Factors Affecting Employee Turnover: the Case of Lebanese Retail Companies

Khodor Shatila¹ & Marina Alozian²

Abstract

The Lebanese Retail Sector had been suffering from a decline in the performance since there is a high rate of employee turnover due to many factors. Absence of motivation, employee engagement and compensation benefits were some of the strategies which led to a high turnover rate in the Lebanese Construction Sector. The research addressed the quantitative methodology throughout distributing a questionnaire over a defined number of respondents for data collection. The results were analyzed using the SPSS statistical tool, and the results proposed that there are many factors which tend to affect the employees turnover including training and development, commitment, and loyalty.

Keywords: Retention, turnover, training and development, commitment and loyalty

Introduction

The directive of the contemporary state of field is indicated by the level to which the researcher constitutes his or her study on what has already been stated. It also indicates the level to which the suggested work changes the field ahead in a significant way. This research is not exceptional. It looks for a more elaborated but critical evaluation of an effective leadership and its effect on the company’s performance. Consequently, the following literature is reviewed. It states the relationship between effective leadership and the performance of the organization. In addition to that, the following principles will be discussed: The clarification of concept, leadership and motivation, motivation and job performance, the effectiveness of leadership and job performance, the styles of leadership, organizational performance and its measurement, leadership and communication, the features and characteristics of a good leadership and the management of subordinates in the organization.

Problem Statement

The Lebanese Retail Sector had been suffering from a decline in the performance since there is a high rate of employee turnover due to many factors. Absence of motivation, employee engagement, compensation benefits and change management were some of the strategies which led to a high turnover rate in the Lebanese Retail Sector. This research aims to study the factors behind the employee turnover rate taking into consideration the Lebanese Retail Sector as a case study.

Literature Review

There are many dimensions which can be affected by change and at different levels. With reference to a study done by the UNDP (2006), there are many direct and indirect variables which can lead to change and have a direct impact on the organizational goals and objectives. These factors can be divided into two parts which are the internal factors and external factors. The internal factors include technologies, operational changes, processes and procedures as for the external factors includes competitions among the companies which operate in the same industry in addition to technological and political challenges. Preference to a research done by Kamarch (2004), it proposed that there is a direct correlation among the change which takes place in the organization and the organizational objectives. It focused on the importance of careful planning and organizing to achieve the objectives effectively and efficiently included change in management plans, and programs.

¹ Research & Development Specialist
² Supply Chain Manager
Different studies addressed in brief the effect of change management to organizations and the outcomes proposed that changes which are implemented in a planned way can have a positive effect on the objectives of the organization on the long term and through the implementation of the strategic plan (Cousins, 2008).

**Empirical Literature**

**Communication and Organizational Performance**

Communication had been considered as one of the most important factors which can lead to the success of implementing change in the organization and is considered important in building change readiness and aims to minimize risk and is considered as a key factor in maintaining commitment on the long term. Communication within the change framework had been considered as a way to motivate the workforce to be engaged in the change process. Several scholars and researchers had studied deeply the importance of communication in implementing change in the workplace. For example, Oreg (2018) implemented a research to study the impact of communication on change management throughout implementing the quantitative methodology. The sample that he addressed includes 500 respondents from different retail companies in Kenya to study the impact of communication in implementing change management. The results were analyzed using the SPSS statistical tool, and the results proposed that there is a positive and significant relationship among the proposed factors since the margin of error showed a level below than 0.05.

**Leadership and Communication**

The suitability and clarity of communication determine partly the effectiveness of leadership. The role of the leadership of the manager is exerted through the communication with the employees of a company. According to Justin (2006), communication means transmitting and receiving the message at the same time. The manager defines the essence of a task by the mean of communicating with his employee while the subordinate in return reports the progress of the work to his director. The expression of the feelings and attitudes happens through the communication process. Any kind of planned activity requires communication. Chester Barnard 1983 in Prasad expressed communication as a mean that links people together in a company in order to achieve a common objective (Prasad 2004). The objective of communication in a company is to alter change in order to direct an action towards the prosperity of the company. More precisely, communication is required to establish the goals of a firm, to set up plans for their accomplishment, to develop human resources development in the most useful way and to proceed by a selection, a development, a lead in the purpose of motivating people in order to increase and control their performance Koontz et al 1983 in (Ezeani, 2006).

