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# **Organisational Change and Employee Turnover**

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# Organisational Change and Employee Turnover

## Abstract

This paper investigates employee turnover, using data from a recent study of 352 NHS nurse leavers. We explore individual decisions to quit in a context characterised by change, and suggest a mechanism whereby organisational and contextual change can prompt individual leaving decisions. We develop and test hypotheses designed to shed light on the links between organisational change and individual decisions to quit. We then develop a theoretical, heuristic model describing the relationship between organisational change and turnover. The managerial implications of this model are outlined and the paper concludes with an agenda for future research.

## Introduction

Employee turnover is a much studied phenomenon (Shaw, Delery, Jenkins and Gupta 1998: 511). Indeed, one recent meta-analysis (Hom and Griffeth: 1995) alone reviewed over 800 such studies (Iverson 1999). However, there is no universally accepted account for why people choose to leave organisations (Lee and Mitchell 1994), even though it is predominantly in instances where the employee makes the decision (rather than in cases of involuntary turnover) that organisations and organisational theorists have an interest. Voluntary turnover is of interest because in most cases, this represents the bulk of turnover within an organisation. Such instances of turnover also represent a significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time) but also, and perhaps more significantly, in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organisational memory) and the loss of social capital (Dess and Shaw 2001).

Although there is currently no accepted framework for understanding the turnover process as a whole, a wide range of factors have been found useful when it comes to interpreting employee turnover, and these have been employed to model turnover in a range of different organisational and occupational settings. These include: job satisfaction (Hom and Kinicki 2001); labour market variables (Kirschenbaum and Mano-Negrin 1999); various forms of commitment (see Meyer 2001 for a review); equity (Aquino, Griffeth, Allen and Hom 1997);

psychological contract (Morrison and Robinson 1997) and many others (see Morrell, Loan-Clarke and Wilkinson 2001 for a review). However, there is little research specifically exploring the link between organisational change and turnover and we suggest that this is a gap in the literature. No-one would seriously challenge the idea that mismanaging organisational change can result in people choosing to leave. Indeed, it may even result in the highest performing (and therefore the more employable) employees leaving (Jackofsky, Ferris and Breckenridge 1986). However, explaining the mechanisms underlying how and why such change can result in differential rates of turnover is more open to question.

### The Unfolding Model Of Voluntary Employee Turnover

We develop and apply a recent, influential account of the turnover process (Lee, Mitchell, Holtom, McDaniel and Hill 1999) to the problem of how organisational change can influence individual decisions to quit. Lee et al's (1999) 'unfolding model' of voluntary turnover represents a divergence from traditional thinking (Hom and Griffeth 1995), by focusing more on the decisional aspect of the phenomenon, and indeed it is based on a theory of decision making (Beach 1990). The underlying premise of the model is that people leave organisations in different ways, and it outlines five pathways describing various decision processes any one of which a leaver may go through before finally quitting. This represents an improvement over unitarist accounts, which are restricted to understanding all people's decisions as influenced by the same factors and considerations, and this approach is therefore a significant departure from the founding fathers of modern research into turnover (March and Simon 1958) as well as from other influential thinkers (Porter and Steers 1973; Price 1977).

Lee et al's theory also emphasises the role a single, jarring event can play in some people's decisions to quit, and it is this – rather than the model as a whole – which forms the theoretical focus for this paper. They refer to this event as a *shock*, though it is important to emphasise that a shock need not be unexpected. A shock is described as necessary to, 'shake employees from their lethargy' (Lee and Mitchell 1991: 118), reflecting the idea that sunk costs (Becker 1960), inertia (Mercer 1979) and a wish to remain in employment (Sheridan and Abelson 1983) have each been found to be important factors influencing turnover. We suggest that a better understanding of the role shocks play in precipitating decisions to quit is key to understanding the relationship between organisational change and employee turnover.

This is because the notion of shock offers a way to understand how there can be linkages between change at the level of structures and social settings on the one hand, and individual agency on the other. In other words, to understand how organisational change influences employee turnover.

This approach is helpful to our understanding of organisational change management because the evaluation and measurement of change initiatives involves balancing two considerations.

Firstly, in terms of the **external context**, assessing change initiatives involves determining the necessity for the imposition of change at an organisational level.

Secondly, in terms of **internal resources**, for most organisations it will be important to determine the likely impact such change has for individual employees, and to manage the consequences of this change at various stages during the process.

