Employee Turnover: Causes, Consequences and Retention Strategies in the Saudi Organizations

Dr. Adnan Iqbal, Prince Sultan University, Riyadh, Saudi Arabia

ABSTRACT

Employee turnover has always been one of the challenges to the human resource managers and the respective employers in any fast growing economies including the Kingdom of Saudi Arabia. Most of the employers in the Kingdom are not aware of why employees choose to leave their organizations and why they stay. Employees who leave the organization’s request as well as those who leave on their own initiative can cause disruptions in operations, work team dynamics and unit performance. Both types of the turnover create costs for the organization. However, retaining their best employees; managers must make sure their organizations clearly communicate expectations about rewards, working environment and productivity standards and then deliver on the promise. Having said that employee turnover being such a serious problem in Middle-East organizations, there is limited research investigating it, especially studies on causes and consequences are scanty. This paper examines the causes of employee turnover, effects and suggests some strategies on how to reduce employee turnover within Saudi business context.

INTRODUCTION

Employees who leave on the organization’s request as well as those who leave on their own initiative can cause disruptions in operations, work team dynamics and unit performance. Both types of the turnover create costs for the organization. If an organization has made significant investment in training and developing its employees, that investment is lost when employee leaves (Mello, 2011). In addition to excessive employee turnover can hurt the overall productivity of a firm and is often a symptom of other difficulties. Every organization strives to have high productivity, lesser turnovers and maximum profitability. Managing turnover successfully is a must to achieve the above goals. Abassi and Hollman (2000) stressed that managers must recognize that employees as major contributor to the efficient achievement of the organization’s success. Furthermore, highly motivated and performing individuals are the crucial factors of the organizational productivity. Therefore, there is need to develop a thorough understanding of the employee turnover from the perspective of causes, effect and strategies to minimize turnover. The next section discusses some of the definitions of employee turnover.

THE DEFINITION OF EMPLOYEE TURNOVER

Organizational turnover has sometimes been defined as “the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period” (Price, 1977) and it is often detrimental to the effective functioning of an organization. On the other side, Adams and Beehr (1998) provided a definition of organizational turnover ‘‘turnover involves ‘leaving any job of any duration’ (Feldman, 1994) and is usually thought of as being followed by continued regular employment’’. Similarly, managers analyze the employee turnover as the entire process associated with filling a vacancy. Each time position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained. This replacement cycle is known as turnover (Woods, 1995). This term, employee turnover, is also often utilized in efforts to measuring relations of employees in an organization as they leave, regardless of reason (Gustafson, 2002).

TYPES OF TURNOVER

Heneman and Judge (2009) have described four types of employee turnover under two categories. It can be seen that turnover is either voluntary being initiated by the employee, or involuntary, being initiated by the organization.

Involuntary Turnover
Involuntary turnover is split into discharge and downsizing types.

Discharge Turnover: Discharge turnover is aimed at the individual employee, due to discipline and/or job performance problems.
Downsizing Turnover: It occurs as part of an organizational restructuring or cost-reduction program to improve organizational effectiveness and increase shareholder value.

Voluntary Turnover

Voluntary turnover, in turn, is broken down into avoidable and unavoidable turnover.

Avoidable turnover: Avoidable turnover is that which potentially could have been prevented by certain organizational actions, such as pay raise or new job assignment.

Unavoidable turnover: A turnover that happens in unavoidable circumstances is called as unavoidable turnover. For instance, Employee’s death or spouse’s relocation

Therefore, there are some factors that are, in part, beyond the control of management, such as the inability of a member of staff. Other factors have been categorized involuntary turnover in the past as the need to provide care for children or looking after aged relatives. Today such factors should not be seen as involuntary turnover as both government regulations and company policies create the opportunities for such staff to come back to work, or to continue to work on a more flexible basis (Ongori, 2007).

EMPLOYEE TURNOVER IN THE SAUDI ORGANIZATIONS

Saudi Arabia is a major producer and exporter of oil with the largest oil reserve in the world. The Saudi government plays a major role in the country's economic development, but its role will be limited after joining the World Trade Organization. This is why the role of Saudi organizations in economic development is growing year after year with the support of a government that wants to diversify its national income by encouraging the private sector to invest heavily in the Saudi economy. Moreover, Saudi Arabia is restructing its economy to adapt to new trends in the global marketplace. Organizations that compete globally aim to gain a large market share, but it depends on less employee turnover and more loyalty, which is associated with hard work, productivity, and high quality (Al-Kahtani, 2002).

