

## EMPLOYEE TURNOVER AND KNOWLEDGE MANAGEMENT IN THE CZECH REPUBLIC

Lucie Vnoučková<sup>1</sup>, Hana Urbancová<sup>2</sup>

<sup>1</sup> Department of Management, University of Economics and Management, Nárožní 2600/9a, 158 00 Praha 5, Czech Republic

<sup>2</sup> Department of Human Resources, University of Economics and Management, Nárožní 2600/9a, 158 00 Praha 5, Czech Republic

### Abstract

VNOUČKOVÁ LUCIE, URBANCOVÁ HANA. 2015. Employee Turnover and Knowledge Management in the Czech Republic. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 63(1): 313–325.

Knowledge economy regards employee knowledge as a most important asset. It is a priority task to ensure systematic knowledge continuity of those employees who are the holders of critical knowledge. The aim of the article is to analyse the causes of mobility of knowledge workers and categorise types of employees and mobility according to the future development of an employee's career. The research areas, i.e. ensuring knowledge continuity and employee turnover were analysed based on the premise of significant relation between those two areas. The data were collected in organizations in the Czech Republic. Surveys were drawn across sectors to ensure representativeness of the outcomes. The outputs revealed two basic approaches to maintaining knowledge inside organizations. Employees can be divided into knowledge workers and remainder, who seek only security. A knowledge worker who decides to transfer is not motivated by the amount of salary (they do not mind a lower level of remuneration); on the contrary they suffer due to an unclear vision on the part of the organization, where they used to work; they cannot stay in conditions where there is no possibility to participate on personal growth. Future research in this area should focus on the return of investments in the knowledge and employee learning, training and retention.

Keywords: knowledge, knowledge continuity, employee turnover, causes of employee turnover, organizations, competitive advantage

### INTRODUCTION

Basic resources – material, financial, human and information – are an elementary prerequisite for the functioning of any organization. Among them the most important are human resources as they drive the other resources and determine their utilization (Maruta, 2012; European Commission, 2011).

The basic factor of success of any organization is to recruit capable employees, to retain them and to employ them in order to fulfil set goals (Maruta, 2012; Lindner, Wald, 2011; Vnoučková, 2013). Organizations, however, have to co-operate with their employees on a systematic, goal-directed and delicate basis from the very beginning. This means to not only utilise their potential, knowledge, experience, skills, abilities and commitment, but

also to motivate and stimulate them to make them feel satisfied with the organization and to prevent them from leaving (Maxwell, 2012; Vnoučková, 2013). Last but not least, currently it is necessary to continuously invest in employee management and development (Maruta, 2012).

With respect to the demographic development of the population in the Czech Republic characterised by retirement of a strong and experienced generation (Smrčka, Arltová, 2012; Czech Statistical Office, 2012), organizations should be aware of the possibility of losing important knowledge that is likely to occur and of the fact that it is necessary to get ready to avoid to such a situation. By increasing investments in knowledge, its management and employee turnover elimination, it is possible to prevent this threat or at least to minimise it (Levy, 2011; Eucker, 2007; Beazley *et al.*, 2002).

The aim of the article is to analyse the causes of mobility of knowledge workers and categorise types of employees and mobility according to the future development of an employee's career. One of the partial goals is to evaluate the level of ensuring knowledge continuity in organizations with respect to the demographic development of the population and to identify factors influencing employee turnover which causes the loss of knowledge in the Czech Republic.

The first part of the article focuses on the theoretical background while the following part specifies the methodology of the surveys conducted based on primary data analysis. The chapter on results concentrates on ensuring knowledge continuity in the Czech Republic and the assessment of investments in knowledge and cost of employee turnover. The discussion and conclusion summarises the recommendations relating to the issues discussed.

### Theoretical Background of the Work

There is broad consent, confirmed by renowned surveys and studies of national and international organizations (World Bank, OECD, etc.), about the fact that scientific and technological development (research, development, innovation and technological progress) and the improvement of the quality of labour force (education, employees' knowledge and skills) together with efficient deployment of other capital inputs into the production process have an impact on productivity and significantly contribute to competitiveness and employment and are thus the main driving force of the overall economic growth of society. A knowledge holder can be every worker but only some knowledge (mostly tacit) is necessary and valuable for organizations where these people work (Truneček, 2003; Mládková, 2003). Each individual acquires knowledge throughout his/her life (Cimbálníková *et al.*, 2012; Levy, 2011). If employed, these individuals share their knowledge with their colleagues during the work process (knowledge management) and can share their knowledge with potential successors (knowledge continuity management) in order to preserve the knowledge in the organization when an employee leaves (Beazley *et al.*, 2002; Levy, 2011). Accessible literature (for example Xin *et al.*, 2011; Wood and Reynolds, 2013; Levy, 2011; Eucker, 2007; Beazley *et al.*, 2002) mentions two crucial ways of loss of knowledge by organizations, i.e. the aging of employees, retirement and employee turnover.

