VOLUNTARY TURNOVER: SOME ORGANISATIONAL CONSEQUENCES AND STRATEGIES TO RETAIN HIGHLY TALENTED AND MOTIVATED EMPLOYEES.

Voluntary turnover is defined by the separation of an employee from an organisation initiated by their own intention (Kwon et al., 2012). Researchers have been concerned about the causes of this phenomenon; however, little attention has been placed on its effects (Glebbeek & Bax, 2004). According to Hutchinson et al. (1997, cited in Glebbeek & Bax, 2004) it is the assumed impact of voluntary turnover on the organisation which has led to research on turnover. In fact, there are multiple studies which defend that the voluntary termination of employment affects organisational performance negatively (eg., Dess & Shaw, 2001; Shaw, Gupta & Delery, 2005). This statement is supported by empirical studies that associate both tangible and intangible costs with voluntary turnover (Shaw, Gupta & Delery, 2005; Mirvis & Lawler, 1977; Mitchell, Holtom & Lee, 2001), such as financial costs (Mitchell, Holtom & Lee, 2001), or the loss of human capital (Dess & Shaw, 2001). The latter involves valuable and sometimes unique traits leaving the company with the employee who possesses them (Dess & Shaw, 2001).

This essay contains two main parts. Firstly, we will explore the main issues that an organisation might have to face as a consequence of voluntary turnover, such as the mentioned loss of human capital, or economic costs and the loss of social capital (Dess & Shaw, 2001). Secondly, we will discuss strategies that an organisation could implement in order to retain its employees, especially its more valuable, talented and motivated ones and why doing this is highly important.

A) LOSING EMPLOYEES THROUGH VOLUNTARY TURNOVER.

Accordingly with the aim of this essay, we could picture a construction made of many blocks. Imagine taking one of them out: the stability of the tower might be compromised to some level. Analogously, think of the blocks as components of an organisation; some of them would represent employees, whose loss could derive in alterations in organisational performance. Nevertheless, as we will portray along, the effect of an employee's resignation might vary across organisations (Mirvis & Lawler, 1977). Furthermore, we will differentiate between valuable performers and workers that we would rather let go (Allen, Bryant & Vardaman, 2010). In the following paragraphs, we will be looking at the different costs associated with voluntary turnover. In addition, we will discuss how, despite having commented on the negative effects of this phenomenon, a certain level of voluntary turnover might actually be acceptable, as well as beneficial depending on circumstances (Allen, Bryant & Vardaman, 2010).

Costs associated with voluntary turnover.

i) Direct tangible costs.

As we will explore, the costs associated with voluntary turnover are numerous as well as varied. The first will arise from work disruptions (Dalton & Todor, 1982). In fact, apart from the obvious accrued paid time off, the company will have to decide whether it wants to fill the position left vacant (Allen, Bryant & Vardaman, 2010). If the organisation decides to hire a new employee, several replacement costs will arise, ranging from general administrative costs (Dalton & Todor, 1982) to advertising, selection, recruitment and training (Dess & Shaw, 2001). According to Mitchell, Holtom & Lee, the total economic direct costs of voluntary turnover vary from 90% to 200% of annual wages (2001). This increase in the pressure of the income statement will see financial performance lowered (Dalton & Todor, 1979). Furthermore, there are some interesting findings which support these arguments. Huselid found a significant negative relationship between voluntary turnover and productivity (1995). Applying economic logical thinking, this reduces profitability (Shaw, Gupta & Delery, 2005). Moreover, reducing turnover has been linked to sales growth (Allen, Bryant & Vardaman, 2010).

ii) Intangible costs I. Human capital.

Additionally, there are other costs that arise indirectly, and although they are not financial costs explicitly, they have strong economic implications (Dess & Shaw, 2001). Human capital theory describes that a primary determinant of productivity is the accumulation of firm-specific acquired skills (Strober, 1990). An organisation will invest in its employees skill development directly (through training) and indirectly. Once this investment has taken place, the organiaation will have strong reasons to carry on its relationship with their employees (Dess & Shaw, 2001). However, if voluntary turnover occurs, this relationship will be stopped, and the organisation will lose its return on that investment (Dalton & 1979).

In addition, there are several personal characteristics that are hard to replace, due to their scarcity and the competitiveness between employers to gather them in their lines (the war for talent): intelligence, sophistication, technological knowledge, global astuteness, operational agility, etc. (Fishman, 1998). As we will continue to see, some of these traits define talented employees (Allen, Bryant & Vardaman, 2010).

iii) Intangible costs II. Social capital.

Moreover, individual talents become more valuable when combined as part of organisational culture (Leana & Van Buren, 1999). We might want to take a look back at the metaphor of the tower made of blocks here. Leana & Van Buren bring social capital into play, which they define as an "asset that inheres in social relations and networks" and "a resource reflecting the character of social relations within the organisation […] realised through members' levels of collective goal orientation and shared trust, which create value by facilitating successful collective action." (1999). This concept, which highlights the added value of social relations within the organisation, can be critically damaged by the resignation of one or multiple employees (especially on the long run), who would no longer participate of those synergies (Leana & Van Buren, 1999). Voluntary turnover could be realised as a gap in social capital accumulated aspects, such as transactive memory ("group mind") (Shaw, Duffy, Johnson & Lockhart, 2005) and trust, a factor that reduces transaction costs thanks to its ability to mitigate uncertainty (Dess & Shaw, 2001).