The second point is particularly important to consider if such change leads to increased turnover and a loss of social capital, which may be critical to organisational success (Dess and Shaw 2001). Understanding the role that shocks typically play in employee turnover can improve evaluation of the impact of change on individual employees. In the light of recent research, and in light of the findings introduced in this study, we argue that managers of change can benefit from employing an understanding of shocks in two ways. Firstly, seeing shock as the first stage in many leaving decisions gives managers a useful heuristic device to think about intervention, in other words, to stop people leaving. Secondly, assessing the incidence and type of turnover prompted by these shocks can enhance the ability of managers and organisations to monitor change.

### Avoidable Turnover

One means of diagnosing the amount of influence organisations have over turnover, is to look at the extent to which decisions to leave are described as 'avoidable' by leavers (Campion 1991; Morrell et al 2001). In other words, is it a case of employee instigated turnover that could have been prevented? We suggest it is particularly important to assess and understand this during a period of change, because employee turnover can be used as an index of organisational health. Supplementing a crude measure of turnover, such as the base rate -

(number of leavers in a year / average number of employees in a year) \* 100 - with a measure of avoidability, can inform more effective management of employee resourcing.

For example, if a firm can identify that the bulk of their voluntary turnover is unavoidable, they may profit better from initiatives that seek to manage turnover post hoc, such as by streamlining recruitment processes, rather than spend on theorised preventative measures, such as increasing pay. We might call this a *control model*. On the other hand, if the bulk of turnover is avoidable this offers the potential for directed intervention - a *prevention model*.

If organisations introduce change and experience a resultant increase in turnover, it is important for them to be able to identify whether this change is typically avoidable, or unavoidable in order to manage it effectively. Determining this will enable them to manage better the trade off between attending to the competitive context on the one hand, and maintaining internal capability on the other. This can be illustrated with three hypothetical scenarios:

First, if turnover has increased as a result of the implementation of change, and this turnover is mainly unavoidable (i.e. the organisation could not influence it because the change has happened), then - bearing in mind that turnover results in substantial indirect costs - an organisation can quickly calculate some measures of the cost of the change, setting these against the supposed benefits. In a sense, this represents an ideal scenario, one where the internal impact of change is easy to identify and to understand, and where it is simple to calculate cost-benefit. These leavers represent the proverbial eggs in the omelette, or to use a military analogy, they can be described as 'necessary casualties'. Of course if managers in the organisation are unaware that these casualties are unavoidable, they may try spurious initiatives designed to retain them, representing a waste of resources, or 'chasing shadows'.

Second, if turnover has increased as a result of the implementation of change, and the levels of avoidable and unavoidable turnover are approximately equal, then it will be beneficial to look more closely at the phenomenon and uncover those areas where intervention will result in lower levels of avoidable turnover. This represents a mid-point, where the internal impact of change is difficult to understand, but signalling substantial room for improvement.

Continuing the military analogy, in this instance change could result in 'unacceptable losses' if managers pursued either a pure control or prevention paradigm. On the other hand, where

it is possible to correctly identify patterns of turnover and control the costs of some unavoidable turnover, while minimising some instances of avoidable turnover, this is analogous to managing effectively, albeit in the ‘fog of war’.

Third, if turnover has increased as a result of the implementation of change, and it is predominantly avoidable, then this implies that the process is being mismanaged, and that an organisation is passing up on the chance to retain its staff. In this instance change could result in the ‘charge of the Light Brigade’, a futile and needless loss of valuable employees. However, if change managers can identify and successfully intervene in those areas that would otherwise lead to avoidable decisions to quit, that would represent a notable victory, and the effects of change could be mitigated against, effectively ‘bringing the troops back home’.

To recap, if turnover is generally avoidable, this offers the potential for directed intervention, and thereby prevention. If it is unavoidable, it will be better to concentrate on managing the phenomenon by reducing its cost, and thereby control turnover after the event. As there is the potential for this process to be disastrously mismanaged, we suggest that there is a need for organisations to assess patterns of avoidability in the overall profile of employee turnover. This level of measurement is needed in order not to incur unnecessary losses, or wrongly try to prevent something when resources would be better spent managing the consequences. This is illustrated below:

Take In Figure 1

Having outlined the theoretical background to the research, we can now move on to discuss the empirical elements of this study.

