

جامعة ميدأوشن

كلية الإدارة

تخصص ادارة المخاطر



معدل خروج الموظفين العالي واثرها على المنظمة / Risk of High Attention Rate & Its Impact on the Organization

إعداد الطالب / ابراهيم علي العقيلي

241002490

إشراف/ Dr. Asma Abuanzeh

العام الدراسي:

2024

Contents

Introduction	3
Employee Attrition	3
Financial Impact.....	3
Employee Morale and Engagement	4
Operational Efficiency.....	4
Knowledge and Skill Loss	5
Perception and Reputation	5
Strategic Human Resource Management	6
Five Types of Attrition Rate	7
What is the five type of attrition rate?	7
Voluntary Attrition:	7
Involuntary Attrition:.....	8
Demographic-specific Attrition:.....	8
Internal Attrition:	9
Retirement Induced Attrition:	9
Problem statement.....	9
Study important	11
Study Purpose	13
Study question	16
Research Hypotheses.....	17
Research Variable	18
Independent Variable:	18
Dependent Variables:	18
Case study.....	19
Theoretical framework of the study.....	22
Research Methodology	23
Data Collection Tools	24
Study limitations	25
Reference.....	26

Introduction

Attrition rate, often referred to as employee turnover, is a critical metric for any organization. It represents the rate at which employees leave a company and are replaced by new hires. While some level of turnover is expected and can bring fresh perspectives and skills to an organization, a high attrition rate can have detrimental effects. The impacts of a high attrition rate are multifaceted, affecting financial performance, employee morale, operational efficiency, and even the overall reputation of the organization. Understanding and addressing the reasons behind high attrition is essential for maintaining a stable, productive, and engaged workforce. This introduction will explore the various ways in which a high attrition rate can impact an organization, highlighting the importance of strategic human resource management and the implementation of effective retention strategies.

Employee Attrition

Employee attrition is described as the natural process by which employees leave the workforce and are not quickly replaced, such as through resignation for personal reasons or retirement. Some forms of attrition are unavoidable, such as when an employee retires or relocates to another city. However, after a certain point, attrition can have a significant impact on both your company's financial line and its culture. This tutorial will teach you everything you need to know about employee attrition and how to effectively measure it.

Financial Impact

High attrition rates can place a significant financial burden on an organization. The cost of recruiting, hiring, and training new employees can add up quickly,

especially if the turnover is frequent. These costs include not only direct expenses like job advertising, recruitment agency fees, and training programs but also indirect costs such as the time managers and HR staff spend on these activities. Furthermore, high attrition can lead to decreased productivity and revenue, as new employees may take time to acclimate to their roles and may not be as productive as their predecessors. This period of adjustment can disrupt workflow and delay project timelines, ultimately affecting the company's bottom line.

Employee Morale and Engagement

High attrition rates can lead to decreased morale among remaining employees. When employees see their colleagues frequently leaving the company, it can create a sense of instability and uncertainty about their own future with the organization. This atmosphere can lead to decreased motivation and engagement, as employees may feel less committed to their work and the company. Additionally, if employees perceive that their company is not invested in their growth and development, they may be more likely to leave themselves, further exacerbating the turnover problem. Ensuring that employees feel valued and have clear opportunities for career advancement is crucial in maintaining high morale and reducing attrition.

Operational Efficiency

Frequent employee turnover can disrupt the operational efficiency of an organization. Each time an employee leaves, there is a loss of institutional knowledge and expertise that can take time to rebuild. New hires need time to learn the ropes and reach the productivity levels of their predecessors. During this transition period, the remaining employees often have to pick up the slack,

which can lead to increased workloads, stress, and burnout. This can create a vicious cycle where the increased pressure on remaining employees leads to further attrition. Maintaining a stable workforce is essential for ensuring that operations run smoothly and efficiently.

Knowledge and Skill Loss

When employees leave an organization, they take with them valuable knowledge and expertise. This can lead to a lack of continuity and institutional knowledge within the organization, which can impact the overall success of the company. For example, if a company experiences high turnover rates in a particular department, it may struggle to maintain quality and consistency in that area. The loss of skilled employees can also make it difficult to innovate and stay competitive in the market. Implementing knowledge management practices and succession planning can help mitigate the impact of knowledge and skill loss.

Perception and Reputation

High attrition rates can also impact the way the organization is perceived by outsiders. If a company has a reputation for high turnover rates, potential employees may be hesitant to apply for jobs there, fearing instability and poor working conditions. Additionally, customers and clients may perceive the company as unstable or unreliable if they see a high rate of employee turnover. This can damage the company's brand and make it harder to attract and retain both talent and customers. Building a strong employer brand and demonstrating a commitment to employee satisfaction can help improve the organization's reputation.