Straková *et al.* (2013) states that at present no one doubts that aging of the European population and longer life expectancy bring along radical changes in society. The consequences of demographic development, however, will, according to the Czech Statistical Office (2012), increasingly burden health and economic systems and will lead to a major change in the age structure of people on the labour market. Further, it is necessary to realise that in

connection with demographic changes, the Czech Republic will also have to use the potential of older workers in order to achieve economic growth and pension system stabilisation. In the near future, older people (aged 50–64) will become, compare to the young generation (20–34 years of age) and those middle-aged (35–49 years of age), the most numerous age group of the Czech population (Smrčka, Altmanová, 2012).

With respect to the above said, it is therefore necessary to create jobs for all age categories, which can contribute to the improvement of working conditions and the quality of life of (not only) older employees, but also create an opportunity for society to utilise the potential of workers of all age groups (Straková *et al.*, 2013).

Knowledge economy regards employee knowledge as a most important asset. Development of demographic aging of the population and a radical increase of workers at retirement age trigger the need for monitoring and considering the age of employees in organizations (Smrčka, Arltová, 2012). This is the task of the so-called age management, whose purpose is to help to solve challenges brought by demographical changes at workplace in organizations (Cimbálníková *et al.*, 2012; Skoglund and Skoglund, 2005). It is a priority task to ensure systematic knowledge continuity of those employees who are the holders of critical knowledge. Their age structure may be monitored by age management in order to preserve the knowledge in the organization even after their leaving to maintain the organization's competitive advantage (Levy, 2011; Urbancová, 2013). Organizations should realise that the costs of selecting, hiring, training, adaptation and the whole recruitment of a newcomer are quite high, therefore responsible managers should take care about responsible retention of capable employees, preventing employee turnover and also supporting co-operation with employees who have retired (Armstrong, 2002; Bláha, Mateiciuc and Kaňáková, 2005).

The necessity to retain employees is known, but the intervention into the system is a long term concept. On the other hand, the reasons are not so difficult to be found and eliminated. Still, it all comes from the basic needs of the people/employees (Rahman *et al.*, 2013). It has been acknowledged that employees rarely leave their job position, when they feel confident and their needs and wishes are satisfied, even when a better job was offered in another organization (Hsiu-Fen, 2011; Javadi *et al.*, 2012; Vnoučková, 2013). Most of the staff prefers stability (CIPD, 2004; Kocianová, 2010; Linhartová, 2012). Employee-friendly organizations that value, empower, recognise, enable, provide feedback and fairly pay their employees will not have a recruiting or an employee turnover problem, because interpersonal relationships and a sense of belonging are two of the main human needs (Harell, Daim,

2010; Hsiu-Fen, 2011; Kocianová, 2010; McClelland, 1987; McGregor, 2006).

Employee retention is a challenge since millennial employees in particular, change jobs frequently (Harell and Daim, 2010; Javadi *et al.*, 2012). Kocianová (2010) have pointed out, that employees are missing future certainty. This leads to the first impulse to think about leaving a job position (Beazley *et al.*, 2002). A missing strategy, lack of communication and information about company future growth, unforeseen effects predominating in the organization, lack of quality, ethics, resources, promotion and development all have negative impacts on certainty (Bělohávek, 2008; Kocianová, 2010, Vnoučková, 2013). Employees live most of the week in an organizational environment, and good relationships with their co-workers and the management of the firm is crucial for job satisfaction. Corporate culture constitutes a significant factor for employee satisfaction. The management style and organization of workload influence the work life of the employee every day, and it is necessary to satisfy employee expectations (Armstrong, 2007; Collins, 2001; Javadi *et al.*, 2012). The ability of an organization to handle employees and managers equally and the possibility to have time for personal life (part-time employment etc.) fosters employee loyalty. Employees need is also to be recognised in their job positions. The role and position in an organization also have significant impacts on the personal life of an employee (Harell and Daim, 2010; Kim and Scullion, 2013; Kocianová, 2010). Inputs and impulses, from staff should be reviewed and implemented, if possible (Kocianová, 2010). Also previous significant experiences of employee, ideas, perception and behaviour of personality are important for employee retention/turnover. Expectations of the job position are constantly reviewed and evaluated, and the employee decides whether it is according to his/her expectation or not, and to what extent (Kim and Scullion, 2013; Kocianová, 2010). When a job position does not meet expectations, an employee decides to leave the organization (Vnoučková, 2013). Specific attributes which influence employee expectation are balance between work and private life, requirements for work travel, possibility of promotion. Unfulfilled expectations also arise when an employee has no specific expectation before hiring (Kocianová, 2010). In conclusion, the most important retention recommendations are following:

- Good coaching and interaction between employee and supervisor (communication).
- Opportunity to learn new skills, recognition for a well done job (recognition).
- Good compensation and benefits package (remuneration).
- Challenging, rewarding, interesting work (corporate culture).
- Friendly co-workers (relationships).

- Talent and vision of company management team, strategic mission of the company (future certainty).
- Respectful treatment (expectations).

