6-28-2000

Decreasing the rate of turnover by enhancing employee morale

Kyra De Blaker
Rowan University

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DECREASING THE RATE OF TURNOVER BY ENHANCING
EMPLOYEE MORALE

By
Kyra De Blaker

A Thesis
Submitted in partial fulfillment of the requirements of the
Master of Arts Degree in the Graduate Division
of Rowan University
June 2000

Approved by

Date Approved 6-28-00
ABSTRACT

Kyra Elizabeth De Blaker
Decreasing the Rate of Turnover by Enhancing Employee Morale
2000
Dr. Bagin
Public Relations

This thesis studies the impact of morale on employee turnover. High employee satisfaction levels can reduce turnover. Eight in ten highly satisfied employees intend to stay with a company for more than two years, when compared to only two in ten dissatisfied employees.

To counter the disastrous effects of employee turnover, companies are establishing programs to boost employee morale. This thesis examines the morale programs of a New Jersey financial institution and the company's turnover rates. The author surveyed current employees to determine the level of employee morale and effective long-term motivators.

The financial institution recognizes the importance of employee satisfaction programs, which include educational assistance programs, discounts at local businesses, auto lease programs and competitive benefit packages.

Fifty-one percent of employees surveyed felt that benefit packages are important long-term motivators for employees. Sixty-eight percent of employees felt that a fun work environment is also an important factor in keeping employees happy.
Management supports a “fun work environment” approach. Games, raffles and extracurricular activities are common practice at the firm.

When asked the question, “Would you suggest an idea, that costs nothing, to the company,” 95 percent of employees said yes, they would suggest an idea to management.

By implementing effective morale boosting programs, a company is taking appropriate action to reduce employee turnover. The result is improved organizational performance, productivity and profit.
MINI-ABSTRACT

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This thesis studies the impact of morale on employee turnover. The thesis examines the morale programs of a New Jersey financial institution and reviews the company’s turnover rates. The author surveyed current employees to determine the level of employee morale and effective long-term motivators.
Acknowledgments

Thank you to my mom and dad. I couldn't imagine making it this far without you.

Thank you Mom for just being here, and for Sunday afternoon remarks like—
"Are you going to work on your thesis," when I settled in for my afternoon nap.

Thank you Dad for the Calamine lotion when I itched, the diamonds when I begged and
the encouragement when I didn't think all of this was possible.

To my study group, thanks for understanding when I was always late.

To all of the friends I made this year, you have improved my life with your words and
knowledge.

Dr. Bagin, I don't know what made you accept me in this program.
Thank you for thinking I was worthy, offering your help and offering your
encouragement.

"The future belongs to those who believe in the beauty of their dreams."
—Eleanor Roosevelt
# Table of Contents

Chapter One........................................................................................................................................... 1

Statement of Problem................................................................................................................................. 1

Purpose of Study.......................................................................................................................................... 2

Importance of Study.................................................................................................................................. 2

Plan of Study............................................................................................................................................... 4

Assumptions and Limitations...................................................................................................................... 4

Definition of Terms.................................................................................................................................... 4

Chapter Two............................................................................................................................................... 6

Costs of Turnover....................................................................................................................................... 7

Research Indications on Employee Turnover............................................................................................ 11

Decreasing the Costs of Turnover—an Employee Approach................................................................. 12

Employee Satisfaction............................................................................................................................... 14

Improvement of Employee Morale............................................................................................................ 15

Building Morale: Employee Morale Concepts and Programs................................................................. 17

Summary................................................................................................................................................... 27

Chapter Three........................................................................................................................................... 28

Procedures............................................................................................................................................... 28

Literature Search........................................................................................................................................ 28

Chapter Four............................................................................................................................................ 30

Team Player Morale.................................................................................................................................... 30

Long-term Motivators................................................................................................................................ 31
Improving the Company........................................................................................................32
Low Morale Responses........................................................................................................33
High Morale Responses......................................................................................................34
A Comparison of Long-term Motivators........................................................................35
George Mason University Study..................................................................................36
Senior Vice Presidents................................................................................................38
Team Player Morale.........................................................................................................38
Long-term Motivators..................................................................................................38
George Mason University Study..................................................................................40
A Comparison...............................................................................................................43
Employee Turnover Rates..........................................................................................44
Field Observation..........................................................................................................45
Answers from the President.........................................................................................46
Chapter Five..................................................................................................................47
Conclusions..................................................................................................................47
Recommendations for Further Study........................................................................52
Appendix A....................................................................................................................53
Appendix B....................................................................................................................54
Bibliography..................................................................................................................55
Chapter One

Statement of the Problem

Employee turnover is a million-dollar problem for today’s business industry. “Just when I get a new hire trained, someone else leaves. Productivity is up... while morale is down,” states one frustrated human resources manager. “We offer great benefits and competitive pay; yet, turnover continues.”

The problem of employee turnover affects every company that hires an employee. The approximate cost of a new hire is $8,000, along with nearly 45 days required to properly train a new employee. The Society of Human Resources Management estimates that for every 1,000 employees, 250 will be replaced each year. The cost then is two million dollars needed to replace 250 employees, and an estimated 70,000 productive hours are lost with each new hire.

To counter the disastrous effects of employee turnover, companies are establishing programs to boost employee morale.

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1 Pawlak, J. (1999, Sept. 12). To counter costly turnover, treat employees as long term assets. The Plain Dealer, p. 4D.
More employers are recognizing the importance of employee satisfaction and are establishing programs such as flexible scheduling, employee assistance programs and on-site amenities to keep employees happy and on the job.

**Purpose of Study**

Employee turnover is a source of frustration for many organizations. Effects include loss of productivity, diminished morale, strained communication between employees and management, and a high cost of hiring new employees.

