

**NORTH CENTRAL UNIVERSITY**

**MINIMIZING EMPLOYEE TURNOVER BY FOCUSING ON THE  
NEW HIRE PROCESS**

A Dissertation submitted to  
the graduate faculty of the College of Business and Management

In candidacy for the degree of

**DOCTOR OF PHILOSOPHY**

by

**ANTHONY T. RUSSO**

Prescott, Arizona  
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*Minimizing Employee Turnover by  
Focusing on the New Hire Process*

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## CHAPTER I

### INTRODUCTION

#### Problem Statement

The economy is booming. Unemployment is at an all time low. Customers and marketplaces are demanding that computer and telecommunication services be integrated to provide more technologically sophisticated products and services. Computer/Telephony companies are desperately scrambling to employ innovative and creative software, electrical, industrial and mechanical engineers. A major challenge for these organizations is (1) hire the right professionals (efficient and effective hiring process), and (2) keep these professionals satisfied and on the payroll (retention and loyalty).

Today's volatile and competitive Computer/Telephony Industry is composed of such companies as: Lucent Technologies, Brooktrout Technology Inc.; Natural Microsystems Corp.; Cisco Systems Inc.; Brite Voice Systems Inc.; Comdial Corporation; Dialogic Corporation; Hewlett Packard; Compaq and Intel Corporation. These companies range in size from 260 to 141,000 employees worldwide. The workforce is comprised of predominately mechanical, electrical and software engineers. The new hire population ranges from recent college graduates to experienced professionals who are mechanical engineers, electrical engineers, and computer software and hardware specialists. The senior management team members have an average age of 48.8 years (EDGAR, Form Search 10K Report, Internet).

The Information Systems Computer/Telephony market is a microcosm of high-technology hardware and software development, manufacturing and telecommunications

networking rolled into one complex and volatile Industry. The term "Computer/Telephony" is used to encompass a wide variety of technologies and applications that use the information processing capabilities of a computer (often a server) to add intelligence to telephone functions and to combine these functions with data processing.

Globalization, intense competitive pressures and increased customer demands necessitate that companies become more responsive to their customer's needs while, at the same time, offering improved products and services and building employee partnerships. These are the driving forces that the Computer/Telephony Industry must deal with in today's marketplace. The differing complexities of purchaser needs and product characteristics, as well as the complexities of designing and operating the process for producing and delivering these products and services (i.e., employee / employer partnership), demand improved quality management (ISO 1995).

Besides globalization, companies in the Computer/Telephony Industry are facing serious challenges of:

- Attaining profitability through growth;
- Using technology to improve internal processes;
- Embracing change as a competitive advantage;
- Attracting and maintaining experienced and knowledgeable individuals who can drive a global organization that is responsive to both its customers and the opportunities of technology. This single factor, among all others, is the primary focus of this research.

Over the years much time and research has been dedicated to understanding how an individual makes a final job decision. A number of job choice models have been proposed to determine why an individual selects a particular job. Wanous and Colella (1989) suggested that it is not only important to understand what job attributes an individual values, but it is also necessary to understand how the job candidate uses, combines and weighs all the job attribute data available to make a final job related decision.

A problem often arises after job applicants have made their selection and enter what is called the "initial employment period". This very early employment period, the first year or even the first few months, is very crucial to the development of a healthy individual and organizational relationship. One reason this initial employment period is so important is that it is during this time period that the new employees and their employers begin to form stable impressions of each other. The new employee and employer must learn to adjust to one another. During this period of adjustment the organization tries to shape the employee's behavior, values and attitudes so they are consistent with the organization's needs. This shaping process is called socialization. At the same time the employer is attempting to influence the employees behavior, values and attitudes, the employee is also trying to influence the organization so that it treats the employee in a manner that will allow the individuals to derive personal satisfaction from their respective position. This process is called individualization. (Breaugh, 1996).