Peters (2011) states that the only thing which matters in long term period is focus of an organization and the whole economy on people and human resource management in the way of their education and development. Authors (Peters, 2011; Königová and Fejfar, 2011; Vronský, 2012) highlight the ability of managers and organization to focus on competence models of each manager and employee, to be able to work and be developed as an individual. Vronský (2012) added that the development means development of both work and social abilities – to be in congruence with roles, rituals and to be able to cooperate. Vronský (2012) and Ahmad *et al.* (2012) additionally states that this effort of an organization and managers is returned back by openness, awareness, trustfulness and ability of employees to constantly learn and grow and to respect others (colleagues, customers etc.).

## MATERIALS AND METHODS

The research paper is supported by analysis of secondary and primary data sources. To find significant outcomes, comparison, induction, deduction and synthesis were applied. The research areas, i.e. ensuring knowledge continuity and employee turnover were analysed based on the premise of significant relation between those two areas. It has been acknowledged that elimination of negative impact of employee turnover can be achieved by ensuring knowledge continuity (Beazley *et al.*, 2002; Hsiu-Fen, 2011; Levy, 2011). The main research question is to find relationships between main causes of employee turnover and ensuring knowledge continuity. It is assumed that the reason of employees demotivation and leave determinates his/her willingness to share and transfer his/her knowledge.

Therefore firstly, the causes of employee mobility are studied. The survey identifies reasons of employee turnover related to the organization internal environment. Secondly, those reasons are compared to the main factors affecting and having significant impact on knowledge continuity ensuring. The support for this research create studies of internal organizational motivation to share knowledge during leave of an employee (Harell and Daim, 2010; Hsiu-Fen, 2011; Javadi *et al.*, 2012).

Primary data were obtained through two quantitative surveys. The first survey targeted at ensuring knowledge continuity and the second one at employee turnover. Both surveys focused on workflows and employee perception of managerial and organizational factors affecting employee satisfaction and willingness to work in the organization and share his/her knowledge. The data were collected in organizations in the Czech Republic. Sampling was organized

according to the preselected proportion of organizations in the Czech Republic to represent real situation. Surveys were drawn across sectors to ensure representativeness of the outcomes.

### **Methodology of the Survey Aimed at Knowledge Continuity**

Primary data of the survey aimed at knowledge continuity were obtained by quantitative survey using a questionnaire technique of data collection which has respected the ethical aspects of research (Act No. 101/2000 Coll., on Personal Data Protection). The structure of organizations aimed at knowledge continuity was as follows:

- According to the business sector: private: 71.6% of organizations, public: 28.4% of organizations.
- According to the size (number of employees): small businesses: 49%, mid-sized businesses: 29%, large businesses: 22% (small: up to 50 employees, mid-sized: 50–249, large: 250+).

Organizations that participated at the survey were selected by quota random sampling among organizations in the Czech Republic. The survey was presented and reachable on the internet (organizations were divided into homogeneous groups according to the criteria specified herein below) and their managers were contacted by e-mail. The e-mail contained internet address specifying link to the individual questionnaire. The structure of respondents corresponded to the structure of organizations in the Czech Republic according to the Czech Statistical Office (CSO) (2012). According to CSO (2012) the private sectors and small organizations play the most important economic role in the Czech Republic.

The questionnaire had 12 questions on the research topic and 4 identification questions (business sector of economy, size of organizations and branch of business). 29% organizations work in services, 16% in industry, 12% in civil engineering and 9% work in banking. A total of 189 organizations were contacted. The overall questionnaire return was 58%, i. e. 109 organizations took part. The questionnaire was completed by managers on the middle and top management level. Questions used special terms generally known by middle and top managers. The terms which may be possibly misunderstood were explicitly defined. The survey contained closed and open questions; the first questions focused on the overall level of ensuring knowledge continuity. Those questions were followed by questions which needed deeper understanding to the theme. Questions with more possible answers were used. The statistical tools used for the results analysis was chosen based on the type of the question (contingency tables or other tests – see below).

Primary data in area of ensuring knowledge continuity were evaluated using the tools of descriptive statistics. Within the frame of descriptive statistics, the following tools were used: absolute

and relative frequency, a non-parametric Chi-square test and the level of dependence was measured based on Cramer's V. If the p-value calculated by means of the  $\chi^2$  test (Pearson Chi-Square) was lower than the selected level of significance  $\alpha = 0.05$ , null hypothesis was rejected, a scale according to de Vaus (2002) was used. To evaluate the data, the SPSS 20 statistical programme and MS Excel 2007 were used.

