What management factors can be used to positively affect job retention?
**Background:** The corporate leadership at Amazon.com has expressed concern with their low employee retention rates. As such, we have been contracted to analyze and suggest solutions to combat this issue. Amazon is in the top 50 of Fortune 500 companies, but is routinely in the bottom 10 in terms of job retention. By discovering and implementing workable solutions, they hope to decrease training and onboarding costs wrought by low job retention.

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<th>Citation</th>
<th>Sample/ Population</th>
<th>Research Design</th>
<th>Measurement</th>
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<td>Summers &amp; Hendrix, 1991</td>
<td>1043 Managers of a restaurant company.</td>
<td>Survey</td>
<td>VIE (Valence, Instrumentality, and Expectancy) perceptions, and turnover.</td>
<td>Findings reveal that there is a slight-to-moderate link between VIE perceptions and turnover. However, the relationship is not a direct one, as turnover is only affected by VIE Perceptions through its effect on job performance.</td>
<td>Unclear survey questions, low response rate (36%), sampling error.</td>
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<td>McEvoy &amp; Cascio, 1985</td>
<td>Unknown</td>
<td>Meta Analysis</td>
<td>Realistic Job Previews, Job Enrichment, Turnover</td>
<td>Findings show that both RJP’s and Job Enrichment have a slight effect on the turnover rate. However, it was also concluded that neither would serve as a reliable method of reducing turnover.</td>
<td>Statistical error renders Job Enrichment’s data unreliable, insufficient amount of research.</td>
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<td>Resick, Whitman, Weingarden, &amp; Hiller 2009</td>
<td>75 CEOs of Major League Baseball Organizations</td>
<td>Qualitative Research/ Historiometric analyses</td>
<td>Manager turnover, team winning percentage, Fan attendance, and rating of influence</td>
<td>Transformational Leadership was found to be positively related to team winning percentage, fan attendance, and rating of influence. Contingent reward leadership was found to be negatively related to manager turnover and ratings of influence.</td>
<td>May contain bias pertaining to CEO personalities, common method bias,</td>
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<td>Shore, Ted H; Tsachchian, Armen; Jourdan, Louis. 2006</td>
<td>157 undergraduate students</td>
<td>Survey</td>
<td>Internal and External pay comparisons, job satisfaction, pay satisfaction, turnover</td>
<td>Internal and External equity comparisons are strongly connected to pay satisfaction, motivation, and perceived organizational support. Perceived fairness is highest when the subjects believed they were being paid fairly in comparison to a referent</td>
<td>Survey was based on a hypothetical situation</td>
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<td>Bauer, Erdogan, Liden, &amp; Wayne 2006</td>
<td>116 new executives</td>
<td>Three Surveys</td>
<td>Outgoingness, turnover rates, job performance</td>
<td>Extroverted executives were not affected by the leader-member exchange and their relationship with their superiors had no effect on turnover rates. Introverted executives were affected by the leader-member exchange, which means their relationship with their superiors had an effect on their turnover rates.</td>
<td>Low response rate (50%), inability to make causal inferences</td>
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<td>Williams, Margaret L.; Malos, Stanley B; Palmer, David K 2002</td>
<td>389 employees in a manufacturing unit</td>
<td>Two Surveys</td>
<td>Benefit comparisons, Equity theory, turnover, job satisfaction</td>
<td>Benefit comparisons are strongly related to benefit satisfaction. High levels of benefit satisfaction and benefit system satisfaction led to higher job satisfaction, but did not affect turnover. Advertising benefits increases benefit level satisfaction</td>
<td>Use of single item turnover intentions, study was mostly returned by more tenured employees</td>
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<td>Gillet, Berjot, Vallerand, and Amoura, 2012</td>
<td>Competitive athletes and high school students</td>
<td>Survey</td>
<td>Intention to drop out</td>
<td>Findings suggest that the more a supervisor supported the participant’s freedom, the more likely the participant was to stay in the activity and less likely to drop out.</td>
<td>Small sample size</td>
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<td>Mayfield, and Mayfield, 2007</td>
<td>unknown</td>
<td>Survey</td>
<td>Worker’s intent to stay</td>
<td>Findings suggest workers are more willing to stay with a company where their leaders use motivating language.</td>
<td>Quantitative measurements</td>
</tr>
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<td>Sheridan, J.E., 1992</td>
<td>904 college graduates at 6 accounting firms in a Western city</td>
<td>Survey; Turnover data</td>
<td>Organizational values and turnover rates</td>
<td>Workplaces emphasizing interpersonal relationships among employees as a top priority had significantly higher retention rates than those emphasizing work task details as most important.</td>
<td>Could have bias: study conducted in one industry, more variety could help</td>
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<td>Bogaert, S., Boone, C., &amp; Witekostuvin, A.V., 2011</td>
<td>209 faculty members at a Belgian university</td>
<td>Survey</td>
<td>Climate strength, SVO (social value orientation), cooperativity of culture, effect of these on affective commitment</td>
<td>Three-way relationship exists between the variables: a strong, cooperative climate’s effect on a pro-self SVO is most influential on affective commitment.</td>
<td>Survey was based partly on hypothetical consideration</td>
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Conclusions: After examining the findings of the reports listed above, we have noticed several trends in job compensation, motivation, leadership, culture, and communication that can affect job retention. In regards to job compensation, Margaret L. Williams and her team showed that benefits packages do affect job satisfaction, but have little effect on turnover. She also found that an employee’s overall satisfaction with their benefits package is strongly related to perceived fairness when comparing their benefits to that of an internal or external referent. In 2006, Ted Shore and his team studied pay levels in regards to job retention, and found that internal and external equity comparisons affect pay satisfaction, motivation, and perceived organizational support. These factors have all been proven to strongly impact job retention, and therefore, paying close attention to the ideas put forth in equity theory is crucial to a low turnover rate.