Since 1994 serious employee retention and turnover rates have plagued the Computer/Telephony Industry. It has become increasingly difficult to attract and build a sound employee/employer relationship. From a cost perspective, Rynes and Boudreau

(1986) estimated that the average cost of recruiting a college student was \$2,000 and Taylor and Bergmann (1987) cited research suggesting that recruitment cost equals one-third of the new hire's annual salary. It has been estimated that the cost of recruiting individuals for the Computer/Telephony Industry's high-tech positions such as electrical, software and mechanical engineers, may be more than \$5,000 per individual hired (Edwards 1986). Even trying to minimize the "person-job incongruence" (Chatman 1989) by increasing the accuracy of the candidate's job expectations during the recruitment process has not been able to slowdown the Computer/Telephony 26% employee turnover rate.

### Purpose

This research project analyzed the question that is of major concern for the Information Systems Computer/Telephony Industry: "How do you build and maintain an effective employee/employer partnership?" The research concentrated on the issue of minimizing employee turnover by focusing on the new hire socialization process.

The purpose of this research project was to:

- Determine what effect the first eight months of the new hire process has on the longevity and permanence of the employee.
- Examine new hires' point of view to identify the critical drivers and the key attributes for retention.
- Identify the key driver that has the most important impact upon retention.
- Identify a correlation between new hire job features and employee turnover within the highly volatile Computer/Telephony Industry.

- Help Human Resource managers improve the hiring process in the Computer/Telephony Industry.
- Help Human Resource organizations within the Computer/Telephony Industry and other compatible industries reduce and minimize employee turnover, improve employee relationships and enhance employee success.

### Delimitation

Delimitations are integral parts of a research study design because they set parameters, tell the reader what will be included and what will be left out and why (Bibbie 1998). The study framework encompasses motivational behavior theory; specifically efficacy theories based on Vroom's Model. The design replicated a set of fifteen job factor ratings that were based on information obtained from the Dunnette, Arvey and Banas study (1973).

This researcher further narrowed the scope of the study to the early stage in the employee life cycle – during the first eight months with a new company. Survey instruments focused on determining the effect of job feature importance and desirability (such as having managers who successfully utilize and challenge new hires versus those that limit or stifle individuals) and the decision to leave (turnover) or stay (retention) with the organization.

### Limitation

Although the selected Computer/Telephony organization is representative of the Computer/Telephony Industry, several factors limit this study. The economy is presently

booming with nearly full employment. The maturity of the management structure and style within each company of the Computer/Telephony Industry might be different therefore affecting the way an individual may interpret and respond to the questions within the survey and focus groups. The views of the new hires might be biased or skewed because of the effect of the first day at work. They may feel the need to be on their best behavior and respond to survey questions with certain answers. The orientation session may also have an effect on the respondent's ability to answer the survey.

### Research Questions

#### Primary Question

Question 1: Will the identification of critical job features that ensure the newly hired employee's success help to maintain the employee/employer partnership and thus minimize employee turnover?

#### Secondary Questions

Question 2: Is there a correlation between exit interview data and critical new hire job features?

Question 3: What are the most critical element(s) that ensure employee satisfaction during the "initial employment period?"

Question 4: What job features ensure the longevity of an employee/employer partnership?

Question 5: Are there any subconscious motivations that move an employee to select one feature as critical over another?

### Operational Definitions

The operational variables used for this study consisted of fifteen job features that describe the employment relationship in the Computer/Telephony Industry. When these variables are quantified for degree of importance and probability of occurrence from the employee's perspective, statistical analysis was used to measure the influence of the job feature. The relationships between and among the job feature variables are believed to describe the employee mindset related to overall satisfaction with the company, tenure with the company, and to predict subsequent participation in the New Hire Survey Part II of this study (which means the employee passed the eight month hurdle).