### **Methodology of the Survey Aimed at Employee Turnover**

The research aimed at employee mobility and turnover was carried out based on two successive questionnaire surveys. The surveys focused on causes of employee dissatisfaction and disaffection leading to employee turnover. Also the related attitudes and views of the problematic situation of the respondents were studied. The surveyed areas were the main reasons to leave, time period of disaffection and leaving, level of performance during disaffection, perception of the next job position, affectivity and communication and relationships within the team/organization, when the employee was leaving. These specific areas were surveyed twice (new sample of respondent was used to compare the results) to make sure there are no misinterpretations or problems with selected sample. Both questionnaires were completed by 200 employees who had left their jobs and none of the respondents participated twice (each survey collected 100 respondents). In the first survey, data were obtained through an electronic questionnaire which also recorded and partially categorised respondents' answers (CAWI). The second follow-up survey was conducted by the method of CATI (telephone interviewing; answers were entered directly into the computer). The sample was selected and specified to cover the population of employees across all sectors. A multi-level random selection was used. The sample was selected solely for the purpose of the survey among employees aged 20 to 50 who had left their jobs in the course of the precedent year.

Measurements in the first survey were based on closed-end questions with one or several possible answers drawn up on the basis of study of literature sources, documents and other related surveys. The second survey used semantic differential; that allowed deeper understanding of nuances in respondents' attitudes expressed in the questionnaire. Osgood scale was used (1 to 7 scale). The scale permitted specifying not only respondents' attitudes, but also the strength of such attitudes (Anderson, 2007).

Using the method of induction and deduction, factors characterising the internal organizational causes of dissatisfaction of employees leaving their jobs were identified. These factors are as follows: remuneration, security, relationships, recognition, communication, culture and expectations. Firstly, deduction based on metaanalysis of similar papers, surveys and models was used. Secondly,



the primary data were used to prove significance of those constructs. For reasons of provable clear understanding, the factors were structured as general, analogically to the survey carried out by Gosling, Rentfrow and Swann (2003), John, Naumann and Soto (2008) and Benet-Martinez and John (1998). The conclusiveness of the outcomes was supported by aggregation; by adding individual tested items the superordinate item and the whole were supported. Individual items of the construct sustaining final factors were tested separately and their reliability was added up in the whole. The conclusiveness of factors and their determinants was tested by means of a correlation analysis and factor analysis at the significance level of 0.01. The outcomes indicate direct and strong dependence between employee dissatisfaction with the identified factors and the decision to leave their work position. The factors were therefore used for further analyses.

Due to the same results gained by separate analysis of the first and the second research group the reliability and validity of the surveys was proved.

In order to analyse the data from the survey focusing on the area of employee turnover, the Microsoft Excel 2007 programme and SPSS were used. The validity of the outputs and relations obtained was supported by descriptive statistical tools; the analysis of variance, non-parametric tests and the methods of correlation, regression and determination were applied for outcome testing. Deeper analyses were conducted using the methods of multivariate statistics, in particular factor analysis (Varimax rotation method; the Kaiser-Guttman rule was applied to determine significant factors; as determinants significant for factor development, those were selected with an absolute value higher than 0.3, as suggested by Anderson (2007), and key component analysis). The sample examined was not categorised by sex or sector or field of work since the  $\chi^2$  test has not proven any significant statistical differences among these groups.

## RESULTS

The findings presents the outcomes of researches aimed at ensuring knowledge continuity and employee turnover. Furthermore, productivity decrease is calculated based on the results. Firstly, the importance of ensuring knowledge continuity examined in the Czech organizations is presented and secondly the willingness to share knowledge

by leaving employees is discussed. Thirdly the total investments in knowledge caused by disaffection of employees is studied and quantified.

### Importance of Ensuring Knowledge Continuity with Respect to the Demographic Development of Population

Current demographic development increases the focus of organizations on age management. Based on the analysis of the attitudes of European countries towards age management it was found that it is broadly practically applied only in Scandinavian countries. But the importance of age management and thus ensuring knowledge continuity continues to grow everywhere because of the aging of the European population. The aim of the age management is to keep knowledge of employees in the organization while the employee decides to leave. It is also necessary to prevent loss of knowledge (explicit and tacit) and to maintain organizational knowledge when an employee retires or leaves. The changing age structure of the population and labour force, prognoses on society aging and reflections on possible economic and social consequences are the impulses for both politicians and managers to implement a variety of measures aimed at maintaining a demographic balance, supporting and motivating older employees and, last but not least, ensuring the preservation of the knowledge of these employees.

Analysis of the outputs of the survey focused on the knowledge continuity revealed that the level of ensuring knowledge continuity in organizations in the Czech Republic depends on the level of stimulation on the part of the relevant organization. Additionally, ensuring knowledge continuity depends on evaluation of knowledge (p-value = 0.002, Cramer's V = 0.336, the power of dependency is moderate). Stimulation is necessary for both the leaving employees who are willing and trusting to share knowledge (p-value = 0.024, Cramer's V = 0.217, the power of dependency is low), as well as their successors to encourage their motivation to take over this knowledge (p-value = 0.031, Cramer's V = 0.207, the power of dependency is low). The attitude of the organizations to the evaluation of ensuring knowledge continuity are shown in Tab. I.