Strategic Human Resource Management

Addressing high attrition rates requires a strategic approach to human resource management. This includes conducting regular employee satisfaction surveys to understand the root causes of turnover, offering competitive compensation and benefits packages, and providing opportunities for career development and advancement. It also involves creating a positive work environment where employees feel valued and engaged. Implementing flexible work policies, recognizing and rewarding employee achievements, and promoting a healthy work-life balance are all important strategies for reducing turnover and retaining top talent.

What is Meant by A 'High' Employee Attrition Rate?

A high employee attrition rate indicates that your employees are not sticking with your company for long, while a low attrition rate means that your company has better employee retention

Five Types of Attrition Rate

A high employee attrition rate has become a top concern for companies today. In many instances, employees leaving the company faster than they are hired is out of the manager's control.

What is the five type of attrition rate?

Voluntary Attrition:

Voluntary attrition is the most common type in which employees quit their current job to look for greener pastures elsewhere. There can be several reasons why this happens, but the most common ones include the following:

- Incompetent benefits package
- Hostile work environment
- Lack of career progression opportunities
- Lack of a healthy work/life balance or flexibility

As evident, many of the reasons for voluntary attrition are under your control. Proactively curbing voluntary attrition among highly talented employees will go a long way in building a robust and success-driven workforce.

Involuntary Attrition:

In this type of attrition, it is the organization that decides to lay off employees instead of employees leaving on their own accord. Factors such as mergers and acquisitions, structural reform, reduction in workforce or job position elimination are some of the reasons for involuntary attrition.

The company might sometimes dismiss an employee due to workplace misconduct. Keeping such employees might reflect poorly on the company's image. Hence they are asked to leave.

Demographic-specific Attrition:

Demographic-specific attrition indicates a specific group of employees: women, ethnic minorities, disabled people, veterans, or older professionals are leaving the company in large numbers.

This type of attrition is of particular concern for companies striving to create equal workplace opportunities. If you can identify a pattern of attrition among a specific demographic group, there is most likely a serious reason behind it.

Internal Attrition:

In this type of attrition, employees within a department in a company switch their positions to gain a role in other departments. Even though internal attrition can redirect strong talent to vital functions in the company, it can also leave struggling departments even weaker.

If a department faces a high attrition rate, there might be several underlying causes, such as an inadequately skilled manager, failure to meet targets or an inconducive work environment.

Retirement Induced Attrition:

It is natural for employees to retire and quit their jobs towards the end of their professional careers. Thus, it is statistically too insignificant to count under attrition in small groups.