The purpose of this study is to establish a link between employee morale and employee turnover. "If your workplace is a revolving door of unhappy employees coming and going, not only will it cost you plenty, the net effect is low morale and low productivity for those who stay."\(^3\)

The author will show how a company, with effective employee satisfaction programs, can eliminate the high cost of employee turnover.

**Importance of the Study**

Companies will benefit from a study that looks at employee morale and turnover. A study concerning employee satisfaction and morale will benefit all members of management looking to keep new employees. The current employee market is competitive with more workers in the position to choose their employers. Companies are now in business to keep employees happy and on the payroll.

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Roger D’Aprix states, “in the big business community we must learn how to build quality relationships.” 4 The relationship must begin and end with your employees.

“High employee satisfaction levels can reduce turnover. Eight in ten highly satisfied employees intend to stay with a company for more than two years, when compared to only two in ten dissatisfied employees.” Not only are dissatisfied employees more likely to say they will leave a company within a year, they are not very likely to recommend the company to a friend. This can also interfere with recruiting. 5

Employee turnover can significantly affect the financial performance of an organization as well. With unhappy workers and the high cost of a new-hire, employee turnover is cutting away at company profits. It eventually takes its toll on the bottom line.

Joan Brannick, an organizational psychologist and president of Brannick Consulting, believes “the financial outcomes of reducing employee turnover are significant.” 6

By implementing effective morale boosting programs, a company is taking appropriate action to reduce employee turnover. The result is improved organizational performance, productivity and profit.

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Plan of Study

The plan of the study is to determine the level of morale in an organization and develop strategies for preventing turnover.

"Working to prevent a revolving door in an [organization] may seem like an unnecessary burden, but it could end up saving the company from incurring unnecessary expenditures and costly turnover."\(^7\)

The author conducted a field observation of a New Jersey financial institution to observe employee morale. The author conducted a general survey of company team players to determine a level of employee satisfaction. The author also examined management's view of employee morale, and the effect employee turnover has on the organization.

Assumptions and Limitations

The study garners information from books and Internet sources available on employee morale and turnover. The study focuses on only one company, a New Jersey financial institution, and its morale building programs. The study makes generalizations based on successful employee morale programs at a variety of organizations.

Definition of Terms

The following statements define the author’s interpretation of common terms used in this thesis.

Morale—The overall attitude of employees in a work environment.
Employee Turnover calibrates the rate of replacement of workers.

Employee Satisfaction—The fulfillment of what is desired or needed. Used when describing the efforts of management to please employees.

Employee Assistance Programs provide counseling and referrals on everything from drug and alcohol problems to financial counseling. 8

On-site Amenities include such things as convenience stores, dry cleaning services, daycare, gymnasiums, etc.

Team Player is a term used by the New Jersey financial institution, in place of the term employee. Although management literature refers to select employees as team players, this financial institution refers to all employees as team players.

Chapter Two

Three sources were used to compile the research used in this thesis: the Rowan University library database, the Internet and World Wide Web.

A search of current literature on employee morale and employee turnover was conducted on Rowan University's Library homepage. Searches were performed using the following databases: ABI Inform, PsycInfo, Lexis-Nexis and Periodical Abstracts. Key words used to locate information were employee, management, turnover, morale and satisfaction.

Keywords used to locate information on the Internet and World Wide Web included employee, management, turnover, morale and satisfaction. A variety of company websites were visited to obtain information on specific employee satisfaction and morale programs.
Costs of Turnover

The costs of employee turnover range from monetary to the psychological.

The economic cost of employee turnover can be difficult to determine, due to the differences from company to company. Accurate estimates can be made in individual companies, and models have been developed to make estimates possible.

1999 US Labor Department statistics show that the average employee will remain with an employer for four years. This translates to a turnover rate of 25 percent. With a present unemployment rate of 3.9 percent, employees are leaving because they want to, not because they have to.

The Society of Human Resources Management determined “the cost of hiring and training and individual about $8,150, and the time to hire a new employee 45 working days.” For every one thousand employees 250 are replaced each year. This takes more then $2 billion out of the bottom line.

Turnover also affects the “Leavers.” Leavers are the employees who have left the company. “One may assume with justification that job changes of a voluntary kind generally work to the advantage of the leaver, but the issue of cost is not altogether clear-cut.” Leavers loose their pension and medical benefits that may not always match the possibility for increased earnings in a new position. Psychological costs are also a common phenomenon. In a job change situation, trauma may occur. A Job status change is a trying experience, whether it is from a lay-off or shifting to a new job.

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9 C/netnews.com, CNBC, June 11, 2000
10 Pawlak, J. (1999, Sept. 12). To counter costly turnover, treat employees as long term assets. The Plain Dealer, p. 4D.
In a 1984 study conducted by Gaylord and Symons, the need for treating the emotional aspects of job loss or job change was addressed. The study determined that an individual’s response to job loss or change can be determined by the following elements:

- The individual's ability to cope with stress and his personality structure.
- The meaning of the job to the individual.
- The context in which the change occurs. Voluntary or involuntary?
- The extent and effectiveness of the individual's support network.
- The age of the individual.
- The dual-career issue between husband and wife.12

The effects of turnover on the organization “cannot be encompassed by cost figures alone,” states James Gardner, author of Stabilizing the Workforce. “The organizational impact goes beyond the measurable aspect.”13

It is proposed that “increased turnover will probably produce an increase in administrative staff and formalization and a decrease in integration.”14 In effect, employee groups will lose cohesiveness.

In effect, employee turnover causes disruption. Disruption to everyday activities, and even disruption years later can occur within an organization.

14 Ibid.
Mistakes can occur in the wake of an employee leaving. Untrained employees, until a new employee is hired, frequently handle the work left behind. An employee who voluntarily leaves can find fault with his or her job, and “share their complaints with remaining employees, causing them to question their job satisfaction.”