The outcomes show that a total of 40% of organizations which ensure, at least to a certain extent, knowledge continuity (most frequently by training successors, however, in most cases this

I: Approach of organisations to the evaluation of knowledge transfer in absolute and relative frequencies

Ensuring knowledge continuity	Approach of the organisations			Total
	Do not evaluate	Financial compensation	Other than financial compensation	
YES	32 (29%)	44 (40%)	10 (9%)	86 (78%)
NO	18 (17%)	4 (4%)	1 (1%)	23 (22%)
<b>Total</b>	<b>50 (46%)</b>	<b>48 (44%)</b>	<b>11 (10%)</b>	<b>109 (100%)</b>

Source: own survey

II: *Threats of workers retiring or leave to competition*

Answers	Absolute frequencies	Relative (%)
Yes, leaving threatens the organisation by losing knowledge.	15	14
Yes, leave the organisation threatening, losing knowledge and can be used in competition.	23	21
No threat for the organisation.	71	65

Source: own survey

III: *Ensuring knowledge continuity according to the size of organisation in absolute frequencies*

Ensuring knowledge continuity	Size of organisations			
	less than 50	50–250	over 250	Total
YES	37 (33%)	27 (25%)	22 (20%)	86 (78%)
NO	16 (15%)	5 (5%)	2 (2%)	23 (22%)
<b>Total</b>	53 (49%)	32 (29%)	24 (22%)	109 (100%)

Source: own survey

activity is not systematic, but rather random) provide financial compensation of knowledge sharing and transfer. On the contrary, 29% of organizations do not stimulate employees, however require them to share and transfer knowledge. A total of 9% of organizations provide non-financial compensation for these processes while 22% of organizations do not support knowledge sharing, transfer or preservation in any way since they do not consider knowledge to be crucial for their organization. The survey also concentrated on determining whether or not the leaving of an employee who is a holder of critical knowledge will represent a threat for the organization in case no knowledge continuity is ensured. The outcomes show that in 2012 a total of 35% of organizations would be threatened thereby since the level of ensuring knowledge continuity is not sufficient. On the other hand, 65% of organizations stated that the loss of knowledge would not represent any threat to them (see Tab. II).

The outcomes of survey focusing on threats to organizations as a result of loss of knowledge conducted in 2012 differ from those obtained in surveys in 2010 and 2011. In previous years, more than half of organizations stated that the loss of knowledge as a result of employees leaving due to personnel changes would threaten them. This can mean that organizations increasingly realise the importance of knowledge and the competitive advantages it brings and tend to concentrate more on knowledge continuity. Simultaneously, whether an organization's size has any relevance for ensuring knowledge continuity was tested (see Tab. III).

The dependence between the size and knowledge continuity was tested by Chi-Square test. The p-value of the test was 0.062 and the null hypothesis was not rejected, i. e. ensuring knowledge continuity does not depend on the size of the organization. However the outcomes from the contingency table shows that, out of the representative sample, large organizations tend to ensure knowledge continuity the most (92% responded "yes", 8% "no"

from large organizations). This is due to the narrow specialisation of individual working positions. Large businesses are followed by small organizations (up to 50 employees) due to the accumulation of and links between individual positions and then by mid-sized organizations. The largest difference between ensuring knowledge continuity and non-ensuring was detected in the group of businesses with less than 50 employees. We may say that small organizations probably do not have enough tools to systematically ensure knowledge continuity.

**Turnover Factors of Knowledge Employees**

According to the outcomes of the research focused on employee turnover, the key factors determining employee mobility of a knowledge or key employees are following: remuneration, culture, certainty, expectations, communication, recognition and relationships (for the formation of the factors see methodology of the paper). Tab. IV shows the validity of individual factors (causes of employee turnover) by means of correlation analysis and determination. Test of correlation coefficients confirmed the importance of all seven factors mentioned above. At the level of significance 0.01, there is a direct and strong dependency between employee dissatisfaction and the above-mentioned factors and their subsequent resignation from the given work position (see Tab. IV). The coefficients of correlation and determination are very high, which can be explained firstly by the elimination of external factors of employee turnover, but also by targeting the entire survey directly at the employees who have already left their job.

Knowledge worker stagnation or development has been validated by the outcomes of the survey which have demonstrated "leaps" between trends of employee development. The reasons of employee leaving (factors determining resignation from a job) were categorised according to the phases of employee presence in the organization, as follows: early (these reasons occur at the early stage of development – shortly after an employee's

IV: *Causes of dissatisfaction leading to leave of knowledge workers from organizations*

Relation of factors of disaffection and employee mobility	Pearson's coefficient (R)	R <sup>2</sup>	Impact on fluctuation
Expectations – employee mobility	0.95610**	0.914136	Yes
Culture – employee mobility	0.99072**	0.981537	Yes
Certainty – employee mobility	0.98788**	0.975908	Yes
Communication – employee mobility	0.88209**	0.778088	Yes
Relationships – employee mobility	0.92022**	0.846822	Yes
Recognition – employee mobility	0.87689**	0.914486	Yes
Remuneration – employee mobility	0.97052**	0.941911	Yes

