



## DEVELOPMENT OF A SECTOR USING DIFFERENT MARGINAL TECHNIQUES FOR IMPROVING EMPLOYEE TURNOVER

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### **Abstract:**

To determine the causative factors behind the exceptionally high employee turnover rates in the Irish hospitality industry. For a long time now, the Irish hospitality industry has been characterized by high numbers of employees opting to abandon their jobs. This translates negatively on the various companies in this crucial industry as they constantly have to spend significant amounts of resources on hiring new employees to replace the ones who have left. This is a costly procedure that is consuming potential profits for these companies. This project will identify the main reasons as to why more employees are quitting their job. To do this, the research will focus on getting vital insights from past hotel employees in the Irish hospitality industry. The decision to settle on this target population was based on the need to promote honesty in the responses provided we estimate hurdle negative binomial models for count data on survey data allowing for analyses of the extensive

as well as intensive margins of firms' innovation activities. Innovation is measured both by the number of ongoing projects and

new commercialized products. The results show that higher R&D employee turnover is associated with a higher probability of being innovative, but decreases the intensity of innovation activities in innovating firms. Employees become dissatisfied at an organization; they may develop negative behaviors that impede profits and productivity. The purpose of this single case study was to explore what strategies are essential for organizational leaders to improve workplace performance. Maslow's hierarchy of needs served as the conceptual framework for this study.

### **1.0 Introduction:**

Persistent differences in turnover between two otherwise identical organizations will evolve very different tenure distributions, with implications for stability and



organizational culture which in turn may have considerably different implications for innovation. The level of turnover can be a result of the human resources management (HRM) practices chosen by the firm, but the HRM practices can also have a direct effect on innovation activities of the firm. This paper examines the relationship between employee turnover, HRM practices and innovation activity in Chinese high technology sector firms. In the current stage of China's economic development, innovation is considered as one of the key factors for continued increase in total factor productivity and hence sustaining high growth. Very little systematic evidence of the drivers of innovation activities based on firm-level data exists for China. Empirical results from other (mostly advanced industrialized) countries, which are also rather scarce, do not necessarily generalize to the Chinese context, as labor markets in China are still relatively underdeveloped and protection of intellectual property rights remains weak. Moreover, Chinese firms also differ from Western firms with respect to corporate culture and a more important role for business groups and other networks. For our empirical analysis we make use of data from a survey carried out by researchers at The sample consists of firms in China from five (high technology) industries: energy, electronic information, biotechnology, equipment manufacturing and environmental protection. In addition to standard controls in the analysis of innovation activities, the data set includes

information about the firm's HRM practices as well as measures of employee turnover for different categories, including technical personnel. The dependent variables in our analysis are the number of ongoing R&D projects and new commercialized products during 2010. The econometric analysis is performed using a hurdle negative binomial model for count data. An advantage of this model is that it allows for analyses of both extensive and intensive margins. The empirical analysis shows that a higher turnover rate of R&D personnel is associated with a higher likelihood that a firm is innovating but a lower level of R&D effort and innovation

**Employee:** Employees are always directly influenced by motivation to satisfy their esteem, physiological safety, social safety, psychological and self-actualization levels. Herzberg defined job satisfaction as recognition, responsibility, and opportunity for advancement as employee motivation factors. Separating satisfiers and dissatisfies he identified dissatisfies as hygiene factors that influences health, comfort and social wellbeing. Removal of these factors will result in dissatisfaction of employees. Hygiene factors include company policy, interpersonal relations, working conditions, salary or job security

**Decision making:** Decision making autonomously motivates the employees to be aware of his rights in an organization. It favors the employee to maintain a higher



degree of constancy between their ideas and works. By relating the motivational process and career exploration Career exploration varies in the way that individual develops and sustains motivation Autonomy and control orientations were positively related to self-exploration and in the utility of career decision making exploration Internal locus of control was the highest predictor of career exploration as one of the most important prediction, decision making allows the employees to realize their own identity and actions. Employees are influenced by both internal and external forces, but the impact of these forces depends a great deal on their own levels of internal and external locus of control.