William Mobley states, in his study *Intermediate linkage in the relationship between job satisfaction and employee turnover*, that consequences of employee turnover include, in addition to the obvious cost items (such as training and replacement costs), disruption of social and communication structures, loss of high performers, decreased satisfaction among “stayers” and stimulation of “undifferentiated” turnover control strategies.16
James Gardner created a model to help control turnover with potential adaptive strategies. The following table represents some of the ideas provided by Gardner:

<table>
<thead>
<tr>
<th>Potential negative consequences of employee turnover</th>
<th>Potentially relevant adaptive strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational disruption</td>
<td>Hire excess employees</td>
</tr>
<tr>
<td></td>
<td>Regulate patterns of turnover</td>
</tr>
<tr>
<td></td>
<td>Part-time and captive labor pools</td>
</tr>
<tr>
<td></td>
<td>Training current employees</td>
</tr>
<tr>
<td></td>
<td>Increase commitment among stayers</td>
</tr>
<tr>
<td></td>
<td>Job redesign</td>
</tr>
<tr>
<td></td>
<td>Employee skills inventory</td>
</tr>
<tr>
<td></td>
<td>Collect and analyze turnover data</td>
</tr>
<tr>
<td>Demoralization</td>
<td>Manage beliefs about causes of turnover</td>
</tr>
<tr>
<td></td>
<td>Training current employees</td>
</tr>
<tr>
<td>Negative public relations</td>
<td>Manage beliefs about causes of turnover</td>
</tr>
<tr>
<td></td>
<td>Continuous and long term recruiting</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>Training current employees</td>
</tr>
<tr>
<td></td>
<td>Part-time labor pool</td>
</tr>
<tr>
<td>Strategic opportunity costs</td>
<td>Hire excess employees</td>
</tr>
<tr>
<td></td>
<td>Training current employees</td>
</tr>
<tr>
<td></td>
<td>Part-time labor pool</td>
</tr>
<tr>
<td></td>
<td>Continuous and long term recruiting</td>
</tr>
<tr>
<td>Decreased social integration</td>
<td>Increase commitment among stayers</td>
</tr>
<tr>
<td></td>
<td>Job redesign</td>
</tr>
</tbody>
</table>

Research indicates that employee morale programs, which include competitive benefits packages, promotions, positive work environments and employee development, each work to control turnover in an organization.17

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**Research Indications on Employee Turnover**

Determinants of turnover, proposed in a 1977 study conducted by Porter and Steers in *Psychological Bulletin*, include pay; integration cohesiveness; instrumental company communication, information directly related to job performance; formal communication; and centralization, concentration of power.\(^\text{18}\)

New issues have been brought to the surface. Researchers are now focusing on commitment. Commitment on the part of employers, notably related to pay, and employees, who are experiencing a surge in the job market.

The Porter and Steers summary of research studies of turnover reached a general conclusion: "The major turnover findings of the review, when taken together, point to the centrality of the concept of met expectations in the decision to leave a company. Expectations vary between individuals, but the summary indicates that, whatever they are, they must be substantially met if the employee is to remain."\(^\text{19}\)

Porter and Steers proposed four general categories, consisting of the factors affecting employee turnover. The four categories are organization-wide factors, immediate work environment, job-related factors and personal factors.

- Organization-wide factors: pay and promotion
- Immediate work environment: supervision, consideration, equity of treatment, recognition and feedback

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Other work environment factors: size of working unit (the larger the size the higher the turnover rate)

- Job-related factors: perceived lack of sufficient job autonomy and responsibility and role clarity

- Personal factors: age, longer service on previous job, similarity between job requirements and vocational interests, greater family size, family responsibility and extreme personality traits.

Decreasing the Costs of Turnover—an Employee Approach

Many factors contribute to employee turnover such as: poor fit between the person and the job or organizational culture, inadequate employee training, noncompetitive compensation and organizational practices (e.g., recognition, performance, evaluations, vacation/leave policies) that weaken employee morale. High turnover usually results from several of these factors, and more.

To improve employee retention in an organization, Joan Brannick suggests employers develop a plan for examining and addressing employee turnover.

The plan should include the following steps:

- Assess the current impact of turnover on the organization. Identify rates for departments, divisions and even different regions. Compare turnover rates

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20 Ibid.
with internal and external standards, and identify priority areas for addressing turnover.

- Identify characteristics of your organization and the job that contribute to employee turnover. Use employee surveys and interviews to examine the differences between successful and unsuccessful employees. The information obtained will provide information about potential factors affecting employee turnover.

- Examine employee selection methods. Identify the critical requirements for each job as well as factors that contribute to a good fit between the person and organization.

- Evaluate your employee training and development programs. Training employees properly will contribute to their overall success and satisfaction.

- Analyze your performance management and compensation practices. Performance management processes and compensation practices that link employee performance to organizational values, goals and objectives will financially benefit your organization and motivate employees.

Happy employees make a difference. “High employee satisfaction levels can reduce turnover.” In an online study conducted by The Business Research Lab, asked the question, “How long do you plan to continue your career with this company?” More

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then 85 percent of highly satisfied employees intended to stay more than two years, compared to 19 percent of dissatisfied employees.

**Employee Satisfaction**

The key to turnover reduction is to treat employees as long-term assets.

Many companies say, “attracting and retaining top talent is their single biggest challenge.” Companies that understand that employees are assets are successful and report better retention rates.²³

In the article “putting people first for organizational success,” Jeffrey Pfeffer and John Veiga state the key to organizational success, “There is a disturbing disconnect in organizational management. Research, experience and common sense all increasingly point to a direct relationship between a company’s financial success and its commitment to management practices that treat people as assets.”²⁴

Substantial evidence exists that speaks to the strong connection between how employers manage their people and the financial success observed. According to the study, “The impact of human resource management,” conducted by MA Huselid, “a one

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standard deviation increase in use of human resource practices is associated with a 7.05 percent decrease in turnover.\textsuperscript{25}

Management that prevents a revolving door in a company can end up saving a company from incurring unnecessary expenditures and costly turnover.\textsuperscript{26}

**Improvement of Employee Morale**

It is easy to form the ideas that are the foundation for people-centered management... the hard part is implementing them.