### The Study

We tested the unfolding model by studying the leaving decisions of 352 NHS nurses, using a slightly modified version of Lee et al’s (1999) questionnaire. Lee et al had studied 229 accountant leavers in the US and so some changes in the questionnaire were necessary to reflect differences in national and organisational context. Other changes were informed by a short pilot of the questionnaire with 15 nurses and midwives, and we made some additional

improvements based on a theoretical critique of the model. Our original sample frame comprised voluntary leavers in the financial year 2000-2001, at eight NHS Trusts. The Trusts were drawn from three regions and three of the larger Trusts had recently undergone mergers, with one other facing the prospect of merger in the near future. Another of the Trusts was undergoing a substantial programme of development, including the building of a new multi-storey wing.

These Trusts were not in any way chosen as ‘representative’ of the NHS as a whole. It would not be possible to do this with just eight Trusts in any case, moreover, as we are exploring the processes involved in turnover decisions, the unit of analysis is the individual leaver.

Nonetheless, taken together the Trusts represent a diverse range in terms of location, size and type. There are four medium sized Trusts, which are each ‘rural’ – in the sense they are not based exclusively in a large city, and four large acute Trusts, each of which comprises a teaching hospital or hospitals. A total of 1,190 surveys were sent out via the Trusts, of these, 368 were returned during the period from the last week in April 2001, to the first week in September 2001. Sixteen surveys were excluded from the analysis because the respondent was not a nurse (two cases), or because the turnover was involuntary (ten cases), or because there was too much missing data to be able to analyse the responses (four cases). The final sample size is thus 352. Taking into account those surveys that were wrongly addressed and returned, this represents an overall response rate of 31%, which is significantly higher ( $p < 0.01$ ) than in the relevant comparable study (Lee et al 1999). All respondents were fully qualified (grade D or above) leavers who had voluntarily left in the financial year (April 2000 – 2001). The vast majority (over 97%) were full time.

### Hypotheses

Lee et al (1999) had found strong support that shocks play an important part in some people’s decisions to leave voluntarily. We also wanted to test this idea. Successfully replicating this element of their results will have implications for our understanding of organisational change, because if there is evidence that specific events play a substantial role in precipitating thoughts of quitting, and thereby act to ‘shake employees from their lethargy’, then this has implications as to the presentation and management of change initiatives:

*Hypothesis 1: Shocks will feature in a substantial number of cases of turnover.*



Secondly, and extending Lee et al's work, we wanted to explore the extent to which a shock had influence over the final decision to quit. Although others (Hom and Kinicki 1999; Lee et al 1999) have identified how shocks may cause people to first think about leaving, they have not acknowledged that the shock does not necessarily have to influence the final decision to actually leave. It is possible to imagine a scenario where a shock may prompt thoughts of quitting, but other factors could have more bearing on the ultimate decision to leave – in other words, the shock is the 'last straw', rather than 'the reason'. For example, a shock (being asked to stay late *again*) might prompt an initial job search, but other factors could be of greater importance at the time of making the decision to quit, perhaps ongoing levels of dissatisfaction. Although we expect (in line with Hom and Kinicki 1999 and Lee et al 1999) such shocks will be influential, it is important to recognise this as an assumption, and test it, given that this theory of turnover is still being developed. We hypothesise that (if H<sub>1</sub> holds) shocks will not only prompt thoughts of quitting, but will also have a great degree of influence when it comes to the final decision to quit:

*Hypothesis 2: Shocks will be highly influential in terms of the final decision to quit*

Third, we anticipate that where decisions to quit are associated with a shock, leavers will describe these decisions as more salient, than cases where these decisions are not. This is because when people consider the circumstances surrounding their decision to quit, they are likely to have in mind a particular event, and thus be invoking episodic memory (Wheeler, Stuss and Tulving 1997), which is associated with particularly elaborate and detailed recall (Symons & Johnson 1997: 371):

*Hypothesis 3: Decisions initiated by shocks will be more salient*

Fourth, we anticipate that decisions to leave that have been prompted by a shock are more likely to be described as avoidable than decisions that are not prompted by shock. Commonsensically, if the shock relates to a single event at work that prompts thoughts of quitting, then leaving decisions initiated by this shock would be avoidable insofar as the event need not have happened.

To give a hypothetical example, the imposition without discussion of a new way of working may result in someone quitting. This quit is likely to be construed by the employee who quits

as ‘avoidable’ i.e. ‘the organisation did not have to do that’. Equally however, it is possible that any shock that resulted in someone choosing to leave could have been managed better after the event. Continuing with this example, failure to recognise and address concerns arising from the imposed reorganisation is also likely to mean the quit is construed as ‘avoidable’ i.e. ‘having done that, the organisation could have done this’ (consulted / reversed the decision / explained the reasons / compensated / recognised the problem etc.). This hypothesis is in accordance with the idea that shocks are one means in which leavers are prompted to overcome inertia (Mercer 1979), and that fundamentally, employees wish to remain in employment (Sheridan and Abelson 1983). This contrasts with decisions that are not prompted by a single event, and where presumably the ability to identify particular instances that would overcome or reverse the decision to quit is more limited.