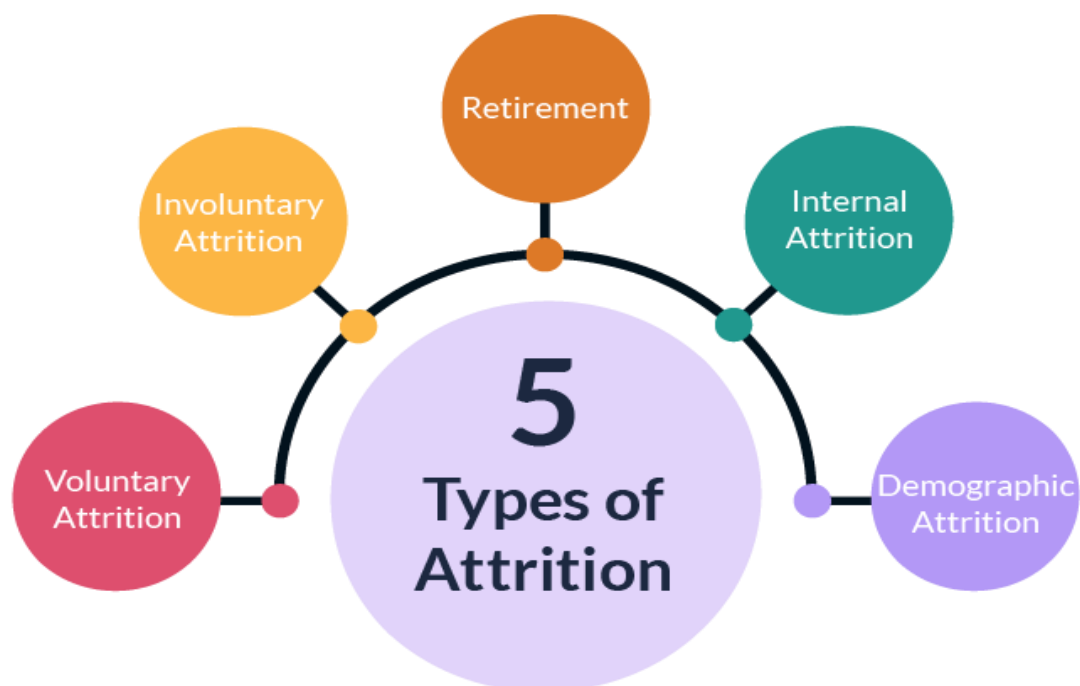


Figure -1: types of attrition

Problem statement

The problem statement articulates the specific issues or challenges that the research seeks to address. In the context of employee attrition and its impact on organizational performance. Employee turnover poses a significant challenge for many organizations around the world. The study of employee turnover intentions has been a major concern in an organizational management. Recent researches found that the phenomenon of turnover is a permanent challenge that can have adverse effect on organization that would negatively affect the performance and profitability of the organization. On the other hand, employee turnover increases the risk and chances of losing valuable employees.

Despite existing research highlighting the negative consequences of employee attrition, there is a need for a comprehensive examination of the specific factors contributing to attrition, and potential mitigation strategies that organizations can employ.

Therefore, retaining valuable skilled employees is very important to employers, as they are considered essential to the performance and success of an organization. Besides, managing employee turnover has consistently been a vital aspect of organizational management.

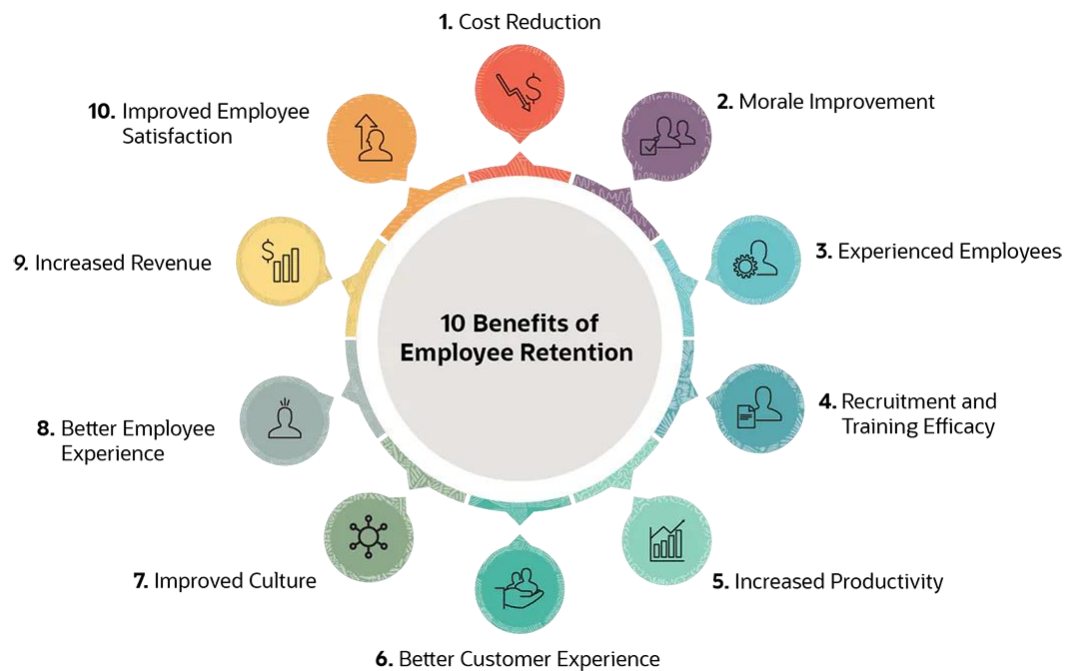


Figure -2: Benefit of employee retention

Study important

The important of this study will be focusing on the high attrition rates which can significantly impact organizations performance. The consequence of high attrition rate lead to increase the costs and decreased morale can significantly effect the organization. Understanding these effects can help businesses implement strategies to reduce turnover and foster a more stable and productive workforce.

for better understanding the impact of high attrition rates on organizations performance, consider the following factors:

Cost: High attrition rates can be financially burdensome for businesses. The expenses associated with recruiting, hiring, and training new employees can

accumulate rapidly, particularly when turnover is frequent. Additionally, high attrition can result in decreased productivity and revenue, as new hires require time to acclimate and may not immediately match the productivity levels of their predecessors.