A George Mason University study concerning employee morale revealed that employers mistakenly assume they know what employees want to “get” from their job.\textsuperscript{27} In the study employees ranked interesting work, appreciation of work done and feeling of being in on things as their primary “wants.” Managers, when given the same items to rank, rate good pay and job security as employee priorities. “What [management] thinks is important to the employee is not.”\textsuperscript{28}


\textsuperscript{26} Strategies for Preventing Turnover. (1999). *InfoWorld*, 21, 84.


\textsuperscript{28} Ibid.
The following Table details the complete study conducted by George Mason University:

<table>
<thead>
<tr>
<th>What workers say they want</th>
<th>What managers think employees want</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interesting work</td>
<td>1. Good pay</td>
</tr>
<tr>
<td>2. Appreciation of work done</td>
<td>2. Job security</td>
</tr>
<tr>
<td>3. Feeling of being in on things</td>
<td>3. Promotion and growth</td>
</tr>
<tr>
<td>4. Job security</td>
<td>4. Good working conditions</td>
</tr>
<tr>
<td>5. Good pay</td>
<td>5. Interesting work</td>
</tr>
<tr>
<td>6. Promotion and growth</td>
<td>6. Tactful discipline</td>
</tr>
<tr>
<td>7. Good working conditions</td>
<td>7. Loyalty to employees</td>
</tr>
<tr>
<td>8. Loyalty to employees</td>
<td>8. Appreciation of work done</td>
</tr>
<tr>
<td>9. Help with personal problems</td>
<td>9. Help with personal problems</td>
</tr>
<tr>
<td>10. Tactful discipline</td>
<td>10. Feeling of being in on things</td>
</tr>
</tbody>
</table>

In a study conducted by the Executive Reports Corporation, five major objectives were outlined referring to employee needs. They included:

- **Opportunity**—the opportunity to do something significant and important by their own personal standards.
- **Recognition**—recognition that they have made the most of the opportunity presented.
- **Belonging**—the sense of being a part of things.
- **Economic security**—the ability to plan ahead with confidence in their relationship with their creditors.
If morale is to improve, management must attempt to understand and meet the needs of employees.

**Building Morale: Employee Morale Concepts and Programs**

What can employers do to improve morale? A lot! According to a survey conducted by the New York based consulting firm Towers Perrin, 72 percent of employees derive a sense of accomplishment from their job. On a particularly bad day, the acknowledgment of a job well done by management seems to lift the spirit of the most disgruntled employee.

In his book, *Getting Employees to Fall in Love With Your Company*, Jim Harris offers the following advice:

- Connect with employees, they will feel like they can speak up if they know your opinion matters.
- Connected employees are confident they will receive timely information. Share information with your employees.
- Connecting with employees results in employee commitment. When you make the connection, you are increasing the chances that your employees will go the extra mile for you and your company.

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- Understand the needs of your employees. This shows them, and yourself, that you are making a connection with them. Mutual understanding achieves company goals and missions.\textsuperscript{31}

Bob Nelson, author of \textit{1001 Ways to Energize Employees}, offers the following suggestions. Set time at the end of the day to celebrate the achievement of an employee or department; give humorous certificates of recognition; and on a new employee’s first day, make sure the desk is ready, stocked with the essential supplies needed to perform the job successfully.\textsuperscript{32} Little things show employees that they are valued and important.

Employers can also get their employees involved in the organization. An aerospace parts manufacturer in Hartford, Connecticut gets employees involved by encouraging employees to join a “problem-solving task force.” Employees are also encouraged to contact customers to identify and correct problems. Employees also participate in plant tours and customer presentations. Each step provides the employee with autonomy, otherwise empowering the employee. This can not only release energy, but it also boosts morale. “There’s nothing that pumps up an employee’s morale more than when he or she is supported for showing personal initiative for going out on a limb to provide better quality or service to a customer.”\textsuperscript{33}

\textsuperscript{31} Ibid.
\textsuperscript{32} Ibid.
\textsuperscript{33} Ibid.
Communicating with employees is an essential part of a successful business, whether it is business or personal. “Communication is truly the glue that holds an organization together.”  

In “high-performing” organizations, employees are a vital link in the communication chain. Employees are charged with important financial information, and are included in the decision making process. “Well informed employees are good and productive employees because they feel involved.”  

Nelson suggests that employers “make a point” to get together with employees they interact with the least. Nelson also suggests maximizing potential to interact with employees: enter and leave the facility or building through a variety of entrances, spend time with employees during stressful times (layoffs, cost reduction, major accounts) and just “drop in” time to time.  

Employees who are “in the loop” remain a vital part of an organization.  

One of the best ways to include employees in an organization is through the collection of employee suggestions. “It is important for employees to know that their suggestions are taken seriously and that they can make a big difference. By carefully reviewing employee suggestions, and quickly implementing those that have merit, management sends a message to employees that they are valued.”  

An article in the Public Relations Journal stated that the greatest challenge facing [employers] is “maintaining or winning back the loyalty and commitment of employees.

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34 Ibid.  
35 Ibid.  
36 Ibid.  
37 Ibid.
and gaining their cooperation in achieving [company] goals.” It is important that management responds to suggestions quickly, so ideas do not fall on deaf ears.

Management consultant Bernie Sander developed a list of ways to involve employees and solicit ideas.

- Challenge employees to seek out empowering role models in the workplace.
- Inspire supervisors to embrace new ideas.
- Encourage breakthrough thinking.
- Promote creativity and learnable skills.
- Advocate continuous improvement
- Foster the effective management of ideas.
- Strive to make the interactions between employees and customers as positive as possible.
- Adopt what is new
- Train, train, train.  