For the survival of a company and the achievement of its goals of making profits or supplying main services, maintenance of an effective network with the diversity of its publics of communication is necessary. Communication is considered to be the body of a company due to the means through which the other management entities are finalized. Communication is the heart of the management. Every form of the job or task is communicated. Communication is an essential instrument for the transmission of the information to other people in order to affect a requested action. Planned and goal-directed actions would not exist without some communication’s model. Communication is considered as the transmission of information to others. It is an operation that passes the information, knowledge and feelings among individuals for particular purposes and also the transmission of opinions from one person to another or from a group of people to another. Communicating effectively involves an interchanging point of views and ideas between a company and another to mutually understand each other without any kind of tension. Three extensive ways can be carried out which are the verbal communication, non-verbal one and written one. According to Yolokwu (2005), logistics are a principle problem as noted in the statement of problem in National Youth Service Corps Secretariat.

**Employee Productivity**

Jennifer and George (2006) claim that job performance directly leads to increase the effectiveness and efficiency of the company for accomplishing goals. They also argued that the failure of a company affects negatively the effectiveness of a company therefore diminishing employee’s productivity regarding set goals and objectives. Antonioni (1999) states that the level of productivity is dependent on the level to which employees believe that motivational ambitions will be fulfilled declaring that workers are discouraged and become less productive when they notice that their desires are not met. Mathis and John (2003) declared that productivity relates to the measurement of the quantity and quality of work done, keeping in mind the cost of capital utilized. The greater the organizational productivity is, the greater the competitive will be.
This is due to lower costs related to the production of goods and services. Better productivity ratios do not necessary mean that more outputs are produced but it could also mean that less financial resources and less time were used for producing the same output. McNamara (2003) argues that productivity could be designated in a quality form, quantity, time and cost. It is also stated by him that assessing productivity is related to the measure of the length of time required for a normal employee to produce a specific level of outcome. Although measuring productivity may not be easy, it has however significance since it has a direct impact on the organizational yielding profit. Brady (2000) stated that none of the resources used for production in the workplace are carefully assessed as the human capital. Most of the activities accomplished in Human Resource Systems are aimed to affect employee or the productivity of a company. Job compensation, reward systems, training and development, recruitment, job features are Human Resource responsibilities directly influence productivity. Bernardin (2007) clearly explained that the essence of motivational factors must be estimated by a firm in order to increase the productivity levels of a labor force especially when attempting to earn competitive advantage. He also declared that it is difficult to measure productivity but it is easier to evaluate it in terms of effectiveness and efficiency of employees.

**Employee Engagement**

The ability of a company in achieving its objectives is considered as the organizational performance. Such goals can be high profit, quality of items, large market share, good financial outcomes and survival time using appropriate strategy for actions (Koontz and Donnell, 2003). The success of a company in reaching its purposes is determined by a different performance measurement. The impact of many factors on organizational performance has been studied by researchers due to its importance. Employee engagement is one of them. A committed employee is partly responsible for improving the performance of companies because of job satisfaction. Moreover, the effects of employee engagement on enterprises’ performance have been studied by different researches. Employee commitment has been indicated by Rayton and Yalabik (2014) to be an efficient predictor of companies’ performance and constitutes a reciprocal relationship between employer and employees. Furthermore, Kompaso and Srivadi (2010) proposed that there is a relationship between the degree of employee commitment and the level of company’s profit growth. Nevertheless, a high turnover and a low customer satisfaction is the consequence of the absence of employee commitment (Wise, 2017).