Source: own survey

V: *Variance explained by individual factors*

Factor	Variance	% variance	Cumulative %
Factor 1	1.667	33.349	33.349
Factor 2	1.159	23.178	56.527

Source: own survey

VI: *The resulting factors found by Varimax*

	Factor 1	Factor 2
BREAK POINT (concrete situation leading to mobility)	–0.032	<b>0.460</b>
SEARCH FOR CHANGE (looking for new job in previous position)	<b>0.848</b>	0.096
RISK AVERSION (leave after new position was found)	<b>0.870</b>	0.019
HONESTY (reasons for mobility expressed to the organisation)	0.122	<b>0.762</b>
TRANSFER (new job is better than previous)	0.087	<b>0.724</b>

Source: own survey

commencement of the job when the performance starts to grow), peak (the reasons for leaving occur at the stage of training when performance continues to grow) and late (the reasons for leaving occur at the stage of decline when conflicts start to occur, dissatisfaction is intensifying and performance starts to decrease).

According to the results of the analyses, employees may be divided into two basic groups. The first group needs security and stays in the position while the second wishes to develop and searches for possibilities of development outside the organization if no suitable conditions exist inside the organization. The above validation was supported by the results of factor analysis shown below. Rotation by the Varimax method was applied. The analysis revealed two significant factors. To select significant factors, the Kaiser-Guttman rule was used. For variances and percentage representation explaining individual elements of factors found see Tab. V. The factor analysis was used as the confirmation test for the results gained from the correlation analysis and non-parametrical statistical tests. The outcomes were tested twice, therefore we may consider the results as relevant.

To construct resultant factors, such determinants were selected as significant whose absolute value exceeded 0.3, as recommended by Anderson (2009).

Positive and negative dependencies were further analysed (Tab. VI).

With respect to the fact that the survey focused on employees who had already left their jobs, it is necessary to use the same method to evaluate the results of the factor analysis. Factor 1 shows the tendency of leaving employees to stay in the position until they have a place to go to; they are not willing to take any risks despite their evident inclination towards change.

The second factor, on the contrary, confirms the expected tendencies of employees to leave for development reasons. These employees can be specified as knowledge workers. This factor refers to the leaving of employees who have not been dissatisfied in the long run, and whose decision to change was triggered by a critical turning point which they honestly communicated to the organization's management together with their intention to leave. Following their resignation, these employees have found a new job which they feel is better than the previous one. This leads to transfer and personality development.

Described two factors (trends of employee mobility) are summarized in the table below (Tab. VII). The typical behaviour, causes and consequences of the transfer are listed in the table.

Out of the analysis of the data gained from the successive surveys four possible scenarios of

VII: *Characteristics of employee behaviour during disaffection*

Type	Fast – impulsive (factor 2)	Long-term – cumulative (factor 1)
<b>Characteristics</b>	Unfilled expectations and ambitions, lack of possibility of growth and promotion	Employees communicate reasons and intention for improvements to managers
	Employees leave the organisation without discussion about the reasons	Employees wait for the change even if nothing is changed
	Employees do not see other possibility	Tendency of uncertainty reduction
	Reasons are cumulated, starting with intrapersonal and then interpersonal (conflict inside and outside the personality)	Reason is often interpersonal (primary individual causes are overcome and interpersonal conflict occurs)
	Employees are individualists	Employees are collectivists
	Nothing can change employee's mind, decision to leave is final	Employees are open to another solution, they wait and hope for change
	Do not lower performance during disaffection and leaving	Lower performance while thinking about leaving
	Motto: Better to leave and move to another organisation/sector than stagnation	Situation is not changed and employees finally decide to leave
<b>Cause</b>	Inappropriate recruitment	Ignorance of impulses from employees
<b>Casual factors</b>	Intrapersonal factors: expectation, remuneration, recognition	Interpersonal factors: communication, culture, relationships, certainty

Source: own survey

employee mobility was constructed and validated. The validity and reliability was tested by multiple tests including descriptive statistics, correlation, regression and factor analysis. The factor analysis was used as the confirmation test for the results gained from the correlation analysis and non-parametrical statistical tests. The outcomes were tested independently and then grouped together, therefore we may consider the results as relevant. Additionally, the surveys focused only on job-hoppers. There are only a few hundreds of job-hoppers each year (according to the CSO) and the research collected 200 of those, thus the results may be considered as relevant.

The possible transfer to a different organization, sometimes even to a different sector (public or non-profit) was found in the first and second scenario (described below). Additionally it was found that employees who decide to transfer to public or non-profit sector are not motivated by high of their salary (they do not mind sometimes lower level of remuneration in mentioned sectors), but contrary they suffer by unclear vision of the organization, where they used to work, they cannot stay in conditions of no possible participation on personal or organizational growth. Those two hypotheses were confirmed by the results of analysis and validated by outputs which predict transfer of capable, efficient and knowledge workers to public or non-profit sector.