Suggestions to maintain and foster creativity and suggestions from employees include publicly recognizing the positive impact on operations of the solutions employees’ devise for problems. Bob Nelson also suggests the use of the “Delphi Method” of problem solving, in which individuals respond to problems through

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39 Ibid.
anonymous, written responses to questionnaires prepared and circulated by administrative staff.\textsuperscript{40}

Employee suggestions not only help the company, they also help the employees by improving working conditions, removing the organizational "hurdles," and provide employees with a measure of control over their jobs.

An organization can sponsor a contest for ideas. Everyone who suggests something has an equal chance of being selected as a grand-prize winner. One company offered a grand prize trip for two to Hawaii. The company increased the number of suggestions from 22 to 1,800 in one year.\textsuperscript{41}

Smaller organizations can offer lesser prizes but the idea remains the same: employees are given an incentive to participate in decisions and policies affecting an organization. Employees participating are effectant, a combination of effective and efficient. Organizations can use effectancy to increase the number and frequency of suggestions solicited by employees.\textsuperscript{42}

Training and development was initially thought of as preparing a new employee for his or her role in an organization. Today training and development goes one step further. The best organizations recognize that, "providing employees with opportunities to learn pays dividends for both the organization and the employee."\textsuperscript{43} When employees get to break out of their day-to-day routines, they are energized, and they energize the employees around them.

\textsuperscript{40} Ibid.
\textsuperscript{42} D. Bagin (personal communication, February 2000).
Training and development can range from employee training programs conducted by management to outside work done to obtain an advanced degree.

A public relations firm in Palo Alto, California encourages all employees to read at least one hour a day, during working hours, from trade journals, newspapers, business magazines, or anything else related to public relations.\(^4\)

The Center for Creative Leadership in Greensboro, North Carolina, issued a report citing five key experiences that help employees develop and grow:

- Challenging jobs.
- Interacting with other people, mostly management.
- Hardships.
- Coursework (seminar or college)
- Off the job experiences.\(^5\)

Organizations with trained employees gain better-skilled workers who are more flexible with assignments and gain new ways of viewing their work environment.

Repetitive tasks cause physical injuries to employees.\(^6\) Employees performing the same task over and over again find themselves in a rut, and some develop carpal tunnel syndrome.

\(^{43}\) Ibid.  
\(^{44}\) Ibid.  
\(^{45}\) Ibid.  
New challenges can reenergize employees and restore enthusiasm. According to a study conducted by the Center for Creative Leadership, there are five ways to create new challenges for employees.

- Assign small projects and start-ups that require learning new tasks, working under time pressure, and dealing with new groups of people.
- Assign small-scope jumps and fix-its that emphasize team building, individual responsibility, dealing with the boss, encouraging subordinates and managing time pressure.
- Make small strategic assignments that emphasize presentation and analysis skills.
- Have your employees do coursework and/or take on coaching assignments that require learning something new and are intellectually challenging, both of which can lead to heightened self-awareness.
- Have employees undertake activities away from work that emphasize individual leadership skills, working with new people, and learning to influence and persuade.47

James Autry, author of the book Love and Profit—The Art of Caring Leadership, states, “Work can provide the opportunity for spiritual and personal, as well as financial, growth. If it doesn’t, then we are wasting far too much of our lives on it.”48

"An organization’s overall facilities and environment can make a tremendous difference in the attitude and energy of its employees." The average worker spends 44 hours a week at work; the workplace should be comfortable and inviting, a place that employees can enjoy spending time in, and even look forward to.

Bob Nelson, author of 1001 ways to energize employees, suggests the following environmental factors help people feel and do their best. These factors include: plants, framed artwork, clean, unworn carpets, adequate ventilation and light, plenty of meeting space, privacy, adequate workspace, proper and well functioning equipment, pleasant reception area, adequate break/lunch facilities and a fitness room.

In 1997, approximately 9,500 US companies (10 percent of the US workforce) had employee stock ownership programs. Employees who own a part of the company they work for are much more likely to work for a company’s financial health. Employers now realize employees need much more then a weekly paycheck to boost morale and involve employees; they need ownership. The trend is for employees to see themselves as owners and investors.

Employee benefits are a company strength that few companies realize. Benefits range from the traditional: healthcare and vision care, to the more creative: paid week off at Christmas, free lunches and free Saturday night movies. Benefits and benefit packages are an important part of what attracts and keeps employees employed at a company.

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49 Ibid.
50 Early Today, NBC, March 18, 2000
52 Ibid.
employees need benefits, such as medical coverage, and the combination of available benefits is a significant factor in the maintenance of employees.53

Some companies reward their employees with flexible scheduling care/assistance programs and the company’s own products.

Work/life benefits are devices, used in this “tight labor market” to attract and keep employees. Hewitt Associates, a global management consulting firm that specializes in human resource solutions, recently conducted a survey of over one thousand US employers.

Key findings include:

♦ Flexible scheduling arrangements—Flexible scheduling continues to increase, with 57 percent of employers offering flextime and 47 percent offering part-time employment. Other flexible options include job sharing, telecommuting, compressed work schedules and summer hours.

♦ Child care assistance—Overall, 90 percent of employers offer some type of child care benefits to employees. Eighty-eight percent offer dependent care spending accounts to cover child care costs. Other benefits include resource and referral, sick or emergency child care, on-site child care and near-site child care.

♦ Elder care programs—Elder care programs are offered in 47 percent of companies nationwide. Of those employers offering elder care programs, dependent care spending accounts, resources and referral services, long-term care insurance and counseling are the most prominent.

Adoption benefits—nearly one-third of employers offer adoption assistance. The average maximum reimbursement is $3,100.

On-site personal services—Fifty-two percent of employers provide some type of on-site convenience or personal service for employees. This includes ATMs and banking services, travel services, dry cleaning services and discount purchases.

