

# U of M Retention Study

**Human Resources  
 Research Institute:  
 At the Cutting Edge  
 of HR Research**

## Retention Study is a Success

The retention study was an effort that involved the participation of 1,532 exempt employees newly hired into seven organizations. The primary operational activities of these organizations included manufacturing, food distribution, healthcare, and education. Surveys were distributed to these newcomers every four months over the course of 20 months, for a total of five possible surveys. Over six hundred individuals responded to all five of the study surveys. Ninety eight individuals left their organization voluntarily during the study duration.



**We are particularly grateful to our organizational sponsors!**

### About our Findings...

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Participants represented a variety of white-collar occupations. Of the initial respondents the occupational breakdown was: 21.7% marketing or advertising, 16.4% administration, 15.0% engineering, 11.6% information technology, 10.9% service, 9.0% research and development, 7.3% faculty members, and 8.1% other miscellaneous occupations. All organizations studied had multiple locations and divisions, so the sample was geographically dispersed within the United States. The average age of respondents was 33.0 years. Of respondents, 51% were female and 87% were White.

The University of Minnesota Retention Study is one of the most comprehensive repeated measures investigations of turnover in the academic literature to date, including a wealth of variables and a sample of diverse newcomers. We expect the project to generate a number of academic papers that will be submitted to top tier journals.

**The unemployment rate is high, but does retention still matter?**

Most organizations say

**YES!**

## Retention Study Research Team



The retention study research team was multidisciplinary and was composed of three faculty members and two Ph.D. students. Dennis Ahlburg is an economist, Industrial Relations Center (IRC) faculty member, and the Associate Dean of Faculty in the Carlson School of Management. Theresa Glomb and Connie Wanberg are Industrial/Organizational Psychologists and are on faculty in the IRC. John Kammeyer-Mueller and Aichia Chuang were Ph.D. students. John is now on faculty at the University of Florida and Aichia is now on faculty at the National Taiwan University of Science and Technology.

## Top Five Predictors of Turnover

Our study revealed the following as the most important predictors of voluntary turnover:

1. Leavers were more likely to report lower costs of job change, examined with the question: ,Considering the total impact on your salary, retirement benefits, health insurance, etc., from a financial angle how difficult would it be for you if you left your current job with no alternative lined up?.,
2. Leavers had lower organizational commitment: e.g., they were less likely to ,really care about the fate of this organization.,,
3. Leavers had lower work satisfaction: e.g., they were more likely to report ,My work is dull.,,
4. Leavers reported higher job-search activity: ,In the last four months, I have spent a lot of time looking for a job alternative.,,
5. Leavers reported having experienced a critical event: ,In the last four months I have experienced a

personal, work-related, or professional event that has made me less likely to continue working for this organization.



## Later Turnover Can be Predicted at Time of Entry

Our study is particularly unique as we were able to examine whether we can predict turnover at the time of entry, as well as the extent to which additional time waves of data help us to understand turnover. Our findings are intriguing.

Results showed that leavers are different from stayers from the **very start** of their tenure with an or-

ganization. For example, the individuals who later left their jobs voluntarily, had lower perceived costs of turnover and lower organizational commitment from the time they joined

their organization!

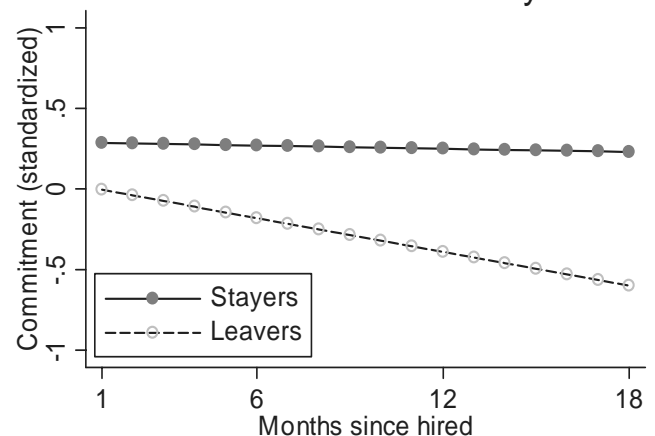
Our study did find advantages of studying people over time, however. We can increase our prediction of who will turnover by twofold if we take into account changes in work-related variables over time. For example, individuals who left their jobs were more likely to experience a decrease in commitment over time.

**Leavers are different from stayers from the very start of their tenure with an organization.**

## Leavers versus Stayers: Organizational Commitment

Let's look a bit closer at how leavers and stayers compare on their levels of organizational commitment. We found that leavers had lower levels of commitment from the start of the study. However, we also found that leavers declined even further in their levels of organizational commitment over time. We used a statistical method known as Hierarchical Linear Modeling (HLM) to study these changes.