In Saudi organizations, it is very significant to keep an eye on employee turnover for both Public and Private sectors. In public sectors, although some fringe benefits are given to the employees regularly do not satisfy them sufficiently. In private sectors, though salary and benefits are high but security of job is less. Despite the increased resolve of the Saudi Arabian government to commit the private sector to Saudization, owners and managers of some Saudi businesses retain negative attitudes against the recruitment of Saudi nationals who are searching for jobs. They believe that Saudis are neither serious nor loyal to Saudi companies (Al-Kahtani, 2002). Saudization policy requires that government and private businesses hire Saudi nationals in place of foreign workers through quota system and impose restrictions on the recruitment of foreign workers (Looney, 2004).

Achoui and Mansour (2007) conducted a study on employee turnover in Saudi companies confirmed that the turnover rate in the Saudi market is very high especially in the private sector. The policy of Saudization or "localization" drives many companies to achieve the required percentage of Saudization by the Saudi government. Consequently, private companies compete on a limited number of Saudi qualified employees in the market. Furthermore, the economic/market development in the private sector drive private companies to attract more qualified Saudis on the expense of the other companies. These factors had contributed significantly to the turnover problem in the Kingdom. Pakkiasamy (2004) notes that small and medium-sized business owners, for whom enforcement of Saudization was not strictly applied until recently, have started to protest that these measures place unfair pressure on them to hire more expensive local workers.

Due to these reasons turnover rate in private sectors are higher than public sectors. Some researchers explored Saudi organizations, but little research exists on the concept of employee turnover and its causes. Turnover rate also varies from manufacturing to service sectors. Literature on the employee turnover in Saudi organization is limited so far. The employers and business owners do not focus on this critical issue. They have little idea about how destructive the effect of turnover is into the productivity of their organizations. In recent years, researchers are conducting research on turnover. The significance of this research is:

- To identify the causes of the turnover
- To analyze the consequences of employee turnover on productivity
- To find out the possible solutions of reducing turnover.

The Employee Motivation Study was conducted by bayt.com to understand how the current economic climate in the Middle East is impacting the satisfaction levels of Middle East employees and to identify the drivers...
that motivate professionals to stay longer in an organization as well as the factors that make them want to refer their work place to others. Online data collection was done between the 3-17th August 2009 and the total number of respondents achieved was 13,376 (Anonymous, 2009). According to survey 11% of respondents were planning to leave their current job, another 30% were in the process of actively looking for other jobs and 29% were willing to leave their current job. This survey on Kingdom of Saudi Arabian (KSA) market indicates overall unrest in the market as far as employees are concerned (Anonymous, 2009b). This is such an alarming situation for the employers and policy makers in the Kingdom.

**CAUSES OF EMPLOYEE TURNOVER**

**Personal Factors and Employee Attitude**
Of the possible predictor of employee turnover intention, work related attitudes of employee have received the most attention by researcher (Bhuian and Al-Jabri, 1996). The one work related attitudes receiving the greatest research attention as a predictor of employee turnover tendency is job satisfaction (Johnson, Parasuraman, Futrell and Black, 1990). Researchers, such as Smith (1996), have generally found that the more satisfied the employees are the more committed they will be to their organizations, and the more they will be productive and effective in their organizations, whereas dissatisfied ones experience more turnover intentions and increase absenteeism.

A more recent report shows that one fourth of Saudi employees in the private sector do not regularly show up, causing a high turnover rate (Al-Kibis Benkert, and Schubert, 2007). At the same time there is a major task at hand to change traditional mindset toward manual labor, which is deeply reviled (Rice, 2004). “Most of Saudis subscribe to the Mudir (manager) syndrome, which means that nothing less than a position of authority, status, and respect is honorable” (Rice, 2004).

**Performance Appraisal and Feedback**
According to Beer, Spector, Lawrence, Mills and Walton (1985), supervisors in most organizations do not give honest and candid performance reviews because they might damage the self-esteem of the employees. Gopalakrishnan (2002) noted that a candid feedback on performance might be viewed by the employees as unfriendly and hostile in Saudi Arabia. In the Arab culture, it is customary to give feedback through an intermediary to avoid conflict and sending the wrong message. According to the survey conducted by Bayt.com, 52% respondents showed dissatisfaction on the feedback system (Anonymous, 2009b). This is aggravated when the performance of the Saudi employees is compared with their expatriate counterparts, comparisons that are immediately understood as favoring the foreigners and not promoting Saudization, the term coined for nationalizing the jobs. Since Saudi Arabia's collective culture values group work, the pay-for-performance system that recognizes individuals is undermined when management tries to downplay it by writing comforting statements on the appraisal forms to compensate for low salary increases for poor performers (Hall, 2003).