These studies have also shown that motivation techniques that do not involve compensation tend to only have a slight effect on job retention. McEvoy and Cascio’s meta-analysis found that motivation techniques such as realistic job previews and job enrichment only had a slight statistical impact on the turnover rate and job retention. Likewise, Summers and Hendrix’s study of managers at a restaurant found that an employee’s perspectives on valence, instrumentality, and expectancy only had a slight to moderate correlation to the turnover rate, and an indirect one at that. So while a link between motivation and job retention rate can be determined, a strong direct correlation between the two variables cannot be concluded.

Other studies have shown that there is a relationship between leadership and job retention. Transformational leadership was found to be positively related to many aspects in job performance, including job retention. Contingent reward leadership was found to reduce turnover, but also tended to lead to low job performance. The reduced turnover rate may be attributed to the fact that employees are given more leniency and employers are not as quick to
terminate. They also found that the personality of the employees has an effect on whether leadership impacts job retention. They found that strong leader-member exchange had no effect on extraverted employees and their willingness to stay in an organization. They also concluded that introverted employees are heavily influenced by leader-member exchange and this has a strong effect on whether or not they will remain in an organization. This shows that having a transformational leader is very important on job retention for introverted employees.

Both of the studies that dealt with communication’s effect on job retention showed that there was a strong correlation between the proper use of communication and job retention. The first study dealt with how the supervisor of an activity (coaches and teachers) affected the dropout intentions of the participants (athletes and students). The study concluded that the more freedom and support the supervisor gave the participant, the more likely the participant was to continue their education. This study can be applied to job retention in the business world. If the supervisor or manager at a company gives their employees freedom and supports them, then the employees are more likely to stay with the company. The second study observed the effects that motivating language has on an employees’ intention to stay. It concluded that if the leaders in a company used motivating language, such as giving clear instructions, and showing employees encouragement, then the employees were more willing to stay with the company. Overall, communication has a relatively high effect on job retention.

Organizational culture, the normative values at the heart of an organizational group, is something worth investing in from a managerial standpoint. Studies on culture have shown that workplaces that place an emphasis on interpersonal relationships have a stronger culture and increase employee retention by an average of fourteen months, a very significant amount of time for employers. Further, a strong and cooperative climate in the workplace has been found to lead
to higher retention, along with the added benefit of improving pro-self individuals’ commitment to the organization. In summary, organizational culture is a measurable and variable aspect in work environments with a strong influence on employee retention; managers everywhere should take note of these findings and understand that millions of dollars could be saved each year by simply promoting a positive and cohesive work environment.