The fifteen attributes previously noted as delimiters of this study helped set the parameters for the scope of information collected and type of measurements conducted. They provided the basis for measuring cause and effect, and quantifying relative value or impact on employee attitude or perception. Listed below are the job features addressed in this study:

1. Having a good boss
2. Good working conditions
3. Competitive compensation
4. Recognition for good work
5. High level of responsibility
6. Ability to manage other people
7. Interesting and challenging work
8. Opportunity for advancement

9. Variety of job activities
10. Fair company policies
11. Feeling of accomplishment
12. Opportunity to use my own ideas
13. Opportunity to use my own abilities
14. Personal visibility and Credibility
15. Job security

These fifteen attributes formed the basis for statistical analyses required for this study. Measurements were developed regarding expectations about each of these features and relative importance to the employee at orientation (New Hire Survey Part I), and after eight months (New Hire Survey Part II). Analysis was conducted among the fifteen features, and compared to control questions:

1. Thinking of leaving the company
2. Rating of company as a place to work
3. Willingness to recommend company

The setup of the dependent / independent variables that formed the operational definitions are found on the following page:

| Table 1 Independent/Dependent Variables          |  |
|--|--|
| Independent variables                            | Dependent variables                                |
| Regression                                       |  |
| Perception of Importance - Part I                | Overall Satisfaction with the Company              |
| Probability of Occurrence (Expectation) – Part I |  |
| (Gap A) Imp./ Exp. Gap – Part I                  |  |
| (Gap B) Imp. Part I minus Imp. Part II           |  |
| (Gap C) Exp. Part I minus Exp. Part II           |  |
| (Gap D) Imp. Part I minus Exp. Part II           |  |
| Correlation                                      |  |
| Overall Satisfaction with the Company            | Would Recommend Company                            |
|  |  |
| Importance – Part I                              | Importance - Part II                               |
| Expectation – Part I                             | Expectation – Part II                              |
| (Gap A) Imp./ Exp. Gap – Part I                  | Participation in Part II                           |
| Importance - Part I                              |  |
| Expectation – Part I                             |  |
| Demographics                                     |  |
| Demographics                                     | Importance - Part I                                |
|  | Expectation – Part I                               |
|  | Imp./ Exp. Gap – Part I                            |
| Analysis of Variance                             |  |
| Importance – Part I, Participated in Part II     | Importance – Part I, No Participation in Part II   |
| Expectation – Part I, Participated in Part II    | Expectation – Part II, No Participation in Part II |

### Definition of Terms

Career Development – refers to supervisory assistance with planning a career path within the organization, training needed to attain their career goals and the opportunities made accessible to an employee in order to attain the stated career goals.

Computer/Telephony – encompasses a wide variety of technologies and applications that use the information processing capabilities of a computer (often a server) to add intelligence to telephone functions and to combine these functions with data processing.

Electrical Engineer –are involved in the science that studies elementary particles, smaller than the atom, called electrons. They apply theories and principles of science and

mathematics to solve practical technical problems and specialize in the production, transmission and uses of electrical power.

Employee – an individual collecting compensation for performing job description oriented tasks and activities.

Employee Turnover – the number of individual's that they leave a company or industry within a yearly time period.

Employee/Employer Relationship – this is a relationship that stresses understanding of the critical and key needs of the employee and the employer. It strives to minimize conflict by ensuring each party's expectations are understood and addressed

Exit Interview Survey – a series of questions that are administered in a one-on-one interview two days prior to the employee leaving the organization.

Globalization – the ability to tailor product development and marketing strategies to meet the needs of a worldwide marketplace.

Individualization – process by which an employee tries to influence an organization so that it treats the individual in a manner that will allow the individual to derive personal satisfaction from their position.

Industrial Engineer – engineering that deals with the design, improvement, and installation of integrated systems (as of people, materials, and energy) in industry.

Initial Employment Period – the very early employment period, usually the first few months to a year of employment within an organization.

ISO – The Organization for International Standards is based in Geneva, Switzerland.

Job Features – these are characteristics of the environment or position that may effect job expectations and satisfaction of a new hire.

Key Drivers – the critical job features that have the strongest linkage to overall job satisfaction.

Likert Scale – is a scale in which the stem includes a value or direction and the respondents indicate their agreement or disagreement with the statement.

Leadership/Communication – refers to the timely and effective communication of corporate strategies, changes made to those strategies, communication between the employee and supervisor, encouragement of cross-functional cooperation, and the timeliness and effectiveness of the appraisal system.

Mechanical Engineer – a branch of engineering concerned primarily with the industrial application of mechanics and with the production of tools, machinery, and their products.