**Lack of Recognition**
Gallup Organization conducted an extensive study (whereby 80,000 managers gave their responses) on the factors contributing to the quality of workplace. This study has found that recognition is a critical source of employee satisfaction and retention (Buckingham & Coffman, 1999). In fact, recognition and praise ranked fourth among 12 dimensions used in this survey.

One of the key causes of employee turnover in Saudi organizations is lack of recognition. Lack of job recognition in the KSA workplaces is the biggest barrier to employee productivity and huge turnover the results of a recent poll, conducted by Bayt.com, has found. “41% of the surveyed respondents cited that little/ or the lack of credit for their efforts causes their productivity levels to wane. The ambiguity of roles at 30% also stops people from giving their best at work; while 14% felt that having no say in the decision making process negatively affects their productivity” (Anonymous, 2009b). Data for the productivity in the workplace series of polls was collected online between the 4th January and 8th February 2009 with a total of 8,289 respondents from across the Middle East (Anonymous, 2009b).

**Lack of Personal and Professional Advancement**
This is one of the prime reasons why employees leave organizations. When they observe limited opportunities for professional or personal advancement in their current jobs, they prefer to join other companies which may provide good career growth and good pay packages. Al-Ahamdi (2002) conducted one research on hospital nurses in Riyadh region Saudi Arabia. She found that the opportunity for personal and professional growth
and achievement is one of the best predictors of job satisfaction and organizational commitment. Unfair promotion policies perceived by employees may negatively impact their organizational commitment (Mosadeghrad, Ferliet and Rosenberg, 2008). According to study conducted by Bayt.com, showed that 51% respondents in Saudi organizations were dissatisfied with their personal and professional growth at their existing jobs (Anonymous, 2009b).

**Ineffective Communication**

Charles (1981) suggested that the communication is one of the factors of employees’ turnover. He described an on-site study of a large Midwestern trucking firm. The study was made by University of Iowa researchers. The study concluded that poor communication between management and blue-collar workers contributes to a high job turnover rate. The truck plant was chosen because it had a 123% annual job turnover rate. Through interviews, the researchers discovered that a large part of drivers' dissatisfaction with their jobs stemmed from their isolation from management, and management's view of drivers as 2nd-class people. The drivers’ only contact with the company was via several short telephone conversations per week. Management had created a stereotype for the drivers and, with so little contact, found it impossible to recognize and deal with driver complaints.

Similarly, Leigh Branham (2005) in his book "The 7 Hidden Reasons Employees Leave: How to Recognize the Subtle Signs and Act before its Too Late", he puts down the poor communication between management and employees and between the departments as one of the reasons why employees leave their organization. From the above studies it can assume that poor communication from management leads to low employee morale and high turnover. Wang (2008) noted that the common problem with many organizations in the KSA is that they do not establish a long term plan and make firm commitment for their organizations. Most of them do not have a philosophy for quality, or a vision or a mission. They also lack the availability of documented procedures that show how the organization is operating.

A survey of more than 500 managers and employees in the Gulf Council Countries (GCC) was conducted by leading communications consultancy firm Hill & Knowlton, using YouGovSiraj. The study concluded that the lack of effective communication by managers has led many employees to look elsewhere for the information they need. The study, further, added that although managers in Saudi Arabia realize how important it is to communicate with their employees, many of them fail to convey their message. Therefore, Managers in Saudi Arabia need to think about communicating the objectives of their companies or organizations to their employees (Al-Kinani, 2008). “Only 53 percent of Saudi Arabia employees think their managers are very useful sources of important information, while 46 percent mainly rely on external media and friends to collect information about their job” (Al-Kinani, 2008).

**CONSEQUENCE OF EMPLOYEE TURNOVER**

The consequences of high turnover are both financial and non-financial. High turnover can be a serious hurdle to productivity, quality, and profitability at firms of all sizes. For the smallest of companies, a high turnover rate can mean that simply having enough staff to fulfill daily functions is a challenge, even beyond the issue of how well the work is done when staff is available (Johnson, 2009). According to Zed Ayesh, Managing Director, Flagship Consultancy :“Employee turnover has always been one of the invisible enemies of business in any growing economy; it is invisible because most costs associated with staff turnover cannot be directly itemized in the profit and loss statement or reported at the end of the fiscal year” (Anonymous, 2008).