**Limitations**: Many of the studies provide information collected from one specific industry, meaning that the results might differ if the experiment were applied to a different industry; research conducted at a steel mill could very well yield different results than a survey given to employees at a brokerage firm. Many of these studies also have sample sizes too small to rule out a significant margin of error, which combined with a low response rate, leaves room for inaccuracy. For those studies that collected data by way of surveys, misinterpretation of the questions and response bias could have skewed the data as well. Some studies were based on hypothetical situations, rather than real life situations, which allow for the possibility of flawed data. For those reasons, while not necessarily perfectly, one hundred percent statistically accurate, these conclusions can still be applied to their intended uses without fear of major error. Further, more statistically sound research should be conducted on these subjects.

**Recommendations**: After studying the factors affecting job retention, our team has identified several potential remedies for Amazon.com’s problem with job retention. Beginning with job compensation, we advise that Amazon pay close attention to the ideas put forth in equity theory. The findings of our research clearly show that both internal and external equity comparisons can strongly affect job satisfaction and the likelihood to turn over, respectively. If the company seeks to increase retention then they should pay at least on par with their competing firms. The company should also pay attention to internal pay fairness because an employee’s productivity
has a greater likelihood to decrease if he/she feels slighted. We also advise against keeping salaries of employees confidential because studies have shown that employees tend to naturally assume they are paid less than their coworkers, which could lead to them seeking employment elsewhere or decreasing their productivity. In regards to benefits we have found little correlation to job retention, but do recommend continuing to use them as potential recruiting tools. The only recommendation that we have in regards to benefits and job retention is to promote the benefits the employees currently have because it has the ability to increase overall job satisfaction without adding to the company’s expenses.

On the other hand, we have found that motivation has little bearing on job retention. While methods of motivation can increase job performance, their relationship with job retention is less defined. The findings of our research give us little reason to believe that any non-monetary forms of motivation designed to promote higher perceptions of valence, instrumentality, and expectancy would have any effect on job retention. Since our primary goal is to decrease turnover, we must advise against allocating resources to train those in leadership positions in how to properly motivate their employees.

We also recommend that the company analyze the personalities of their employees and then act on an employee-by-employee basis in regards to leadership. If they find that many of their employees are extroverted, then they should not hire a new leader to manage them as our research shows leader-member exchange has no influence on the job retention of extraverted employees. If they have introverted employees, then they should look into hiring a leader that will have high leader-member exchange because that has the ability to have a large impact on the job retention of introverted employees. When hiring a leader, leader-member exchange is not the only factor that should go into hiring procedures. The company should actively seek to hire
transformational leaders because this type of leadership has benefits in addition to increased job retention, such as increased productivity. The organization may also want to avoid hiring a leader that follows contingent reward leadership because even though job retention will increase, their influence in the company’s output will be minor.

Proper communication techniques are another factor that could be used by Amazon to help retain employees. Our findings show that training the leaders of the company to use motivational language techniques when interacting with employees is one way to help retain employees. Examples of motivational language include giving clearer instructions and being sympathetic with employees. The company could also find more success in retaining employees by encouraging their managers to give employees more freedom and organizational supportive.

We also strongly advise that the company attempts to improve their organizational culture. Having a strong, positive, supportive organizational culture is essential to a company’s stability and growth. Amazon should seek to promote these values in the workplace, which starts at the managerial level. Creating an atmosphere that allows for easy personal interaction between coworkers is also extremely important. We would advise that the corporation implement a series of programs at each office and warehouse location that works towards this goal. Perhaps having office social events would help toward that end. Research has also shown that employees who work on teams are happier and more likely to stay. We would further suggest that the company change several of their job models to better allow for collaboration between employees, such as assigning individuals to teams and delegating tasks to those teams. In this way, Amazon.com could better their organizational culture and create an environment in which their employees will both thrive and be loyal to the company.
While Amazon.com has a history of low employee retention rates, we believe the problem is one that can be easily remedied if the proper changes are made. We recommend that the company pay closer attention to both internal and external salaries, and pay their employees on par with their peers. We also recommend that the organization allocate more resources to encourage training in leadership and communication, while implementing the recommendations mentioned earlier to better the organizational culture. If the company seeks to only increase job retention, then we also advise taking the resources used to teach proper motivational techniques, and moving them to the areas listed above.
References