Casual dress—Fifty four percent of employers offer casual dress or business casual dress. Thirty-five percent offer full-time casual dress, with 19 percent offering casual dress on Fridays.

Financial security—Thirty-seven percent of employers provide financial security programs to help employees make decisions about their retirement and investments. Programs include financial planning and scholarships.

Personal and professional growth—Seventy-five percent of employers provide employees with opportunities for educational assistance, and personal and professional growth programs. Opportunities include educational reimbursement, on- and off-site developmental seminars or workshops and career counseling.

Family and Medical leave—Twelve percent of employers offer more than the required 12 weeks leave, determined by the Family and Medical Leave Act of 1993.\(^5\)

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Summary

Employee turnover has serious consequences on work performance, employee attitude and behavior and affects other employees.

The solution to employee turnover: to retain valuable employees through effective employee morale programs.
Chapter Three

Procedures

Five sources were used to compile the research used in this thesis: the Rowan University library database; the Internet and World Wide Web; a field observation conducted at a New Jersey financial institution; a survey conducted at a New Jersey financial institution; and an in-depth interview with company upper-management.

Literature Search

A search of current literature on employee morale and employee turnover was conducted on Rowan University's Library homepage. Searches were performed using the following databases: ABI Inform, PsycInfo, Lexis-Nexis and Periodical Abstracts. Key words used to locate information were employee, management, turnover, morale and satisfaction.

Keywords used to locate information on the Internet and World Wide Web included employee, management, turnover, morale and satisfaction. A variety of
A general survey measuring employee satisfaction was conducted. The survey, from a study performed by George Mason University, was entitled "Want List." (See Appendix A for a copy.) The survey measured employee-employer wants and opinions on company morale.

A general survey of upper management, Senior Vice Presidents, was conducted at the New Jersey financial institution. (See Appendix B for a copy.)

A field observation of the New Jersey financial institution was conducted to observe the everyday practices of employees and management.

The study concluded with an in-depth interview of the New Jersey financial institution president.

The information compiled from the field observation, surveys and in-depth interview appears in chapter four. Based on the findings, conclusions were drawn and recommendations were made.
Chapter Four

A study of team players employed by a New Jersey financial institution, located in South Jersey, revealed the following information on team player morale.

Fifty-seven team players were randomly sampled to determine their views on employee morale.

Team Player Morale

When asked the question, “Do you sense that team player morale is lower or higher than when you first began working here,” 68 percent of team players feel that team player morale is lower today, while 32 percent feel morale is higher.
**Long-term Motivators**

Team players were given a list of "long term motivators" and were asked to choose which, from the list, were important long-term motivators. Each team player had the option to choose more than one.

The results are as follows:

<table>
<thead>
<tr>
<th>Important Long-term Motivators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sense of mission and purpose</td>
</tr>
<tr>
<td>Feedback and communication</td>
</tr>
<tr>
<td>Raises and salaries</td>
</tr>
<tr>
<td>Performance bonuses</td>
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<tr>
<td>Advancement</td>
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<tr>
<td>401K/ profit sharing</td>
</tr>
<tr>
<td>Equity (stock) ownership in the company</td>
</tr>
<tr>
<td>Inspirational leadership</td>
</tr>
<tr>
<td>Fun work environment</td>
</tr>
<tr>
<td>Benefits (medical, dental, vision)</td>
</tr>
</tbody>
</table>

Seventy-four percent of team players feel "raises and salaries" are important long-term motivators.

Seventy-four percent of team players feel opportunities for advancement are important long-term motivators.

Sixty-eight percent of team players feel that a fun work environment is an important long-term motivator.
Sixty-one percent of team players feel that “feedback and communication” is an important long-term motivator for employees.

Fifty-six percent of team players surveyed feel that performance bonuses are important long-term motivators.

Fifty-one percent of team players feel that medical, dental and vision benefits are important long-term motivators for employees.

Forty-nine percent of team players feel that a “sense of mission and purpose” is an important long-term motivator.

Forty percent of team players surveyed feel that 401Ks and profit sharing opportunities are important long-term motivators for employees.

Forty percent of team players feel inspirational leadership is an important long-term motivator.

Twenty three percent of team players feel that stock ownership is an important long-term motivator for employees.

**Improving the Company**

When employees were asked the question “If you had an idea to improve the company, that would cost nothing, would you suggest it,” 95 percent of employees said yes, they would make a suggestion to management. Reasons given by the five percent of employees who would not share an idea with management: management would not use the idea, they would not listen to suggestions, or ideas would fall on deaf ears.
Low Morale Responses

Sixty-eight percent of employees feel that team player morale is lower today then it was when they first began working at the company. “Low Morale” team player responses to the question of important long-term motivators were different then overall responses to the question.

Only 92 percent of employees who feel morale is lower would suggest an idea to the company.
High Morale Responses

Thirty-two percent of employees feel that team player morale is higher today then it was when they first began working at the company. "High Morale" team player responses to the question of important long-term motivators were different then overall responses to the question.

All of the employees who felt morale is high would suggest an idea to the company.
A Comparison of Long-term Motivators
George Mason University Study

A study performed by George Mason University asked employees to rank their wants in order of importance. The original study reported the following results:

What workers say they want

1. Interesting work
2. Appreciation of work done
3. Feeling of being in on things
4. Job security
5. Good pay
6. Promotion and growth
7. Good working conditions
8. Loyalty to employees
9. Help with personal problems
10. Tactful discipline

The results of the survey conducted at the financial institution yielded the following team player "want list"—

1. Good pay
2. Job security
3. Promotion and growth
4. Appreciation of work done
5. Good working conditions
6. Interesting work
7. Loyalty to team players
8. Feeling of being in on things
9. Tactful discipline
10. Help with personal problems
Senior Vice Presidents

Each Senior Vice President at the New Jersey financial institution was given a survey to fill out. Five of ten responded. The following are the results of the surveys returned.