Bellow the four possible tendencies of employee mobility are described:

- The first way of mobility is incompatibility of employee expectations about the job position. Unfilled expectations and presumptions leads to the impersonal conflict inside the organization. The level of stress grows very fast over the acceptable level and employee

leaves the organization. Affectivity is so high that the change is almost immediate. This trend is characteristic for employees who do not see possibility of development on current position. There is also lack of compatibility with the organizational culture. The employees who are considered to act according to the first way of mobility can be high educated, talented and capable; those people do not want to hamper their potential in organization which is not satisfactory. The transfer is extremely fast and affective and there is a possibility to change the sector.

- The second cause of employee mobility is not only impersonal but it is changed and upgraded to personal. The characteristic of the cause is conflict between organizational leaders, managers and employees. The employee is incorporated, he/she knows the culture of the organization and his/her position in the organization and he/she discovers partial problems inside which are not considered as according to the interpersonal needs. Problematic is usually recognition, distribution of power, relationships, climate, trust, honesty, ethic and integrity. The perspective employees do not consider their stay in such conditions as acceptable and thus leave. At the time, employees are still at the rise of life cycle curve and therefore transfer can lead to higher potential status and thus rise of career.
- The third type of mobility is characteristic by problems caused by managers and organization arrangement. Employees whose performance is still on the rise are not satisfied with the conditions inside the organization. They are trying to change the situation in vain. Thus they are leaving and their transfer to the probably (according to the results of analyses) same type of organization,



only with better subjective expected behaviour at the sense of interpersonal factors. In this case, managers are the limit in the performance growth. Organizational rules hold back potential performance of employees who seek for changes for facilitating their work.

- The last (fourth) way of mobility is the possible approach of organization, where negative impact of managers and other organizational workers decreases, thus it does not affect limits of employee performance. It leads to independent work of individual. Different self management of employees in introductory and mature period of their life cycle leads to ideal performance. Firstly employed or yet successful defenders of their territory should be coached as they never repeat what they have done before. They have to leave their habits and relationships and learn new ones in new life curve quickly. The reasons to leave the organization and transfer are moved again to impersonal. Employees are not de-motivated by personal factors (relationships, recognition and communication). The reason to leave is reduction of future certainty. The sector of transfer is expected the same as previous. But the fourth scenario is rare.

#### **Investments in Knowledge Versus Cost of Employee Turnover**

Investments into employee knowledge as well as in the area of science and R&D are in current knowledge-based economy very important. Knowledge constitute new base of countries' economy. Investments in employee development are usually not recoverable immediately, but rather in a long-term horizon. It takes some time before organizations adapt to the changes of behaviour. The transfer of new knowledge acquired by employees at different types of seminars, courses and training into practice need time, good planning and implementation. Organizations have to take this into consideration and realise that this does not diminish the benefits of knowledge improvement of both individuals, teams and the whole organization in any way. However, according to OECD investments of organizations in knowledge tend to grow. The same scenario can be seen in countries' investments in science and research, as expressed in percentage of GDP (western European countries invest on average 1.23% GDP into knowledge, north European countries 2.09% GDP and Czech Republic invest 0.78%). With respect to the fact that organizations and individual countries realise the importance of knowledge, the volume of investments in knowledge is likely to grow.

On the other hand the costs of employee turnover in organizations are shown below. The first formula relates to the decrease or the loss of production per mobility (employee turnover). This was calculated based on the answers of respondents who took part in the surveys on employee turnover.

Bellow the loss of productivity per month is enumerated. The formulas are enumerated per month because of the outputs of the surveys on employee turnover, where respondents enumerated their production decrease per month. To count the loss of productivity, three aspects were taken into account:

- Firstly the average decrease of productivity of an average employee who is deciding to leave current organization. The decision to leave is connected with poorer performance (the performance does not reach the maximum level). The outcomes of the survey have revealed that decrease of performance did not occur only in 22% of respondents. Others mentioned various levels of decrease in performance; significant (80%) loss of work morale was confirmed by 21% of respondents. On average, productivity dropped by 32%; the calculation coefficient therefore equals 0.32.
- Secondly, the average period of leaving (the period during which an employee reflects on whether to stay in or leave the job; it can also cover the notice period) was taken into account. It is calculated based on the results of questionnaire evaluation in which 3% of respondents stated to have left the job the day the turning-point event occurred (the period during which an employee reflects on whether to stay in or leave the job. It can also cover the notice period or provided circumstances allowed that). Almost 40% of respondents handed in notice immediately after the turning-point event occurrence and left after the expiry of the notice period. Another 21% of employees left within 1 year. 13% of employees left the following year and 4% in the course of the third year. Since the calculation takes into account only a one-year period, it is necessary to recalculate the period of leaving with respect to other years and determine the average. Thus the final average (weighted average arising from the outcomes of the survey) period is 6.2 months.
- Thirdly, the cost of limited performance (i.e. decrease of productivity) is calculated on the basis of an average hourly wage in 2012 according to the Czech Statistical Office, i.e. CZK 165, and the percentage of lost productivity.