New Hire – an individual who has just entered the organization.

New Hire Orientation – a one-day orientation program that takes the newly hired individual through all the company's policies and procedures as it applies to Benefits, Information Services, Corporate Culture, and corporate mission and vision.

New Hire Survey – a questionnaire requesting general employee information, ranking of specific job features and rating their expectations that these job features will occur and is administered during the first 20 minutes of the new hire orientation program

Organizational Effectiveness – refers to the company's commitment to its corporate values of quality, customer focus, a supervisor's leadership skills, and the implementation of Human Resource policies and practices.

Reward/Recognition – refers to total compensation, the effectiveness of a benefits system in meeting family needs, and the recognition for work performed for an individual or team that exceeds all expectations.

Socialization – process by which an organization tries to shape a new employee’s behavior, values and attitudes so that they are consistent with the organization’s needs.

Software Engineer – use a systematic approach to the analysis, design, implementation and maintenance of software.

Work Life – refers to an individual’s immediate work environment, interesting and challenging work, effectiveness of resources, flexibility of work hours, ability to telecommute, and a proper balance between work and family.

#### Primary Approach for Data Collection

The primary approach and procedure consisted of first developing and conducting interviews with people who have left the company, analyzing this interview information and using the data to develop and implement a two part new hire survey.

The researcher administered New Hire Survey Part I on the first day of the new hire orientation. New Hire Survey Part II was administered by the same researcher eight months after the date of the new hire orientation.

The researcher conducted exit interviews with all the research participants who voluntarily left the business during the research project timeline.

The vice president of human resources of the company used in this research guaranteed confidentiality and anonymity as it pertains to all surveys whether exit interviews or new hire. This research project was intended to: help human resource managers improve the hiring process in the Computer/Telephony Industry and other compatible industries; reduce and minimize employee turnover; improve employee relationships; and enhance employee success.

Microsoft Excel and Access databases were established to compute and examine results from the survey questionnaire, focus group sessions and one-on-one interviews. Excel statistical applications assisted in interpreting the data gathered based on employee survey ratings, verbal and written comments. Statistical tests such as correlation analysis, regression analysis, t-tests and analysis of variance was used in this study.

### Instrumentation and Timeline

The questionnaires were standardized and were titled (1) *New Hire Survey Part I A, B, C*; (2) *New Hire Survey Part II A, B, C*; (3) *Exit Interview Survey*. The New Hire Survey Part I was directed to new hires during the new hire orientation sessions and the New Hire Survey Part II was directed to the same target population eight months after the individuals new hire orientation session. The exit interview survey was directed to all employees who left the Computer/Telephony business during the eight-month research project and did not complete New Hire Survey Part II.

### Target Company Selection and Research Population

The Computer/Telephony Industry is highly volatile and competitive. Deciding how to approach this data collection effort posed certain concerns: Would competitors divulge potentially sensitive and proprietary information that was gathered during the new hire orientation process and exit interviews? Would competitors allow one-on-one interviews and the use of administrated new hire surveys over a one-year time period? The solution to this dilemma was to find a Computer/Telephony organization that typifies the Industry and would grant permission for such a research project. Selecting one company whose employee population typifies the Industry provided several benefits:

- Allowed for face to face contact;

- Minimized employee misunderstandings;
- Clarified issues and allowed for follow-up questions ;
- Minimized expenses;
- Ensured that a competitive advantage is not derived from information obtained during the research study.

### Treatment of the Data

Correlation and regression analyses were performed on all individual responses pertaining to the ratings of importance of job feature in conjunction with the ratings of expectations that job features were be realized. Comparing survey results, focus group sessions and one-on-one interviews enabled the researcher to draw conclusions from three research points. Survey data was tabulated and analyzed using descriptive and inferential statistics. Chi-square was calculated by response variable (importance vs. expectations) at a significance level of .05.

### Regression Analysis

This research used regression to analyze how the dependent variable Overall Satisfaction was affected by the values of each independent variable, the fifteen job features. The regression equation took the form of  $Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \dots + \beta_kx_k$  where the y value (dependent variable) was a function of the job feature ratings (independent x values).