Drawing on our last argument, social capital is a firm-specific resource. Therefore, it can't be imitated by competitors and, hence, it represents a competitive advantage (Barney, 1991). Now that the issue of competition has been brought, the resignation of an employee might be followed by their being hired by a competitor. A worker with a valuable network of relationships might have just taken his customers, suppliers and partners to our "arch-enemy". Hold on to your seats, because things might even get a bit worse: an employee's voluntary departure sometimes leads to a phenomenon known as "departure en masse", where the colleagues of the first employee leaving follow their steps (Dess & Shaw, 2001).

Not everything is negative. Benefits associated with voluntary turnover.

In contrast, although at this stage it might seem unbelievable and it is not the main purpose of this essay, we must note that voluntary turnover is not all about negative consequences. According to Allen, Bryant & Vardaman, certain level of turnover is needed and has its benefits (2010). In fact, what if the employee departing were a poor performer, for instance? We could be "getting rid of a burden" and, it might even be the case that we no longer need to fill that position, with the subsequent cost savings (Dalton & Todor, 1982). These situations typically represent examples of functional turnover (Dalton & Todor, 1979).

In previous lines, we have explored the consequences of voluntary turnover from different perspectives. Our arguments are convincing that measures should be taken in order to reduce employee resignation, and stop the drainage of valuable human and social capital among other resources.

B) RETAINING HIGHLY TALENTED AND MOTIVATED EMPLOYEES.

This section aims to explore different strategies that an organisation can implement to retain their most valuable employees. But how will we reach this point? What if an organisation's management simply produced random practices without analysing what motivates their employees to either stay or leave? This would be inefficient, costly and overall, nonsense. Therefore, we must follow a number of steps that will smoothly lead into successful practices to retain employees. First, i) we will present some false assumptions that we should get rid of; otherwise they could put us onto the wrong path if left unconsidered. Secondly, ii) we will explore reasons why employees could decide to stay or go. Finally we will iii) reach the question "how to make them stay".

i) Misconceived assumptions in the decision of voluntary turnover.

As we have stated above, there are some misconceptions about why employees decide to leave that we must realise are wrong, so that they do not interfere in the selection of the best strategies. As an old proverb says, "the best way to know what you want is to realise what you don't want". In the first place, Allen, Bryant & Vandarman explain that employees don't always leave because of dissatisfaction with their current job (2010). In fact, this reason only accounts for less than half of voluntary turnover cases (Lee et al., 1999). Furthermore, although pay satisfaction can be related to turnover, it is not the most efficient predictor of voluntary turnover, since there are other aspects that especially highly motivated employees tend to prioritise (Hom & Griffeth, 1991).

ii) What makes employees decide to go or stay?

In contrast with job dissatisfaction's low predictive power of voluntary turnover mentioned above (Allen, Bryant & Vandarman, 2010), high and improving job satisfaction can reduce voluntary turnover (Mirvis & Lawler, 1977). Note that the concept of satisfaction is positively linked to the idea of motivation (Mirvis & Lawler, 1977).

Additionally, employees will first value their options, such as job offers coming from other organisations. Then, they will evaluate alternatives an choose the one they deem most attractive (Dess, & Shaw, 2001).

Further critical aspects in an employee's decision of staying or leaving include the culture of the organisation, developmental opportunities and the quality of supervision, all of which can raise organisational commitment (Cardy, Lengnick-Hall, 2011). Organisational commitment, and particularly affective commitment, is regarded as an emotional tie that a worker develops towards the organisation that employs them (Meyer & Allen, 1997). A low level of commitment has been shown to predict high levels of voluntary turnover (Cohen, 1993). Moreover, one of the consequences of affective commitment is the continuity of the employment relationship (Meyer & Allen, 1977). Furthermore, the Morgeson & Hoffman's theory of "collective commitment" extends affective commitment to groups of workers (1998). Meyer & Allen draw on this by referring to a group of employers who share the desire of investing efforts in the organisation they belong to (1997).

Additionally, an organisation must take into account other psychological needs which are inherent to their employees when developing HR practices that aim to retention. We will name three: autonomy needs; competence needs and relatedness and belonging needs. Satisfying these factors will incentivise employees' motivation to stay (Meyer & Allen, 1997).

On the other hand, the violation of employees' justice perceptions and values is regarded as a reason to leave (Cardy, Lengnick-Hall, 2011). Also note that some employees might deliberately go for other reasons. There are cases where researches deem voluntary turnover unavoidable and state it is beyond management's control (Cardy, Lengnick-Hall, 2011; Abelson, 1987), such as dual career or health issues (Allen, Bryan & Vandarman, 2010).

iii) What can be done to retain most valuable employees.