### **Reducing Employee Turnover:**

Reducing employee turnover is dependent on the total work environment you offer for employees. Employees thrive when the work environment supports them in attaining their goals and dreams. The best employees for your organization share your vision and values about what they want to experience at work these recommendations about reducing employee turnover are also common-sense, basic and incredibly hard to find in organizations today. Wonder why this is so it's because many organizations have not figured out that valuing employees is a win-win for employers and employees select the right people in the first place through behavior-based testing and competency screening. Sure, an onsite interview gives

you a feel for whether the person can fit within your culture, but your key to selecting the best employees is to determine how well they can do the job. The right person, in the right seat, on the right bus is the starting point.at the same time; don't neglect to hire people with the innate talent, ability, and smarts to work in almost any position even if you don't currently have the best match available. Hire the smartest people you can find to reduce employee turnover their versatility will make them exceptional contributors. You just need to make sure that they are not bore doing the same old thing. Think job enrichment and promotions Offer an attractive, competitive, comprehensive benefits package with components such as life insurance, disability insurance and flexible hours. One young employee whose stated reason for accepting a job offer was the availability of a 401(k) match is not the exception, Research on Millennial and money indicates that they do not want to repeat the mistakes of their parents. Better benefits equal reduced employee turnover.

- “Employees feel the job or workplace is not what they expected. There is a mismatch between the job and person. There is too little coaching and feedback
- There are too few growth and advancement opportunities
- Employees feel devalued and unrecognized



- Employees feel stress from overwork and have a work/life imbalance
- There is a loss of trust and confidence in senior leaders”

### Effective Managers Create Employee Retention:

Managers who retain staff start by communicating clear expectations to the employee. They share their picture of what constitutes success for the employee in both the expected deliverables from and the performance of their job these managers provide frequent feedback and make the employee feel valued. When an employee completes an exchange with a manager who retains staff, he or she feels empowered, enabled, and confident in their ability to get the job done employee complaints about managers and supervisors center on these areas. Employees leave managers who fail to:

- provide clarity about expectations,
- provide clarity about career development and earning potential,
- give regular feedback about performance,
- hold scheduled meetings, and
- Provide a framework within which the employee perceives he can succeed.

### 2.0 Literature review:

[1] **Baek-Kyoo and Park (2010)** reasoned that interaction is a key factor to a high

performance work group's success because employees keep each other informed and work collaboratively. Employee involvement practices significantly reduce negative relationships between voluntary turnover and workplace performance especially for minority employees who tend to have a higher turnover rate. Despite organizational efforts to decrease employee turnover, retention costs persist Organizational leaders may want to examine strategies such as life programs, training, and other incentives to retain employees. JetBlue incorporated a retention strategy to provide training to employees, which encouraged employee decision making examined recruiting and retention practices for registered nurses in long-term care facilities and found the short span of training programs, low wages, regulations, and lack of support contributed to employee turnover.

[2] **Cui and O'Connor (2012)** stated there have been a large number of studies on global culture completed recently. Globalization and offshore outsourcing have led today's business leaders to internationalize activities; therefore, skilled performance has become a serious issue in managing the current workplaces It is important for managers to consider this issue by utilizing the potential capabilities of a multicultural workforce to achieve organizational success revealed globalization has affected and changed functions of organizations. The ability to



create or give the impression of globalization comes from ethical behavior.

[3] **Brown et al. (2011)** noted factors that affect employee engagement and reliability include age and gender, while workplace level characteristics of importance included human resource policies. Employee engagement and dedication are key features in high performance workplaces. Strong commitment to an organization develops because employees impart values with both the organization and employees. Employee participation, which includes participation in collaborative decision making, has a positive relationship with practical work attitudes and employee engagement.

[4] **Yukl, George, and Jones (2010)** noted organizational culture is the set of mutual values, beliefs, and norms that influence the way employees think, feel, and behave toward each other. Organizational culture can make change transformation easier or harder, which is why at times someone new is less accepted significant transformation creates issues, and resistance may hinder or destroy an organization's success. Peoples' perceptions and assumptions cause them to view others differently. Both are noteworthy because decisions and behaviors influence how people relate and make sense of others. When people do not understand events occurring around them, resistance is oftentimes the result Resistance to change can delay, hinder, or even destroy an organization's success.

[5] **King, Dawson, West, Gilrane, Peddie, and Bastin (2011)** indicated organizational demography is representative of community demography and positively related to civility and ultimately improve organizational performance. These findings underscored the understudied effects of community context and implied intergroup biases manifested in contempt toward out group members hinder organizational performance examined the possibility of adverse effects of discrimination and organizational efforts. The authors examined three studies and found perceptions of workplace discrimination negatively relates to affective commitment. This impact depended on the quality of an organization's culture blamed multiculturalism for issues.