Morale: Elevated attrition rates can negatively affect employee morale. When employees witness their colleagues frequently leaving the company, it can create a sense of instability and uncertainty. Furthermore, if employees feel that their organization is not committed to their growth and development, they may be more inclined to leave as well.

Institutional Knowledge: Departing employees take their knowledge and expertise with them, leading to a loss of continuity and institutional knowledge within the organization. This can adversely affect the company's overall success. For instance, if a particular department experiences high turnover, it may struggle to maintain quality and consistency in its operations.

Perception: High attrition rates can also impact the organization's external perception. A reputation for high turnover can deter potential employees from applying for jobs, as it may signal instability. Additionally, customers might perceive the company as unreliable or unstable if they notice a high rate of employee turnover.

Study Purpose

The purpose of this study was to investigate the various factors contributing to employee turnover and to explore effective retention strategies within the organization. Employee turnover is a complex issue influenced by a multitude of factors that can drive employees to leave their positions. These factors include inadequate training, which leaves employees feeling unprepared and unsupported in their roles, and lack of feedback, which can result in employees feeling undervalued and uncertain about their performance. Additionally, work-related issues such as excessive workload, unclear job roles, and insufficient resources can create a challenging and stressful environment, leading to higher turnover rates. Trust issues within the organization, whether between employees and management or among colleagues, can erode workplace relationships and prompt employees to seek employment elsewhere. High stress levels, often stemming from demanding work conditions and insufficient support, can lead to burnout and increase the likelihood of employees resigning.

Unchallenging tasks that fail to engage employees or utilize their skills effectively can result in boredom and dissatisfaction, driving them to look for more stimulating opportunities. Low job satisfaction, which may arise from a variety of sources including limited career growth prospects, poor management, or lack of recognition, is a significant contributor to turnover. Poor working conditions, such as an uncomfortable physical work environment or a toxic organizational culture, can also drive employees away. Family pressures and personal obligations sometimes necessitate a change in employment, while low wages that do not meet market standards or

employees' financial needs can make other job offers more attractive. Large work groups can create a sense of anonymity and insignificance, reducing employee engagement and increasing turnover. Finally, ineffective leadership that fails to inspire, support, and manage employees effectively can contribute significantly to turnover rates.

Understanding these myriad factors and the specific needs of employees is crucial for organizations aiming to enhance employee performance and reduce turnover rates. Organizations must recognize that employees are their most valuable asset and that addressing their concerns and needs is essential for maintaining a stable and committed workforce. Therefore, implementing diverse retention strategies is vital. Effective management systems that provide clear direction, support, and recognition can foster a positive work environment. Offering continuous training opportunities helps employees develop their skills and feel more competent and confident in their roles. Promoting job engagement by involving employees in decision-making and encouraging them to take ownership of their work can increase their commitment and satisfaction.

Ensuring job satisfaction by regularly assessing and addressing factors that contribute to employee happiness and well-being is critical. Offering rewards and benefits, including competitive salaries, health insurance, retirement plans, and bonuses, can make employees feel valued and motivated to stay with the organization. Promoting high job engagement through meaningful and challenging work assignments can keep employees interested and invested in their roles. Implementing good management practices that are fair, transparent, and supportive can build trust and loyalty among employees. Encouraging employee participation in organizational decisions and

recognizing their contributions can enhance their sense of belonging and commitment.

These strategies are not only essential for reducing turnover but also for improving the overall performance of both individual employees and the organization. A human resource system that prioritizes competence, motivation, and growth opportunities among employees can lead to sustained and enhanced employee performance. By addressing the factors that contribute to turnover and implementing effective retention strategies, organizations can create a more stable, productive, and engaged workforce. This, in turn, drives organizational success and helps in achieving strategic goals and objectives. Ultimately, understanding and meeting the needs of employees is a cornerstone of building a resilient and thriving organization.

Study question

- What do you believe are the primary reasons for employee turnover within the organization?
- In what ways has turnover impacted the organization's performance and profitability?
- How has employee turnover affected the overall morale and job satisfaction within the organization?
- How has recruitment and training costs been impacted by high attrition rates?
- How has turnover impacted the organization's reputation and employee satisfaction levels?
- Have customer relationships been impacted by fluctuating staff due to turnover?
- What strategies do you believe could mitigate the negative consequences of high attrition rates on the organization?