Team Player Morale

When asked the question, “Do you sense that team player morale is lower or higher then when you first began working here,” all of the Senior Vice Presidents surveyed felt that team player morale was lower today then one year ago.

Is Team Player Morale Higher or Lower?

100%

Long-term Motivators

Senior Vice Presidents were given a list of “long term motivators” and were asked to choose which, from the list, were important long-term motivators. Each Senior Vice President had the option to choose more then one.
The results are as follows:

All of the Senior Vice Presidents surveyed feel opportunities for advancement are important long-term motivators.

Eighty percent of Senior Vice Presidents feel that a “sense of mission and purpose” is an important long-term motivator.

Sixty percent of Senior Vice Presidents feel “raises and salaries” are important long-term motivators.

Sixty percent of Senior Vice Presidents feel that a fun work environment is an important long-term motivator.
Sixty percent of Senior Vice Presidents feel that “feedback and communication” is an important long-term motivator for employees.

Sixty percent of Senior Vice Presidents feel inspirational leadership is an important long-term motivator.

Forty percent of Senior Vice Presidents surveyed feel that performance bonuses are important long-term motivators.

Twenty percent of Senior Vice presidents surveyed feel that medical, dental and vision benefits are important long-term motivators for employees.

Twenty percent of Senior Vice Presidents surveyed feel that 401Ks and profit sharing opportunities are important long-term motivators for employees.

Twenty percent of Senior Vice Presidents feel that stock ownership is an important long-term motivator for employees.

George Mason University Study

A study performed by George Mason University asked managers to rank what they think employees want. The original study reported the following results:

1. Good pay
2. Job security
3. Promotion and growth
4. Good working conditions
5. Interesting work
6. Tactful discipline
7. Loyalty to employees
8. Appreciation of work done
9. Help with personal problems
10. Feeling of being in on things

The results of the survey conducted at the financial institution yielded the following team player "want list," determined by Senior Vice Presidents—

1. Good pay
2. Promotion and growth
3. Feeling of being in on things
4. Interesting work
5. Tie: Appreciation of work done and Good working conditions
7. Loyalty to team players
8. Tactful discipline
9. Job security
10. Help with personal problems
The results are as follows:

![Comparison of Employee "Want List"](image-url)

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Good pay</th>
<th>Job security</th>
<th>Promotion and growth</th>
<th>Good working conditions</th>
<th>Interesting work</th>
<th>Tactical discipline</th>
<th>Loyalty to employees</th>
<th>Appreciation of work done</th>
<th>Help with personal problems</th>
<th>Feeling of being in on things</th>
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</tbody>
</table>
A Comparison

The following graph represents the wants of employees, management's views and the original study.

![Comparison of Employee "Want List" Graph]
**Employee Turnover Rates**

A review of the financial institution's employee turnover rates spanning May 1999 to April 2000 were as follows:

<table>
<thead>
<tr>
<th>Turnover Percent</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Voluntary</td>
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<td>May 1999</td>
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<td>June 1999</td>
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<td>July 1999</td>
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<td>March 2000</td>
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<tr>
<td>April 2000</td>
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<tr>
<td><strong>Total</strong></td>
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</tbody>
</table>
Turnover percent is defined as the number of employee terms for the time period (month or year) divided by the average headcount for the same time period. Average headcount is calculated by adding the beginning and ending headcount numbers for the period (month or year).

Voluntary terms include marriage/domestic/other, relocation, acceptance of better career opportunity, dissatisfied with supervisor, dissatisfied with pay, dissatisfied with working conditions, return to school full-time, retirement and military enlistment. Involuntary terms include unacceptable performance, misconduct/violation of policy, job elimination, reorganization, non-job-related medical, and no return from leave of absence.

Field Observation

The author spent a day observing the financial institution and the practices of its team players.

The financial institution possess a full service cafeteria and food court, gym, credit union, track, dry cleaner, vendors and convenience store. More than one hundred team player family portraits decorate the walls of the company.

Team players are loud and excited, sharing their excitement and success with their coworkers. Team players also sing-a-long with the afternoon song of the day.

Team player cubicles display employee awards and recognition. Team players decorate cubicles for each holiday and birthday. And each computer desktop displays the company mission statement.
Answers from the President

The president of the financial institution was asked his opinion on employee morale and the problem with turnover. He responded as follows:

“When asked to rank the items listed, such as job security and advancement, I have difficulty doing it justice because in my mind an employer must do them all. You can not leave any out, or consider one more important than the other. With unemployment at an all time low, it is very difficult to attract great talent, so any company that wants to be successful must make that company a great place to work.”

Upon further discussion of the topic, the president revealed the following details.

“Every one percent of turnover is equal to approximately $2 million. Turnover that is one percent lower translates to a gain of $2 million, one percent higher—a loss of $2 million. Every employee lost translates to one salary and a half spent on training and development.”

Organizations have to provide everything possible to keep employees happy, and prevent turnover from taking a toll on the bottom line.
Chapter Five

A general survey measuring employee satisfaction was conducted at the New Jersey financial institution. The survey measured employee-employer wants and opinions on company morale.

A general survey of upper management, Senior Vice Presidents, was conducted at the New Jersey financial institution.

A field observation of the New Jersey financial institution was conducted to observe the everyday practices of employees and management.

The study concluded with an in-depth interview of the New Jersey financial institution president.

Conclusions

When team players were asked the question, "Do you sense that team player morale is lower or higher," 68 percent of team players felt that morale was low. This response contradicts what the author predicted. Low turnover rates would lend one to
believe that morale would remain high, even during difficult times. This was not the case.

Team players were asked to choose what they felt are long-term motivators. The top three responses include “raises and salaries,” “opportunities for advancement” and “a fun work environment.”

Team players who felt morale was low chose “raises and salaries,” “opportunities for advancement” and “a fun work environment” as the top three long-term motivators.