According to Glebbeek & Bax, a firm benefits from the loyalty of staff (2004). Loyalty can be effectively achieved from the perspective of workgroup and building commitment, which reduce the perception of the organisation as a distant, intangible and even threatening entity (Capelli, 2000; cited in Glebbeek & Bax, 2004). Certain employees are characterised by their consistent high performance as well as development in the position, resulting in higher productivity (Cardy, Lengnick-Hall, 2011). These provide the organisation with the most added value.

In this section, we will develop a number of research-based strategies that an organisation can put into practice to make sure that their high performers do not make the decision of terminating the employment relationship, accordingly with the negative consequences of voluntary turnover stated in the first part of this essay. Drawing on the arguments from the section *what makes employees decide to go or stay*, we will enumerate and depict key HR practices that have been effective in the past.

Employment involvement practices (EI)

Employee involvement (EI) practices consist in giving employees influence over the way in that their tasks are performed. This type of practices entails encouraging employees to participate in decision making, increasing their involvement in the organisational environment (Kwon, Chung, Roh, Chawick & Lawler, 2012).

Success factors include sharing information with workers, which according to Kwon et al. enhances job satisfaction (2012), and delegating authority in them. Signaling how the organisation cares for them will construct a sense of commitment by reciprocation (Kwon et al., 2012). As we noted in the section *what makes employees decide to go or stay*, commitment relies on an affective and emotional bond that ties employees to the organisation they feel they belong to (Meyer & Allen, 1997), making it less probable for them to consider leaving. Teamwork and social interactions will contribute to increasing employee's identification with the firm (Fenton-O'Creevy, 1998).

As we can clearly note, EI practices satisfy employee's needs of autonomy (by delegating on them), competence (by incorporating them into decision-making processes) and relatedness (through affective commitment), all of which reduce most-motivated workers' prospects of leaving the organisation (Kwon et al., 2012).

Motivation-enhancing practices

As their name implies, motivation-enhancing practices aim to increase the level of motivation in employees. Incentives, such as performance rewards, bonuses based on achievements and promotions not only motivate employees to achieve better results, but they also create involvement towards the organisation (Kwon et al., 2012), raising commitment levels (Gardner, Wright & Moynihan, 2011). In fact, Gardner, Wright & Moynihan regard collective commitment as a mediator of motivation-enhancing practices (2011).

By offering those incentives mentioned above, organisations can satisfy competence needs ─by encouraging performance achievements─ and relatedness needs (Gardner, Wright & Moynihan, 2011) ─once more, increasing commitment places a bond that will tie employees to the organisation─.

Skill-enhancing practices

A further HR strategy that aims to retaining most talented employees consists in skill-enhancing practices. These can be implemented since the beginning of the selection process (such as structured interviews and formal tests) and along the term of employment (Gardner, Wright & Moynihan, 2011). Furthermore, an intensive and challenging process ensures that less committed applicants give up before being employed, and that those successful ones feel part of an elite (Cadwell, Chatman & O'Reilly, 1990) satisfying their relatedness and competence needs (Lincoln &

Kallenberg, 1996). So, from the start, not only are we avoiding those uncommitted employees who might have been more likely to deliberately submit their resignation, but we are also making sure that every person that is hired begins their employment with motivation (Gardner, Wright & Moynihan, 2011).

In addition, training is a main consideration in skill-enhancing practices. According to Gardner, Wright & Moynihan, training increases employees' perceptions that the organisation values their current and future contributions. Following the principle of reciprocation, they will have strong reasons to stay (Kwon, Chung, Roh, Chawick & Lawler, 2012).

CONCLUSION

Voluntary turnover is an issue for organisations because of the multiple costs it generates. Not only does it involve the disbursement of generous amounts of capital in concept of expenses, but it also involves the loss of talent and firm-specific abilities that flow away with workers who decide to terminate the employment relationship, leaving a gap that will show no pity to organisational performance. We have discussed how intangible assets such as human capital and social capital will slip between the fingers of organisations at the departure of their most talented employees, with subsequent death of a competitive advantage.

With the aim of reducing voluntary turnover through HR strategies (note that we say "reducing", not "eliminating", since we have explained that an optimal level of voluntary turnover may not be dysfunctional), we have tried to understand the motivations of employees to either remain in the organisation or leave it. Drawing on this, we have searched for 3 of the best and most effective practices that the management team of an organisation could implement to prevent the resignation of their most valuable employees: employee-involvement practices, motivation-enhancing practices and skill-enhancing practices. Furthermore, we have given brief guidelines of these practices and explained how and why they work in order to support them.

Nevertheless, there are further horizons that could be explored. In fact, from a Labour-Law perspective, mechanisms such as “restraints of trade” allow companies to force their employees to fulfil the requirements of their contract (Isaac & Plott, 1981). However, we decided to take an approach that did not require tying employees against their will.

As we have observed, there is a gap in literature explaining the quantitative allocation of non-financial costs that do have an economic effect on organizational performance. Such are the examples of human and social capital. Future research could implement methods and criteria to materialise and quantify the value of those resources. An economic model predicting all costs associated with voluntary turnover would be of great utility to practitioners. Additionally, researchers could explore the influence of factors that might lead some groups to consider turnover more than others, in the context of diversity.

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