### Commitment HLM analysis



## The Role of Critical Events

Turnover is not always a ,slow burn,, deliberative process. An interesting model in the academic literature calls attention to cases where a person leaves spontaneously because of a critical event (see Lee & Mitchell's 1994 *Academy of Management Review* article titled ,*An alternative approach: The unfolding model of voluntary employee turnover*,). Their model suggests most people keep the same job more as a function of habit than choice. Yet critical events may provide a shock to the cognitive system, making people engage in an immediate assessment of their situation. Examples of such events are marriage, divorce, illness or death of a loved one, birth of a child, being passed over for a promotion, receiving a call from a headhunter, or hearing about a job opportunity. An event can increase or decrease the likelihood of turnover, or have no effects on the likelihood of turnover. Research on the unfolding model of em-

**Your employees may leave due to a significant event at work or at home even though they hadn't planned to do so.**



**Examples of events that may precipitate turnover are marriage, divorce, illness or death of a loved one, birth of a child, being passed over for a promotion, or receiving a call from a headhunter.**

ployee turnover is only beginning to accumulate and we are pleased to have been able to study this model in the U of M Retention Study.



Of the 98 leavers in our study, 26 experienced an event that triggered turnover. Seven

individuals indicated negative work events precipitated their turnover (e.g., interpersonal conflicts with co-workers or supervisors). Six individuals indicated extra-organizational events precipitated their turnover (e.g., headhunter calls). Eight individuals indicated life events precipitated their turnover (e.g., pregnancy). Five individuals had a mixture of positive personal and extra work events that facilitated turnover.

Our analyses showed that those who experienced critical events prior to turnover were more committed, slightly more satisfied, and engaged in less search for alternatives relative to others who turned over but did not report a critical event. In other words, leavers who experienced critical events prior to turning over were dissimilar to those who went through the more traditional progression of withdrawal turnover process.

## Newcomer Adjustment

Because the retention study began with a sample of organizational newcomers, it gave us the unique opportunity to examine how new employees are successfully socialized into their organization. Indeed, the period of early entry is considered to be one of the most critical phases of organizational life. During this time, newcomers determine what their new organization is like and decide whether they ,fit in.,, Many researchers have proposed that newcomers' initial attitudes strongly influence subsequent attitudes and behavior. Evidence that work attitudes soon after entry are highly correlated with attitudes many months later supports these contentions. Numerous labor market studies have further shown that recently hired workers are the most likely to turn over.



Our study examined the predictors of four socialization outcomes one year after entry:

**Task Mastery:** Does the employee report, one year after entry, that he/she is successfully fulfilling his or her job responsibilities?

**Role Clarity:** Does the employee feel he or she has sufficient information about his or her job responsibilities?

**Work-Group Integration:** Does the employee feel approval from co-workers and inclusion in their activities?

**Political Knowledge:** Does the employee feel he or she understands the informal network of power and interpersonal relationships in the organization?

The two leading predictors of these outcomes were the extent to which the newcomer had adequate information about the job before starting it (*pre-entry information*) and the extent to which the newcomer has a *proactive personality*. It appears critical that newcomers be willing to take initiative to get information and to seek out others as

needed. Other variables that were important included whether the organization had a formal orientation program, if the leaders in the organization helped the newcomer ,learn the ropes.,, and if co-workers helped the newcomers to adapt to the new work environment.



The University of Minnesota Retention Study provided data for one of our Ph.D. student's dissertations. John Kammeyer-Mueller is now on faculty at the University of Florida. His dissertation, "The well-adjusted organizational newcomer: The roles of pre-entry knowledge, proactive personality, and socialization," will be published in a top tier journal, the *Journal of Applied Psychology*, in fall 2003. The pre-publication manuscript has been included with this mailing and is titled "The Well-Adjusted Newcomer: A Structural Model of Commitment and Withdrawal in Organizational Entry."

## Employee "Fit" in the Organization

You know it is important for an employee to , fit, with your organization. But what exactly does this mean, and what are the predictors and consequences of this fit? Also, when is some , lack of fit,, good for the organization? We are currently working on a manuscript to be submitted to a top tier journal that addresses these questions.

Our study examines five important types of fit:

**Person-Job fit:** Does the employee's experience, ability, knowledge, skill, and education match that required to do his or her job?

**Person-Organization fit:** Does the organization's values and culture match that preferred by the employee?

**Person-Group fit:** Is the employee similar to others in his or her work group (e.g., in regard to age, education, race, gender, personality, values)? To what extent does the employee want to be similar to others in his or her work group?

**Person-Workstyle fit:** Are the individual's preferences for family and leisure time congruent with the demands of the job?



**Person-Community fit:** Does the community in which the individual lives and works have the characteristics desired by the employee?

We find that these type of fits are related to job satisfaction (i.e., satisfaction with the work itself, supervisor, coworkers), organizational commitment, and withdrawal from the job. We also found that the relationships between these types of , fit,, and outcomes persist, suggesting that these first fit impressions (measured within the first six months of employment) are critical in determining satisfaction, commitment, and withdrawal from the job over time . We plan to examine the role of personality in these

relationships. For example, individuals who are open to new experiences may be happier with their jobs even if the jobs are not a perfect fit.