Research Hypotheses

- Based on what has been addressed on the study important, problem statement as well as the study purpose of this research, the research hypotheses could be formulated as follows:
- **Hypothesis (H1):** High attrition rates have a significant negative impact on organizational performance.
- **Hypothesis (H2):** High attrition rates significantly reduce team productivity in the organization.
- **Hypothesis (H3):** High attrition rates lead to lower employee morale and decreased job satisfaction levels.
- **Hypothesis (H4):** High attrition rates negatively impact the cost of hiring recruiting and training new employees.
- **Hypothesis (H5):** High attrition rates impede the organization's achievement of strategic goals and objectives.
- **Hypothesis (H6):** High attrition rate impede the continuity and institutional knowledge within organization. Turnover employees take their knowledge and expertise with them.



Research Variable

The aim of this research is to study the impact of high attrition rates on an organization, the variables of the study can be categorized into independent and dependent. Here are some of variables that can be considered including:

Independent Variable:

- Employee turnover rate
- Length of employment
- Reasons for employee turnover (such as lack of training, low job satisfaction, work-related factors)

Dependent Variables:

- Organizational performance
- Team productivity
- Employee morale and job satisfaction
- Financial stability and budget allocation
- Ability to meet strategic goals and objectives

By identifying and analyzing these variables in this research, we will be understanding the relationships between high attrition rates and their impacts on organizational outcomes.

Case Study

A petrochemical company located in Jubail, Saudi Arabia, has faced a significant challenge over the past few years with an increasing number of employees leaving the organization. This trend has been primarily driven by high competition in the market and the strain of managing numerous expansion projects. The high attrition rate has become a major concern for the company, as it signals the loss of talented employees, which in turn can lead to a depletion of institutional knowledge and a shortage of future leaders within the organization.

Recognizing the gravity of the situation, the company embarked on a thorough analysis to identify the root causes of this turnover and develop effective strategies to mitigate it. One of the first steps taken was a comprehensive review of the compensation and benefits packages. It was found that in the highly competitive market, their compensation packages were not as attractive as those offered by competitors. Consequently, the company made significant adjustments to their pay range, ensuring that their salaries were competitive and appealing to both current employees and potential new hires.

In addition to revising the pay structure, the company reevaluated their long-term incentive programs. They recognized that the existing incentives were not adequately motivating employees to stay with the company for extended periods. To address this, they revamped the incentive programs to better align with employee expectations and industry standards. This included introducing new benefits, enhancing existing ones, and ensuring that the incentives were linked to both short-term and long-term organizational goals.

Moreover, the company placed a strong emphasis on talent development, particularly for those identified as potential successors for key roles. They initiated comprehensive development programs aimed at equipping these employees with the necessary skills and competencies to succeed in their roles. These programs included targeted training, mentorship opportunities, and leadership development initiatives designed to prepare them for future leadership positions within the company.

Another critical aspect of their strategy was to improve employee engagement. The company understood that employees who feel valued and connected to their organization are more likely to remain loyal and committed. To foster this sense of engagement, the company implemented several initiatives aimed at enhancing communication between management and employees, recognizing and rewarding employee contributions, and involving employees in decision-making processes. They also made efforts to clearly communicate the company's strategic goals and objectives, demonstrating how each employee's role was vital to achieving these goals.

By taking these comprehensive steps, the company aimed to create a more attractive, supportive, and engaging work environment. They recognized that retaining their talented workforce was not only about offering competitive salaries but also about providing opportunities for growth, development, and meaningful engagement with the company's mission and goals.

The early results of these initiatives have been promising. Employee feedback has indicated increased satisfaction with the compensation and benefits packages, as well as greater enthusiasm for the development opportunities

provided. The company has also noticed a gradual decrease in the attrition rate, suggesting that their efforts to retain talent are beginning to pay off.

In conclusion, the petrochemical company in Jubail has demonstrated a proactive and comprehensive approach to addressing the issue of high employee turnover. By focusing on competitive compensation, enhancing incentive programs, investing in employee development, and fostering a culture of engagement, the company is working towards creating a more stable and motivated workforce. These efforts are crucial in ensuring that they do not only retain their current talent but also attract new employees who are committed to contributing to the company's long-term success.