**Motivation**

The vital element for any company is a motivated talent which is crucial for organizational performance. Such performance is led by a good motivation for all the sectors including the non-profit one. Motivation is defined by Pinder (2008) as “a set of energetic forces that originates both within as well as beyond an individual's being, to initiate work-related behavior and to determine its form, direction, intensity and duration.” Employee's willingness describes motivation in simpler words. Some of them are motivated to perform human resources tasks while others feel that they are coerced that are why they hesitate of getting involved at work. According to (Perry & Wise, 2000), individual incentives or institutionalized ones encourage motivation. Little interest in the policies is shown by employees in terms of personal incentives (Brewster & Larsen, 2000) and they are not persuaded that human resources management work is something they should dedicate too much time on it. Nevertheless, with respect to institutional incentives, the role of human resources management is not an overall part of employee’s performance goals which are only assessed through the achievement of targets related to profits or sales which are in the area of people's management. Motivation has been split into two types: extrinsic motivation which constitutes external motivation and intrinsic ones which represents the internal one. According to Calder and Staw (2015), employees are proposed to be extrinsically motivated if their needs are satisfied, especially through monetary compensation. Money is a “goal which provides satisfaction independent of the actual activity itself.” Extrinsicly motivated coordination in enterprises is accomplished by relating employees’ monetary purposes to the objectives of the company. Extrinsic motivation happens when an employee feels motivated to do his job in order to be rewarded or to avoid punishment, contrary of the intrinsic one which consists of performing a task due to the job satisfaction. Therefore, the motivation of a talented employee is for personal reasons such as his/her well-being rather than for the desire of being rewarded. Intrinsic motivation “is valued for its own sake and appears to be self-sustained.”

**Training and Development**

Talent management enjoys the significance of training and development. The significance of training and development is shown by the basic definitions of talent management proposed by researchers. Nevertheless, it is an ongoing debate that if the “talent” is innate or it can be “acquired.”
The sustainability of talent management is marked by hard work, training and development. The culture of the basic skills in performing human resources management practices is done through training and development. The need for a continuous and systematic training in human resource management practices has been shown by some authors such as Coetzer et al. (2012). However, according to (Sparrow et al., 2004), a lack of adequate training courses for particular human resources management is also noted. An investment in organizational human assets forms the training and development. A visible progress is recognized in the enterprises that provide training and development to their talented employees (Waterman et al., 2004). However, organizational risk is also increased by generalized skills training and development because a talented employee may decide to quit his job. Indeed, a considerable expense might be incurred by managers through the extension of training activities. As such, an investment in employee training is required from managers who highly trust their subordinates. The investment in talented employee was proven to be strongly resilient to the modern economic downturn. Despite the remaining of the recession the scarcity of talented employees and managers persists. Talented employees are needed and their demand is still increasing and is crucial for the success of a company. That’s why, development and training are required to identify talent in order to gain competitive advantage. Five major keys are essential for developing and training the talent. Talent is formulated by a crystal clear talent policy. It is important to note that perceiving the talent development and training as an integrated process is crucial for the development process (Bryan and Joyce, 2007). Providing mentoring through a true role of models, meeting the need of a company in terms of talent management and suitable training and development as well as addressing the right questions regarding the function of talent development are the main roles of models. Those models identify leaders who are likely to improve the know-how of the companies. In addition to that, understanding the ability of what the talented pool is supposed to provide also improves organizational development (Shirky, 2010).

Research Methodology

Introduction

The main aim of the research is to identify the factors which are leading to employee turnover in Lebanon. However, the research questions should be answered to be able to reach suitable outcomes. The research should answer the following research questions:

1. What is the impact of training and development on minimizing turnover?
2. What is the impact of change management on minimizing turnover?
3. What is the impact of leadership and motivation on minimizing turnover?

However, in this chapter, the research will implement many tools to collect data from Lebanese Retail companies in order to meet the objectives of the research. Thus, collecting data to analyze the factors are leading to a high employee turnover. In addition to that, both dependent and independent variables will be included in this chapter to study the relation between them and validate the hypothesis later on.

Research Design

This study will implement a case study design in which it will address retail companies in Lebanon. This method is the most suitable one since there are many retail companies in Lebanon and most of the respondents resist change when implemented. The case study research design provides a detailed insight about the factors which help the scholar to address real life situations related to the objectives of the study.

Target Population

The population of this research will include all the staff which is working in the Lebanese retail companies. The targeted population is all involved in organizational change in an indirect and direct way. The population of the staff is 1000 employee.