**Q: How important is "fit?"**

**A: Very! Employees' fit with their jobs, organizations, work groups, and workstyle influences their job satisfaction, commitment, and tendency to withdraw from their jobs.**

## Costs of Turnover

There are many costs of turnover for the organization if the individual is a productive employee!

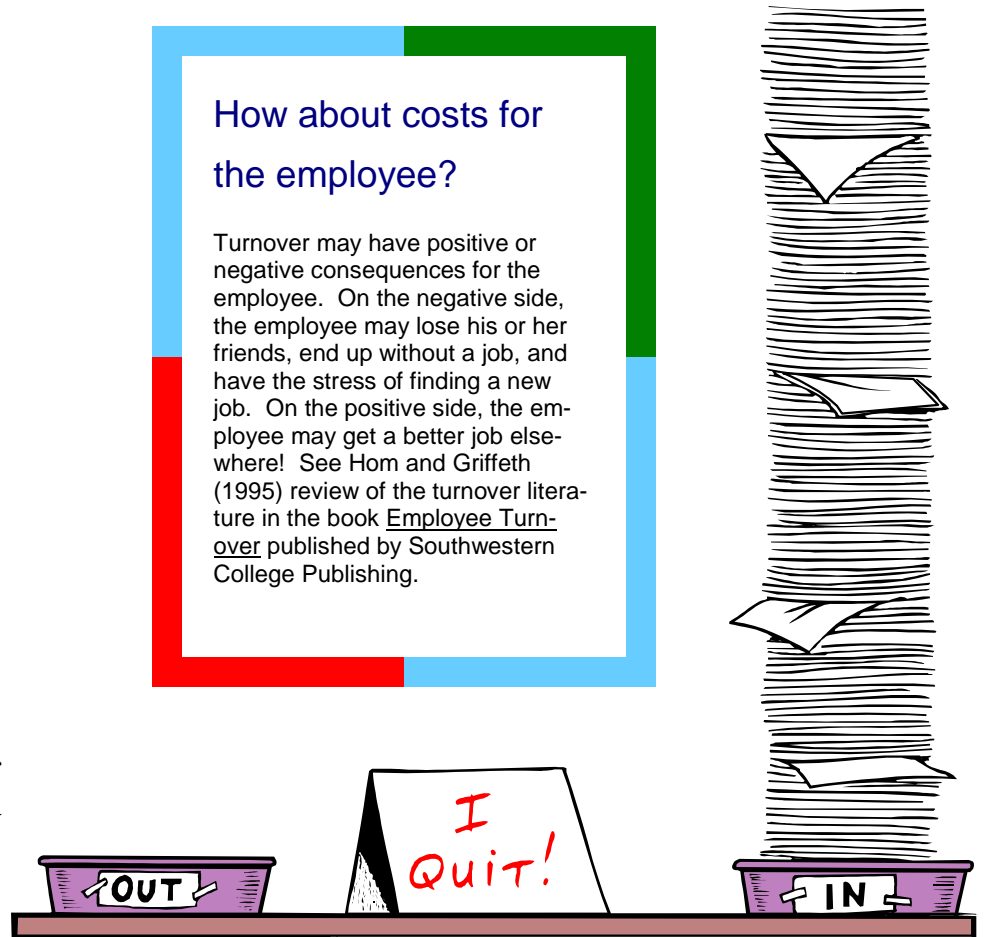
Costs include:

- Decline in service for clients
- Productivity declines
- Advertising a new job opening
- Replacements may be less efficient in beginning months
- Your time in interviewing, training, and orienting a new employee

There are some positive consequences of turnover for the organization if the employee who leaves is not a good performer. Some turnover is functional and can lead to labor cost savings as well as higher morale among existing employees if the employee who leaves has been a problem employee.

### How about costs for the employee?

Turnover may have positive or negative consequences for the employee. On the negative side, the employee may lose his or her friends, end up without a job, and have the stress of finding a new job. On the positive side, the employee may get a better job elsewhere! See Hom and Griffeth (1995) review of the turnover literature in the book Employee Turnover published by Southwestern College Publishing.



## About HRRI

The **Human Resources Research Institute** (HRRI) seeks to understand fundamental issues in the design and implementation of human resource systems. What practices really work, and in what circumstances? Which ones work best together?

To accomplish our mission, we are following a two-prong approach:

1. We seek organizations wishing to participate in targeted studies of a specified duration, aimed at addressing issues fac-

ing HR professionals while generating fundamental knowledge. We offer a number of benefits for participating in our studies.

2. We are developing a comprehensive database on HR practices and their consequences in several hundred Minnesota organizations. As the database grows in depth and breadth, we will initiate a program of long-term studies involving researchers from a variety of disciplines and institutions.

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