Theoretical Framework of the Study

- **Attrition rate**, also known as employee turnover rate, refers to the percentage of employees who leave an organization over a specific period of time. It is a critical metric for understanding workforce stability and is calculated by dividing the number of employees who leave during a period by the average number of employees during that same period, often expressed as a percentage. The attrition rate can be influenced by various factors such as voluntary resignations, retirements, layoffs, or terminations. High attrition rates can indicate potential problems within the organization, such as dissatisfaction with working conditions, lack of career growth opportunities, or inadequate compensation, and can lead to increased costs and disruptions in productivity.
- **Risk of attrition rate** refers to the potential negative consequences and challenges associated with employees leaving a company or organization. It encompasses various factors such as decreased productivity, increased costs due to recruitment and training, to ensure effectively managing the risk of attrition rate involves implementing.
- **Organization** is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

Research Methodology

In this research, descriptive research methodology has been followed as it is suitable for studying high attrition rates in an organization. Descriptive research focuses on describing the characteristics of a population or phenomenon and can be beneficial in providing an in-depth understanding of the factors contributing to high attrition rates, without manipulating or changing variables.

By employing descriptive research techniques such as surveys, observational studies, and data analysis, you can gather valuable insights into the nature and implications of high attrition rates within the organization. This information can then inform the development of strategies to address and mitigate the challenges associated with.

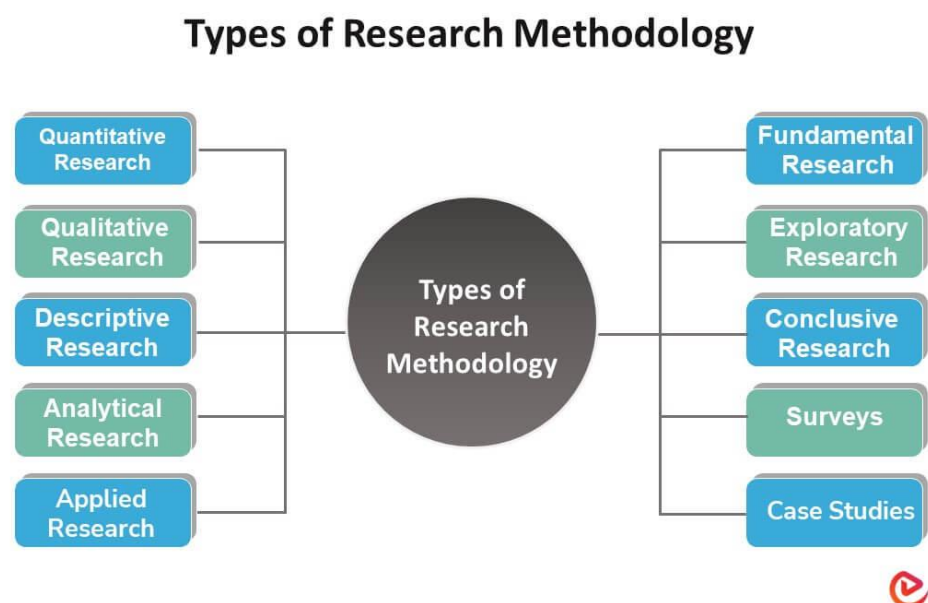


Figure -3: types of research

Data Collection Tools

Sources of data include data and information gathered from a variety of resources, such as books, references, and letters, as well as university papers, working papers, magazines, periodicals, and both published and unpublished reports. These diverse sources offer a comprehensive understanding of the topic, drawing on academic research, professional expertise, and practical experiences. Books provide in-depth analyses and theoretical frameworks, while references and letters can offer firsthand accounts and personal insights. University papers and working papers often present cutting-edge research and innovative methodologies. Magazines and periodicals keep researchers informed about current trends and developments in the field, while published and unpublished reports from various relevant institutions deliver detailed findings and case studies. Collectively, these sources contribute valuable insights and context, enabling a thorough exploration and understanding of the subject matter from multiple perspectives.

Study limitations

In this study the first limitation was that due to budgetary, access and time constraints, the study focused on the questionnaires as means of gathering data.

Secondly, the area of Saudi Arabia has given a geographic limitation on this study. Also the size of organization was not taken into consideration.

Another limitation existed in the participants' possible lack of real qualifications as being implementers of successful strategies for reducing turnover.

Reference

- J. D. Smith, "Successful Strategies for Reducing Employee Turnover in the Restaurant Industry," 2018.
- A. Hussein Alkahtani, "Investigating Factors that Influence Employees' Turnover Intention: A Review of Existing Empirical.
- A. Al Mamun and M. N. Hasan, "Factors affecting employee turnover and sound retention strategies in business organization.
- [ResearchGate](#)
- [Mckinsey](#)
- [ChrmP](#)
- [AIHR](#)
- [FasterCapital](#)
- [Netsuite](#)