Achoui and Mansour (2007) identified both positive and negative consequences of employee turnover. Negative consequences includes cost both tangible like recruitment, selection, training and production lost and intangible cost like moral impact, workload impact and team performance disruption. Also other negative cost associated with employee turnover is separation, replacement and both financial and non-financial. The financial costs mainly involve the cost of people’s time, cost of materials and equipment, cash outlays, and productivity losses. The other costs are less discernable and harder to estimate but may entail large negative impacts on organizational effectiveness such as lost of customer, business and damaged morale (Heneman and Judge (2009).

The economic costs of turnover can be staggering. It was noted that one technology company calculated turnover costs to average $200,000 per employee. Merck and company, the pharmaceutical giant, has estimated that its turnover costs are between 150 % and 250 % of the employee’s annual salary (Mello, 2011). In UAE, “the cost of turnover per worker is approximately Dhs15180 annually. The turnover rate of 21% (approximately 657,930
workers) in a workforce of 3,113,000 equates to a ($2.7bn) Dhs9.9bn cost to business every year. For an average business of 12 workers the annual turnover cost is approximately ($10,400) Dhs38250" (Anonymous, 2008).

Turnover can, however, be beneficial for the organizations. It can allow the organization to hire new employees with more current training who are not locked into existing ways of doing things (Mello, 2011). Also, other positive consequences are higher quality, less expensive replacements (Heneman and Judge, 2009), displacement of poor performer, innovation, flexibility, adaptability (Achoui and Mansour, 2007), offer opportunities to promote talented, high performer (Mello, 2011).

Despite their many potential benefits, voluntary (being initiated by the employee) turnover, are typically costly proposition (Heneman and Judge, 2009). Therefore, both voluntary and involuntary turnover can be managed strategically to allow the organization to maximize the costs incurred with the process. Retention strategies must involve the assessment of both retention costs and benefits. Retention strategies must focus not only on how many employees are retained but exactly who is retained (Heneman and Judge, 2009). An ineffective employee retention strategy can disrupt the whole organizational productivity and employee morale.

EMPLOYEE TURNOVER STRATEGIES

Retention of employees, particularly in a strong employment market and for those employees who are top performers, can be a significant challenge for organizations. While many employers appropriately attempt to retain top employees by offering opportunities for personal growth and development, interesting work, a congenial work environment and strong value-driven management, the reality is that many top performers still remain focused on their salary, particularly relative to the market place (Mello, 2011).

At the simplest level, one could say that the way to manage turnover is to increase the levels of satisfaction among employees. But the key is in understanding exactly how to do that (Denisi and Griffin, 2008). The significant challenge for employers in managing retention of their employees is the fact that different employees are motivated by different factors relative to their desire to stay with an employer (Mello, 2011). Therefore any retention program needs to be designed based on the needs of the employees who have been targeted for retention.

Ongori (2007) noted that the strategies to minimize employee turnover should be appropriate to the diagnosis of the problem. Employee turnover attributable to poor selection, for example, is unlikely to improve where the policy modification to focus exclusively on the induction process. Therefore management is frequently exhorted to identify the reasons why people leave organization and to make necessary actions to address those issues. Employers can use to guage the effectiveness of their retention efforts is the exit interview. Exit interviews provide employers with the opportunity to gain candid feedback from departing employees in a manner that might not be possible if conducted within the context of an ongoing employment relations(Mello,2011).

Cappelli (1997) suggests a number of practical retention strategies that recognize labor market realities and value-differences between employee differences: new compensation plans, job redesign, job customization, strengthening social ties, and hiring the less mobile. Linking potential defectors with internal job opportunities is another market-wise tool for retention (Cappelli, 1997 in Luecke (2002)).