*Hypothesis 4: Decisions initiated by shocks will be more avoidable*

### Measures

*Shock*: A response of yes to the item, “Was there a single, particular event that caused you to think about leaving?” was taken as meaning that the respondent had experienced a shock.

*Influence over decision*: In response to the item, “How much did the event influence your final decision to leave?” a five point Likert scale ranged from 1 ‘not at all’ through 3 ‘moderate influence’ to 5 ‘overwhelming influence’.

*Salience*: In response to the item, “At the time I left, it seemed clear to me that I had to decide there and then whether to stay or go” a five point agree-disagree Likert scale. Agreement was taken to indicate that the decision was salient.

*Avoidability*: In response to the item, “There are things that the Trust could have done that might have caused me to stay” a five point agree-disagree Likert scale. Agreement was taken to indicate that the decision was avoidable.

## Method

For hypotheses one and two, it is sufficient to present frequency data: firstly showing the number of shocks, and secondly a histogram showing the responses to the shock influence item.

For hypotheses three and four, we are interested in comparing the means of two groups to see whether there are significant differences.

For hypothesis 3, we want to test the idea that decisions to quit prompted by a shock are more salient than other types of decision to quit. To do this, we ran a one-tailed, independent samples t-test (below).

Similarly, in hypothesis 4, we want to explore the idea that decisions to quit prompted by a shock are more avoidable than other types of decision to quit. To do this, we also ran a one-tailed, independent samples t-test (below).

## Results

H<sub>1</sub>: 156 leavers (44.3%) reported that a single particular event had caused them to first think about leaving.

H<sub>2</sub>: In addition, most of the shocks were described as 4 – ‘it was the main influence’, or 5 – ‘overwhelming influence’.

Take In Figure 1

These results indicate that we have sound support for hypotheses one and two (one leaver left the ‘influence’ item blank so there are only 155 cases here).

## Results

H<sub>3</sub>: The results of the first t-test (below) support the hypothesis that decision saliency is significantly higher in cases where people report a shock.

Take In Table I

H<sub>4</sub>: The results of the second t-test (below) were also significant, supporting the hypothesis that avoidability is significantly higher in cases where people report a shock.

Take In Table II

### Implications Of Findings

1. Shocks play a role in many cases where people decide to leave.
2. Shocks not only prompt initial thoughts about quitting, they also typically have a substantial influence over the final leaving decision.
3. Decisions to quit that are prompted by a shock are typically more salient.
4. Decisions to quit that are prompted by a shock are typically more avoidable.

### Discussion

As well as shedding more light on the turnover phenomenon in general, these findings also have particular implications for the way we manage change in organisations. They point to the need to monitor and understand turnover during periods of change. This research also suggests that where the effects of global change initiatives translate into particular identifiable sources of change ('single, particular events') for individual employees, it may be more difficult for organisations to prevent such quits, given that these decisions are typically more salient. Nonetheless, leavers also typically describe these decisions as more avoidable, and that suggests that some of the decisions to quit prompted by the introduction of widespread change can be prevented. In light of this, we suggest that implementation of organisational change could be guided by two principles:

1. *Measuring* turnover at both stages of the decision process: firstly at the time initial thoughts of quitting are likely to be prompted; secondly, after the event to understand and identify leaving patterns. More specifically this signals a need for: surveying /

canvassing opinion, emphasising 2-way information sharing, consultation processes, intra- and extra-firm career guidance for employees (to gain a sense of how many employees have been 'jolted' into thoughts of quitting); using exit interviews and leaver profiling (to gain a sense of how many leaving decisions are specifically due to the way the change process has been implemented).

2. *Managing* turnover in key operational areas: minimising the effects of change to patterns of work in key business areas, and focusing on core business units, perhaps emphasising the elements of continuity, development and progression, rather than change, to try to minimise the incidence of shocks. Where turnover is unavoidable, then it is important to manage the effects of turnover and particularly to seek to minimise indirect costs.

