employee turnover increases internal conflict					
1	High employee turnover leads to increase					

0	in customer complaints					
1	High employee turnover leads to increase					
1	in work load					
<b>Positive</b>						
1	Employee turnover leads to removal of					
2	negative influence					
1	Employee turnover leads to gaining of					
3	fresh ideas					
1	Salary reduction					
4						
1	Employee upgrades					
5						
1	It leads to addition of new staff by					
6	subtraction					

8. Please indicate your response on how to reduce employee turnover.

		1	2	3	4	5
	<b>Item</b>	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Working relationship between employees must be improved					
2	Employees must be recognized when they achieve goals					
3	Employees must be paid well					

***THANK YOU FOR YOUR TIME***