On the other hand, previous studies focus on the functional human resources activities such as recruitment and selection. Examples of these are from the previous researchers, such as Collins (2007), Dermody et al. (2004) Reynolds et al. (2004) and Martin et al. (2006), who focus on the important role that appropriate recruitment plays in retaining good staff (Deery, 2008). As the economy turns a corner, companies in gulf region need to assess their staff retention strategies. Following old retention strategies, such as money or financial incentives, will not be the way to go forward into future. So, in this case, non-financial incentives such as training and career development do become a key to retention, according to gulf region experts (Kapur, 2010). These views are consistent with the previous studies (such as Achoui and Mansour (2007); Ongori (2007)). For instance, Achoui and Mansour (2007) conducted an empirical study to identify the main turnover factors in some Saudi business companies through surveys. They found that the majority of the respondents confirmed that their companies do not make effort to retain their employees. Thus, strategies of retention, which are based on developing human resources management systems and organizational behavior aspects such as improving communication process and networks, internal marketing policy and practicing professional exit interviews, should be implemented in order to avoid high rate of turnover and its negative consequences.
Another comprehensive study on workforce engagement and retention trends conducted by Manpower Middle East reveals the urgency of adopting more effective employee retention programs to attain both competitiveness and profitability in the regional markets. According to Manpower's findings, better employment opportunities (79.4%), career advancement (80.8%), and improved work environment (45.9%) are some of the top reasons for job mobility aside from increased pay, which is cited as the basis for 85% of respondents to leave their current jobs. The study indicates that organizations offering benefits such as experiential opportunities, a clear career path, mobility options and travel and working conditions that balance work, personal and family growth are more likely to retain their pool of talent (Anonymous, 2009c).

In short, more efforts should be done to improve retention by taking in consideration the many factors like better recruitment effort, review job content, compensation practices, leadership and supervision, career planning and development, alternative work schedule, working conditions, non-work factors, team building, centralization, organization communication and commitment, proper exit interview, counseling for leavers, flexible working hours, compressed work week, employees involvement, policies for turnover and recognition. However, employee turnover endeavor requires more investment in the area of organizational commitment and job satisfaction in the Saudi private sector companies (Achoui and Mansour, 2007). It is hoped that this paper will inspire academicians to do additional research in this areas as well as assist Saudi organizations to retain their talented and high performer staff.

MANAGERIAL IMPLICATION AND FUTURE RESEARCH

The key objective of this study is to investigate the Employee turnover in Saudi organizations. Saudis face a major problem when they search for jobs. They are challenged by the claim made by owners and managers of Saudi organizations and others that Saudis are not loyal to their employing organization. However, this claim failed to stand against the review of literature, which confirms that Saudi organizations hire expatriates from poor economies to gain higher returns on investments without regard to the well-being of Saudi nationals.

This study, however, does not suggest that Saudi organizations must employ workers with no proper Knowledge, skills, abilities, and training. This review has also identified that the skills of Saudi employees may not be currently adequate to fulfill the needs of the current local labor market, but they can be developed with appropriate training. It is suggested that in many successful organizations, less employee turnover is a source of competitive advantage that must be continued to gain the edge in a competitive global market.

Generally, Saudi employees showed a higher level of loyalty to Saudi organizations, but we expect some variations due to some personal differences or demographic factors such as age, education, tenure, pay, and rank. Therefore, It is safely assumed that the difference in personal characteristic and job variables could lead to the conclusion that the loyalty of employees can differ on the basis of their demographics and job-related variables. Organizational commitment, however, is an effective response to the whole organization and the degree of attachment or loyalty of employees feel towards the organization. Job involvement represents the extent to which employees are absorbed in or preoccupied with their jobs and the extent which an individual identifies with his or her job.

The degree of commitment and loyalty can be achieved if management they enrich the jobs, empower and compensate employees properly (Ongori, 2007). Retention is about listening and working with the employees. First two years working in any organization is a challenging and critically important time that requires employees to have a special perspective and use special strategies to be survived. In order for employees to stay in the organizations that have hired them, they need to work effectively with their managers. If their managers consider them poor employees, they are unlikely to get past the probation period; if they do, they are likely to feel that they are going nowhere in the organization and will probably leave after few years because they believe they have no future there (Laroche and Rutherford, 2007).

Future research in this area can further examine the organizational commitment and its relationship with turnover construct. For example, this study argues that personal factors and organizational commitment effect employee turnover intentions. Future research in this area should measure the empirical relationships in the Saudi Private companies. Moreover, an examination of the financial and non-financial retention strategies should be carried out to investigate the effective strategies for the employees in the Saudi market.
REFERENCES


Branham, L. (2005) The 7 Hidden Reasons Employees Leave: How To Recognize The Subtle Signs and Act Before It's Too Late; AMACOM