### Conclusion

To conclude, we offer for discussion a tool designed to communicate our understanding of one way in which organisational change can result in quitting, and of the type of quits prompted by organisational change. This heuristic can enable the development of strategic initiatives, and inform measurement of turnover, thereby improving assessment of the impact of change on organisational employees. We think that this model follows from the acceptance of several assumptions. Each of the assumptions is phrased below in the form of a testable hypothesis, and thus we are also concluding with a suggested agenda for research.

Take In Figure 2

1. As the rate of change increases, the number of shock-induced quits will increase.
2. There will always be a base level of *unavoidable* turnover, which will increase as the overall level of change increases.
3. However, some of the decisions to quit will also be *avoidable*, in other words, they could be reduced by intervention.
4. In a time of change, there will be scope to manage turnover effectively, by selectively reducing the level of avoidable quits through informed intervention.

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## Tables

Table I

Independent Samples t-test for Equality of Means

$H_0$  = saliency is not significantly higher for shock induced quits than for other quits

**Independent Samples Test**

	t-test for Equality of Means		
	t	df	Sig. (1-tailed)
SALNT <sup>a</sup>	2.332	348	.010

a. Decision Saliency

Table II

Independent Samples t-test for Equality of Means

$H_0$  = avoidability is not significantly higher for shock induced quits than for other quits

**Independent Samples Test**

	t-test for Equality of Means		
	t	df	Sig. (1-tailed)
AV <sup>a</sup>	3.490	348	.000

a. Avoidability



# Figures

Figure 1

*Theorised Interactions Between Perceived And Actual Levels Of Avoidable Turnover*

Turnover Thought To Be	Avoidable	Chasing Shadows X	Unacceptable Losses ?	Bringing Back The Troops √
	Mix	Unacceptable Losses ?	The Fog Of War √	Unacceptable Losses ?
	Unavoidable	Necessary Casualties √	Unacceptable Losses ?	Charge Of The Light Brigade X
		Unavoidable	Mix	Avoidable
		Actual Turnover		

√ = Fit

? = Overlap

X = Misfit

Figure 2

*Shock Influence*

**How much did the event influence your final decision to leave?**

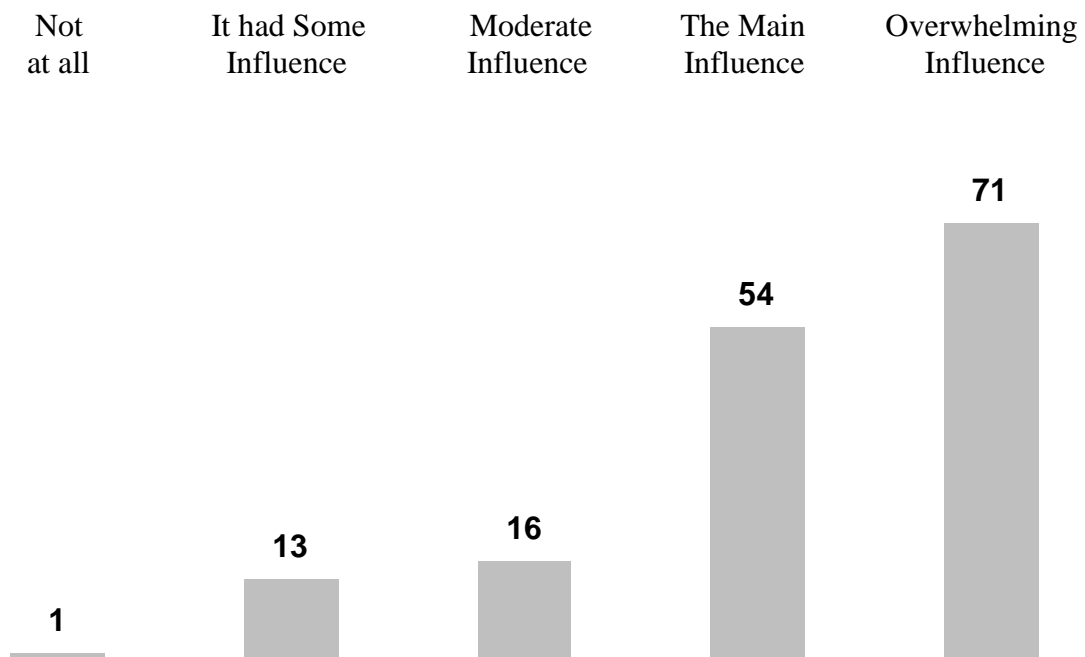


Figure 3

*Theorised Relationship Between Organisational Change And Turnover*

