+ Models
ORGDYN-631; No. of Pages 11
ARTICLE IN PRESS
Organizational Dynamics (2017) xxx, xxx—xxx

Available online at www.sciencedirect.com
ScienceDirect
journal homepage: www.elsevier.com/locate/orgdyn

Managing employee retention and turnover with 21st century ideas

Thomas W. Lee, Peter Hom, Marion Eberly, Junchao (Jason) Li

Contents

From the second decade of this century and into the foreseeable future, employee turnover remains a dominant concern for managers and executives. In 2016, for example, the Society for Human Resource Management (SHRM) reports that 46% of HR managers deem employee turnover as their top concern, up from 25% in 2013 (*Influencing Workplace Culture through Employee Recognition and Other Efforts*). Research by Professors Alex Rubenstein, Peter Hom and their colleagues informs us that replacing employees who quit can cost upwards of 200% of annual salary to recruit, hire and on-board new employees (see Selected bibliography 2 and 8). Further, personnel losses can alienate customers (by disrupting service delivery), reduce firm performance (as departing staff take their talents and know-how to competitors), hinder workforce diversity (as exiting women and people of color shrink the pipeline for executive succession), and demoralize remaining employees (by expanding their workload to pick up the quitters' work and train their replacements). Finally, a single employee's quitting can inspire others to quit, setting off a turnover spiral.

http://dx.doi.org/10.1016/j.orgdyn.2017.08.004

Please cite this article in press as: T.W. Lee, et al., Managing employee retention and turnover with 21st century ideas, Organ Dyn (2017), http://dx.doi.org/10.1016/j.orgdyn.2017.08.004

Looking ahead, employee turnover is poised to become even *more challenging* to managers and executives. In 2017, for instance, Gallup reports that (1) "U.S. Workers: [are] increasingly confident and ready to leave [their jobs];" (2) "51% of U.S. employees say that they are actively looking for a new job or watching for openings;" (3) three million Americans left their jobs in August 2016, compared to 2.1 million in August 2012; and (4) compared to 19% in 2012, 42% of U.S. employees in 2016 say that it is a good time to find a quality job (*State of the American Workplace)*. Indeed, Gallup estimates that 60% of all Millennials are "currently looking for new employment opportunities" in 2017 (*How Millennials Want to Work and Live*). Preventing unwanted turnover becomes ever-more critical in the knowledge industries as the *New York Times* reports that graduate programs in science, technology, engineering and mathematics (a.k.a., STEM) "shed women the way trees on campus lose their leaves in the fall" (*International New York Times*, March 5, 2016).

When findings of SHRM, Gallup, NYT, and organizational scholars are considered together, it behooves business leaders to become knowledgeable about the latest thinking and research on employee retention and turnover. With this article, we provide the foundation for managerial insights on turnover by drawing on evidence from over two thousand studies to describe the most current, evidence-based ideas and frameworks on employees' staying or leaving their jobs.

Per the reports, articles and academic research mentioned above (and elsewhere), managing voluntary employee turnover is universally proclaimed as more challenging for managers and executives than other forms of leaving such as layoffs or terminations (though these topics are certainly important as well). After all, they mandate who is laid off or fired but have less control over employees' decisions to quit. Thus, we focus on how managers can effectively handle voluntary turnover, which is defined as employees' volitional cessation of their membership in an organization or place of employment. To begin, we briefly review some older but still useful ideas from the 20th century.

20TH CENTURY IDEAS

By the end of the 20th century, a well-documented, generally valid but perhaps underwhelming statement on voluntary turnover was: *if you don't like your job and have somewhere else to go, the likelihood of an employee quitting goes up*. The converse for volitional staying may be equally obvious: *if you like your job and have nowhere else to go, the likelihood of an employee quitting goes down*. To be fair, these ideas were "cutting edge" forty years ago and dominated academic research and managerial thinking on turnover during the last two decades of the 20th century.

Some Key Ideas on Turnover and a Few Numbers

Job satisfaction and job alternatives

Embedded in the above statements, two simple but important ideas merit mention. First, liking or (not liking) your job means job satisfaction (or dissatisfaction), and from the various forms of job attitudes, a simple yet powerful idea is that satisfaction is a frequent and direct outcome of many newer (but narrower) management ideas like employee engagement, empowerment and justice perceptions. Job satisfaction has been the most studied turnover cause (with over 174 studies) in the 20th century, though only modestly correlating (e.g., −.28) with voluntary employee turnover. Indeed, job satisfaction is so central to how we think about turnover that it might well be called the "cardinal job attitude" and prime antecedent to employee turnover. Second, having an alternative job, either actual or perceived, is also a frequently investigated (with at least 79 studies) but modest cause of employee turnover (e.g., correlating .23 with quits).

Other attitudes and thoughts about leaving

Given the modest predictability of job attitudes and alternatives, organizational scholars vigorously sought to identify other turnover causes. Most notably, researchers find that employees' general desire to leave (i.e., "general withdrawal cognitions") (e.g., correlating .56 with turnover) or specific intentions to quit can also foreshadow their actual leaving. Besides job satisfaction, other scholars documented that organizational commitment—an attitude toward the overall organization rather than the job per se—can lessen job quits (e.g., correlating −.29 with turnover).

Behavioral indicators of turnover

Not surprisingly, employees actively looking for other employment (i.e., job search) or frequently avoiding the workplace (e.g., absences, taking extended breaks) tend to quit the workplace permanently as well. Along these lines, one's job performance can provide clues about eventual employee departures, especially "dysfunctional turnover" when quitting by valued employees can most damage companies. Studies have shown that low performers (because they are denied rewards or fear potential dismissal) and high performers (because they have more options) more often quit than moderate performers.

On-boarding, supervisors and non-work alternatives

In addition, on-boarding activities are crucial for stemming quits among new hires who are most quit prone primarily because they fail to "learn the ropes" or find that organizational realities are worse than they had initially expected (an effect aptly known as the "honeymoon-hangover effect"). Further, certain job characteristics can lessen quits, such as meaningful work ("that makes a difference") over which incumbents have control and where they can learn new skills. Beyond this, at-work relationships matter as employees dislike abandoning companies where superiors are compassionate and fair-minded. Despite the centrality of job alternatives in turnover theory and research, contemporary scholars report that many leavers take on other valued life roles rather than another job when exiting (e.g., full-time parenting or schooling). Indeed, a job's interference with employees' ability to participate in key roles outside work (e.g., recreational pursuits, church activities and volunteer work), due perhaps to excessive work demands or work hours, can prompt them to seek alternative jobs that enable them to participate in such outside roles.