Team players who felt morale was high responded differently. “A fun work environment,” “opportunities for advancement” and feedback and communication” were cited as the top three long-term motivators.

The two answers that remained constant were “opportunities for advancement” and a “fun work environment.” Both advancement and fun are available the financial institution. Employees have the opportunity to “post out” of their current job, and into a new position. The financial institution encourages employees to “have fun” while they work. Managers have been known to sponsor pizza parties and dish up water ice when morale appears low.

A George Mason University study asked employees to rank their wants in order of importance. The list appeared as follows:

1. Interesting work
2. Appreciation of work done
3. Feeling of being in on things
4. Job security
5. Good pay
6. Promotion and growth
7. Good working conditions
8. Loyalty to employees
9. Help with personal problems
10. Tactful discipline

Team players shared a different want list:

1. Good pay
2. Job security
3. Promotion and growth
4. Appreciation of work done
5. Good working conditions
6. Interesting work
7. Loyalty to team players
8. Feeling of being in on things
9. Tactful discipline
10. Help with personal problems

Team players ranked good pay and job security first and second, higher than the original study predicted. Interesting work and appreciation of work done did remain in
the top six. Feeling of being in on things surprisingly finished eighth on the team player want list, although it appeared third in the original study.

When Senior Vice Presidents were asked the question, “Do you sense that team player morale is lower or higher,” all of them felt morale was lower.

Senior Vice Presidents were asked to choose what they felt are important long-term motivators. The top two responses include “opportunities for advancement” and “sense of mission and purpose.”

Management is encouraged to provide team players with opportunities for advancement and a sense of purpose. This philosophy is mirrored in management’s survey responses.

A George Mason University study asked management to rank what they think employees want. The list appeared as follows:

1. Good pay
2. Job security
3. Promotion and growth
4. Good working conditions
5. Interesting work
6. Tactful discipline
7. Loyalty to employees
8. Appreciation of work done
9. Help with personal problems
10. Feeling of being in on things
Senior Vice Presidents shared a different want list:

1. Good pay
2. Promotion and growth
3. Feeling of being in on things
4. Interesting work
5. Tie: Appreciation of work done and Good working conditions
7. Loyalty to team players
8. Tactful discipline
9. Job security
10. Help with personal problems

Senior Vice Presidents ranked good pay first on the list; this mirrors what the original study predicted. Promotion and growth remained in the top three. Surprisingly, job security was ranked ninth on the company want list, although it appeared second in the original study. While the original study ranked feeling “in on things” tenth, company Senior Vice Presidents felt differently, ranking it third on their employee want list.

The financial institution’s employee turnover rate for a twelve-month period (May 1999- April 2000) was 28.3 percent. Voluntary turnover was 17.8 percent; involuntary turnover was 10.5%. This figure is 3.3 percent higher than 1999 US labor statistic rates.
The total number of employees for the same twelve-month period is 4,253. The total number of employees lost to voluntary and involuntary turnover is 1,205.

**Recommendations for Further Study**

With a constant increase in morale building programs, the author feels additional research should encompass more organizations and companies. The author also suggests researching what works best for each different organization.

The financial institution can conduct focus groups of former employees to determine why an employee left, and what would have prevented them from leaving. The financial institution can conduct focus groups with current employees to establish effective morale programs that will decrease turnover. The company can develop new, innovative morale programs based on the findings.
Appendix A

Team Player Morale at Cendant Mortgage

This is a brief questionnaire touching on concepts addressed in my thesis, which measures team player morale and company turnover rates.

Place a check mark next to the appropriate answer.

1. Do you sense that team player morale is—
   _____ Lower today than it was one year ago?
   _____ Higher today than it was one year ago?

2. What, from the following, is an important long-term motivator for team players? (You may choose more than one answer for this question)
   _____ Sense of mission and purpose
   _____ Feedback and communication
   _____ Raises and salaries
   _____ Performance bonuses
   _____ Advancement
   _____ 401K/ profit sharing
   _____ Equity (stock) ownership in the company
   _____ Inspirational leadership
   _____ Fun work environment
   _____ Benefits (medical, dental, vision)

3. If you had an idea to improve the company, that would cost nothing, would you suggest it?
   _____ Yes
   _____ No -- If no, why?______________________________________________________

4. Rank the following items in order of employee importance, 1 being the most important, 10 being the least. Please use each number only once, e.g. Tactful discipline—1, Good pay—2.
   _____ Tactful discipline
   _____ Good Pay
   _____ Help with personal problems
   _____ Interesting work
   _____ Job security
   _____ Appreciation of work done
   _____ Loyalty to team players
   _____ Promotion and growth
   _____ Feeling of being in on things
   _____ Good working conditions

53
Appendix B

Team Player Morale at Cendant Mortgage
A survey of Senior Vice Presidents

This is a brief questionnaire touching on concepts addressed in my thesis, which measures team player morale and company turnover rates.

Place a check mark next to the appropriate answer.

1. Do you sense that team player morale is—
   _____ Lower today than it was one year ago?
   _____ Higher today than it was one year ago?

2. What, from the following, is an important long-term motivator for team players? (You may choose more than one answer for this question)
   _____ Sense of mission and purpose
   _____ Feedback and communication
   _____ Raises and salaries
   _____ Performance bonuses
   _____ Advancement
   _____ 401K/profit sharing
   _____ Equity (stock) ownership in the company
   _____ Inspirational leadership
   _____ Fun work environment
   _____ Benefits (medical, dental, vision)

3. Rank the following items in order of employee importance, 1 being the most important, 10 being the least. Please use each number only once, e.g. Tactful discipline—1, Good pay—2.

   _____ Tactful discipline
   _____ Good Pay
   _____ Help with personal problems
   _____ Interesting work
   _____ Job security
   _____ Appreciation of work done
   _____ Loyalty to team players
   _____ Promotion and growth
   _____ Feeling of being in on things
   _____ Good working conditions
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