### 3.0 Methodology:

**Marginal Effects** As the coefficient estimates from the hurdle negative binomial models are difficult to interpret, we have computed marginal effects implied by the estimated models. For binary part of the model, the marginal effects describe the influences on the probability of being an innovative firm; for the count part of the model, the marginal effects describe the influences on the expected number of R&D projects/new commercial products among innovating firms. These computations and their relations to the model estimations are discussed in more detail in subsequently for each part of the model, two types of marginal effects will be reported: (i) average



marginal effects and (ii) conditional marginal effects. The average marginal effects are calculated for all observations by first obtaining individual marginal effects by inserting the true values of the repressors into the marginal effect formula for each observation after which we compute the average of the individual marginal effects. The conditional marginal effects for certain groups of firms are calculated by inserting given values (e.g., median group values) into the marginal effects formula.

### **Role of Technical Employee Turnover:**

It can be seen that the turnover rate of technical employees is negatively and significantly correlated with both the number of R&D projects and the number of new commercialized products. For the median firm, a one percentage point increase in the technical employee turnover rate is associated with about 0.7 fewer R&D projects and 0.8 fewer new commercial products. Thus, firms with a higher technical employee turnover rate exert less R&D effort and have less innovation output. On the other hand, the turnover rate of technical employees is positively and significantly associated with the probability of having at least one new commercialized product; on average, a one percentage point higher turnover rate is accompanied by about a one per cent increase in the probability of having a new commercial product. For the probability of having a R&D project, its impact is also positive, albeit imprecisely

estimated. In sum, while a higher technical employee turnover increases the probability of having at least one new commercial product on a yearly basis, it is negatively associated with the intensity of both R&D effort and innovation output. In other words, it takes a certain level of R&D labor mobility to bring in new.

### **Impact of Other Factors:**

As for the control variables, a few results are also worth noting. In line with the earlier literature, the size of the firm is found to be positively related to its innovation activities. A firm with a higher output level is more likely to produce a new commercial product every year and an increase in the firm's employees increases both the number of R&D projects and commercialized new commercial products. Firms with more external cooperation partners have significantly more R&D projects. For the median firm it means that a one per cent increase in the number of cooperation partners gives rise to two additional R&D projects and three additional new commercial products. More profitable firms have a higher number of R&D projects. Of course, here it should be noticed that causality can go both ways. The proxy for unobserved heterogeneity, the sample average of the dependent variable, turned out highly significant in all models. The estimated effect is not very large, however. The turnover rate of non-technical employees is negatively associated with





probability of having at least one new commercial product.

### **Training and Development:**

Training and development affects jobs satisfaction and organization commitment which in turn affect staff retention, an organization that provides inadequate training increases staff turnover and threatened quality standards and profits Previous research by has shown that learning and development is an important retention strategy establishing and supporting learning and working organization is beneficial to the organization. Training of new employees ensures that they are comfortable in their new work environment and reduces the chances of the employees getting frustrated in their new position Research by shows that employees who feel they have the chance to develop new skills through training and development in the workplace are more satisfied with their jobs and are, as a result, more likely to remain loyal to an on the other hand, suggested that in today's competitive environment feedback from employees is very important for the organization and the more knowledgeable an employee becomes the better for them to perform to meet the global challenges of the market place stated that training of employees also improves the output of the employees leading to higher quality services which improves the value of the employees to the organization thereby improving the

desire of the organization to keep hold of them in the long term.

### **4.0 Results and Discussions:**

Data collection method can either be quantitative and qualitative data, quantitative is used as a “synonym for any data collection techniques (such as a questionnaire or data analysis procedure such as graphs and statics that generates or uses numerical data in contrast qualitative is used as a synonym for any data collection techniques such as an interview or data analysis procedure such as data that generated or use non numerical data the secondary source for this research includes literature review and previous research results that it's time effective as someone else has completed the survey and it is free. However, the primary source was through a questionnaire, this was used to gather vital information from the participants of this research project. The questionnaire used was tailor made for all targeted audiences to ensure that it delivered the correct questions whose answers the researcher would rely on, to make a solid and factual conclusion. To access a wider audience, an online questionnaire was deemed appropriate as a data collection method. This was available to participants who had previously worked in hotels in Ireland. The major benefit of using questionnaires to collect information is the fact that the researcher gets feedback on the exact questions that was set in the questionnaire. The information is precise

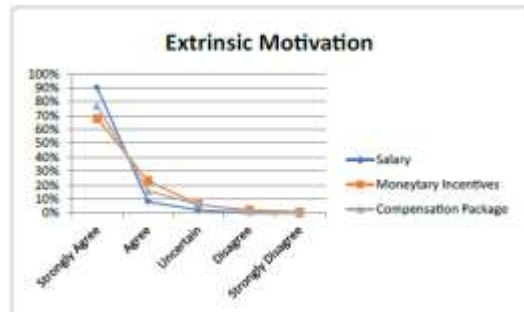


and to the point, thereby improving its efficiency in the research process.