Data types

Quantitative and qualitative methodologies are two different types which can be practiced in a research. The quantitative methodology is a methodology which relies on primary data which means it can be defined as the data that can be collected by the researcher himself through the means of a survey or interviews. As for the secondary data, it is defined as previous data and studies done in the field of studying the factors which impact employees’ turnover, and this part is already addressed in the literature review of the research.
Variables and Hypotheses

The dependent variable is: Employee turnover
The independent variables are: Training and development, leadership and change management
As for the hypotheses, it will be constructed based on the above research variables:

H0: There is an indirect relationship between training and development and turnover
H1: There is a direct relationship between training and development and turnover
H0: There is an indirect relationship between change management and turnover
H1: There is a direct relationship between change management and turnover
H0: There is an indirect relationship between leadership and turnover
H1: There is a direct relationship between leadership and turnover

Data Analysis

The model provides graphical presentation of relationship between the factors leading to employee turnover and organizational performance. The intervening and moderating factors that affect the relationship are also considered in this study. The SPSS technique has been used to analyze the collected data and to ascertain the relationship between dependent and independent variables. Various tests applied on the data are also explained in this section.

Validity

Validity refers to the degree to which the theory mentioned in the literature review matches the research results that will be mentioned later on. The validity instrument aims to measure the accuracy of the data based on the research results, and it is also considered as the degree to which the results are obtained from the analysis of the data which represent the variables of the study.

Data Collection

The process of collecting data about a phenomenon using different instruments can be defined as data collection techniques. The research relied on both primary and secondary data in which the primary data was obtained using questionnaires as for the secondary data was maintained through addressing previous studies done about change management and its impact on performance in different countries. Furthermore, the secondary data had been maintained from different articles, journals, and books from the Lebanese Universities. The implementation of the questionnaire was used for various reasons including the ability to reach out higher number of respondents within a short time, and this throughout using the Google Forms tool, and by that it can offer security for the respondents and it can be considered as an objective method since no bias can be detected from personal characteristics such as the implementation of the interviews. However, a total of 30 questionnaires were developed and distributed online for data collection.

Regression Analysis

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>4.886</td>
<td>.495</td>
<td>9.879</td>
<td>.000</td>
</tr>
<tr>
<td>Change Management</td>
<td>-.359</td>
<td>.148</td>
<td>-.316</td>
<td>-2.428</td>
</tr>
<tr>
<td>Training and Development</td>
<td>-.292</td>
<td>.160</td>
<td>-.251</td>
<td>-1.827</td>
</tr>
<tr>
<td>Leadership</td>
<td>-.278</td>
<td>.193</td>
<td>-.191</td>
<td>-1.439</td>
</tr>
</tbody>
</table>

The above regression analysis had been conducted to test the relationship between the dependent and independent variables based on a margin of error of 5%. The results were indicated as follows:

- There is a significant relationship between motivation and turnover (0.019)
- There is a significant relationship between training and development and turnover (0.004)
• There is a significant relationship between engagement and turnover (0.047)

Based on the mentioned results, the null hypotheses are rejected, and the alternative ones are accepted. However, the regression analysis can be explained in the following equation: \[ Y = a + BX_1 + BX_2 + BX_3 \]
Where \( Y \) = Dependent variable, \( A \) = constant, \( B \) = Coefficient and \( X \) = independent variable
Thus, it can be measured as follows: Employee turnover = \( a + 0.019 \) change management + 0.004 training and development + 0.047 Leadership Thus, the following can be clarified:

• For every 1 unit change in change management, the employee turnover is affected by 0.019.
• For every 1 unit change in training and development, the employee turnover is affected by 0.004.
• For every 1 unit change in leadership, the employee turnover is affected by 0.047.

Research Model

Structure Equation Modelling
Variances: (Group number 1 - Default model)

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change Management</td>
<td>.592</td>
<td>.120</td>
<td>4.950</td>
<td>***</td>
</tr>
<tr>
<td>Leadership</td>
<td>.394</td>
<td>.080</td>
<td>4.950</td>
<td>***</td>
</tr>
<tr>
<td>Training</td>
<td>.582</td>
<td>.118</td>
<td>4.950</td>
<td>***</td>
</tr>
</tbody>
</table>

The probability of getting a critical ratio as large as 4.95 in absolute value is less than 0.001. In other words, the variance estimate for Change Management is significantly different from zero at the 0.001 level (two-tailed).