**Basis for Employees’ Dedication:**

Results provide a clear assessment of factors that influence the respondents to be more dedicated to their work. These factors are stated in order of importance, as suggested by the respondents: balance between authority and responsibility (57.8%), management efforts to improve morale (50.5%), existence of proper encouragement (44.1%), and existence of a proper delegation system (27%). As one may observe, management attitudes which reflect organizational work environment toward employees are salient. Moreover, the most striking outcome is that 73% of the respondents do not classify the organizational delegation system as a source that strengthens their dedication. This result is contrary to what is usually advised to empower employees so as to enrich their engagement in the organization. According to TC Strategic and Management Consultants many people don't feel personally valued. When people don't feel engaged or appreciated, all the money in the world can't hold them

The result showed that, extrinsic motivation is a dominating factor for motivation employees. We considered three ramifications under this factor. Here, in case of salary, 90% respondents agreed that salary motivates employees to improve their performance; meanwhile, 8% agree with the fact, 2% are uncertain and no one disagrees. In case of monetary incentives, 68% respondents agreed that monetary incentives motivate employees to improve their performance; 23% agree with the fact, 6% are uncertain, 2% disagree and 1% strongly disagree. In case of compensation packages, 77% respondents agreed that compensation packages motivate employees to improve their performance; 16% agree with the fact, 6% are uncertain, 1% disagree and none strongly disagrees



**Discussions:**

We have found that the technical employee turnover rate is higher in innovating firms than in non-innovating firms and that for firms that are carrying out R&D projects and are producing new commercial products further increases in the turnover rate discourage the firm’s R&D efforts and lower

Statements	Strongly Agree	Uncertain	Disagree
Salary	90%	8%	0%
Monetary Incentives	68%	23%	2%
Compensation Package	77%	16%	1%





its innovation performance. These findings are in accordance with the inverted U-shaped relations between employee turnover and innovation which have also been documented by some previous studies; The theoretical reasons for a positive relationship – new ideas brought into the firm by new employees – are supported by our study, but we also find that as the marginal benefits of employee turnover decreases while its costs increases, the impact of higher turnover eventually turns negative. Thus, one of the key findings of the empirical analysis is that technical employee turnover in Chinese high-tech firms has a negative influence on both R&D effort and innovation performance. While, as discussed in this is not necessarily inconsistent with theory, several distinguishing features of the Chinese innovation environment may also contribute to the differences observed with respect to studies for more developed economies. First, despite significant improvements, the protection of intellectual property in China is still relatively poor. For a given level of employee mobility, Chinese firms face a higher risk of being copied by competitors and losing benefits of innovation due to the transmission of information via leavers. Second, due to the large population, the average number of job candidates for one position in China is very large, which results in higher recruitment cost and higher risk of mismatch. Both factors reduce the net benefit brought by newcomers to innovation. So, again, firms facing high labor mobility have weaker

incentives to innovate more because the high labor mobility creates leakages of the gains from innovation.

**5.0 Conclusion:** The turnover rate of technical employees is lower than that of the firm's overall workforce. We find that technical employee turnover is higher in innovating firms but that higher turnover in firms that are already innovating has negative effects on R&D effort as well as on innovation performance. In the case of the employers, a high rate of employee turnover leads to additional costs required for recruiting and training new employees, as well as possible interruptions in service delivery. Employees, on the other hand, are likely to have poor morale due to job insecurities, particularly as most of the entry level jobs in this industry are tied to work demand. The job satisfaction of employees in this industry can be enhanced through the implementation of several employee retention factors which include; job flexibility, good relations between superiors and subordinates, facilitation of career development, training of employees, creation of a good working environment, recognition of the skills and good contributions from the employees, and good communication among co-workers and across the various levels in the workplace. As for high performance HRM practices, we find that they contribute both higher R&D effort and innovation performance.

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