Data Analysis

The findings proposed that the size of the organization is affected by change and by that affects the overall performance of the company. The participants assured that the size of the firm is considered as a direct factor which affects the motivation and commitment of the employees in the workplace, since the bigger the size of the company is, the higher the employees will be motivated and will be committed to their work to achieve higher performance.
But on the other hand, the findings proposed that the bigger the size of the company is, the higher the resistance to change will be, because the employees fear the future and they are afraid from losing their jobs. The findings of the research proposed that organizational performance and change management are both influenced by a variable called leadership. Leadership aims to enhance employees in the workplace and motivate them to achieve the objectives of the organization. Implementing effective leadership aims to enhance creativity in the workplace and to minimize conflict. At last, the outcomes of the research proposed that change management tend to affect directly the organizational performance. Since most of the contributors agreed that change gave an organization a better chance of managing events and trends in the workplace place, the thing which can lead to enhancing sales, market share and improve organizational performance

Conclusions

From the findings of the research, it can be concluded that the technological change and especially in informational systems can affect the organizational performance and by that effecting its objectives. However, through the implementation of change management programs, the organization aim to train its employees and develop their skills in order to provide them with the tools to cope with complexity and the new procedures which are implemented in the workplace. However, the research findings also proposed that the organizational structure tends to affect the performance of the organization since different departments in the workplace aims to assist the management in taking decisions and especially at the top management level. The structure is considered one of the most valuable tools which aim to achieve the communication and coordination among employees in the workplace and that can be measured by the degree of formalization which can lead to minimize innovativeness among the employees.

The research can also conclude that the size of the organization have a direct effect on the performance. It had been agreed by the respondents that the bigger the size of the company is, the higher the resistance to change will be applied and that because they have fear from the unknown in the future. They are afraid to be replaced by advanced technological systems, or that they are not qualified enough to adapt to the desired change in the workplace. The research addressed the factors which are leading employees to resign from their jobs in the workplace looking for better opportunities. The results proved that absence of employee engagement, employee commitment, loyalty and training and development programs were some factors which led employees to resign from the workplace looking for better opportunities. The results proved that the higher the employee engagements are practiced in the workplace, the higher the employees’ performance will be. Employee engagement can be defined as the act of engaging employees in daily activities and this is done by delegating tasks and responsibilities to the employees to handle. This is considered an important factor to deal with in the workplace, since the higher the employee engagement is in the workplace the higher the productivity will be and by that reflecting a lower turnover.

On the other hand, employee commitment tends to be an important variable that have a direct effect on the employee turnover. The higher the employee commitment is, the lower the turnover will be and by that reflecting a better performance. Organizational commitment is the level of the staff’s awareness to the firm and the duration of the will to keep on providing towards the staff’s company. It is the desire level of the work to remain in the company in the future. It carries the reflection of the staff belief in the aims and targets of the firm that they work for which will provide a level of commitment to that vision of their employer. Firm commitment has different elements and motivators with some difference in their nature. It can consist of three dimensions of 3 types of commitment that are the normative, affective and continuance commitment. However, following are the recommendations which are suggested to be implemented in the research to enhance the outcomes:

- The implementation of both the qualitative and quantitative methodology
- Addressing a defined case study over a defined company.
- Studying factors other than the ones addressed in the research.
- Addressing higher number of population in order to maintain accurate records.

Retention of an employee can be explained as the power to keep and hold the well talented and the most valuable of employees in the firm from quitting their work. It can be also discussed that the work commitment with a certain organization in a continuous manner. There are policies and practices that can also relate to the matter of retention of employees which can help the company keep and not let go their most valuable employees.

It can provide a few options as rewards to help sustain the employee and keep them in the firm such as promotion after a certain period of time and work-related performance. Companies have to provide their abilities and
effort for the employees to be motivated and boost dedication of the worker to the firm. The continuous hiring scheme of the talented staff might be one of the main elements for a firm’ sustainability. Also, retaining the well dedicated and trustworthy employees that deserve to stay in the firm could be a way of cost saving as well and it can prove to be an effective method for the company. It may be an issue that the current organization or employers had not paid good attention and neglected the turnover costs of employee.

References


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