All three aspects of lowered productivity (decrease of productivity, period of leaving and cost of labour hourly wage) can be enumerated as:

$$LP = 0.32 \times (165 \text{ CZK per hour} \times 8 \text{ hours per day} \times 6.2 \text{ months}) = 58\,925 \text{ CZK.}$$

It is possible not to consider the decrease in production during the period of new employee training for his/her new job since organizations usually take this into account by offering lower initial pay/pay without bonuses (despite the above said, organizations suffer some losses because in case of lower employee turnover, there would be no

need for the initial training period and the overall production of the country would be higher).

Furthermore, an employee who is changing his/her job position and receives an unemployment benefit until s/he finds a new job burdens the public budget by drawing these benefits and as a result of tax losses. This amount is, according to Čadil *et al.* (2011), CZK 8411 per month. Pursuant to these authors, the average time to find a new job is 5 months. The above figure is therefore multiplied. Costs of fluctuation paid by common budget (unemployment security) is therefore 42 055 CZK.

The total cost of employee turnover per year is ratio metric sum of both above mentioned amounts multiplied by the level of employee turnover. According to the Czech Statistical office there are in Czech Republic 4,885.2 thousand of residents employed. 15% of it is employee turnover. That is 732,780 employees. Summary the cost of employee turnover is 36.874 billion CZK. The above results indicate that the burden caused by employee turnover is rather considerable.

## DISCUSSION

As the economic situation of the Czech Republic changed towards a trading economy, employees were likewise affected. Straková *et al.* (2013) states that at present, no one doubts that the aging of the European population and longer life expectancy engender radical societal changes. Previously, a job position was considered a life-time duty. Some employees did indeed remain in that position, but there are also other attitudes. As is normal in other western-oriented economies, employees change their job positions for various reasons. According to the European Commission (2011) and the World Bank, OECD, the need for maximum utilization of basic resources, primary labour and knowledge is the main aim of society. Maruta (2012) and Lindner and Wald (2011) also highlight the need to retain knowledge and skilled employees. In the Czech Republic, the average number of job positions in the life of the active employee is 6 different jobs in different organizations. Thus, we may say that mobility (employee turnover) is a relatively noteworthy topic (Maxwell, 2012; Maruta, 2012; Vnoučková 2013). Xin *et al.* (2011), Wood and Reynolds (2013) and Levy (2011) divide the threat of knowledge and employee loss between retirement and employee turnover. With respect to the above, it can be succinctly put that only an organization that is familiar with its intellectual capital can plan its future. If it wishes to be successful, it has to be able to transform both the individual knowledge of its employees and the broader organization knowledge into a common knowledge that becomes part of the organization's culture and significantly enhances its competitiveness. Employee retention is a challenge since employees in particular change jobs frequently (Harell and Daim, 2010; Javadi *et al.*,

2012). It is necessary to be aware of the fact that frequent changes of knowledge workers due to their departure to competitors or due to negative demographic development related to the aging population place increasing importance on the necessity of efficient handling of knowledge in organizations, which is in agreement with Smrčka and Arltová (2012) and Levy (2011).

Despite the growing importance of knowledge as an asset that can distinguish individual organizations in the eyes of customers, organizations continue to face problems related to the loss of critical knowledge of leaving employees since knowledge continuity is not sufficiently ensured in organizations in the Czech Republic and employee turnover costs are relatively high.

According to the results presented by the authors (Harell and Daim, 2010; Javadi *et al.*, 2012; Levy, 2011; Maxwell, 2012; Maruta, 2012; Wood and Reynolds, 2013 and others) and the results gained in the paper, it is possible to highlight the need for employee turnover management in order to keep key knowledge in the organization and support the growth of the whole economy. In the Czech Republic, there are still gaps in employee turnover and knowledge management. On the other hand, organizations often ignore the need to invest in knowledge and maintenance thereof (Mráček, 2009). The economic crisis brought a reduction of new products and services, new patents and also a reduction of expenditure on research, development and education. However, reducing expenditure on research, development and education causes a drop in the number of new products, services, and patents. If an organization cuts expenditure on education and learning, the productivity, innovation and thus ability to attract customers will also be lowered. This phenomenon supports the need of education, learning and care for knowledgeable and skilled employees. Additionally, Mráček (2009) notes that if organizations lower their expenses on education and learning, they make a strategic mistake, because the best employees are no longer motivated to work in organization.

Future research in this area should focus on the return of investments in knowledge and employee learning, training and retention. Nevertheless, there are gaps in current research in this area. The importance of this topic stimulates research into the problems of clarifying whether investments or cost-saving will be more valuable in the future. No agreement has yet been found.

As a general remark, we noticed that there is a strong focus on large and multinational enterprises in the reviewed literature and surveys. These concepts, especially knowledge management are not studied in small or medium sized companies. Similarly, almost no data are related to non-profit organizations and NGOs.

## CONCLUSION

The goal of each country and organization is to support knowledge economy, to be more dependent on knowledge, information, a high level of expertise, and to have access thereto. This is due to the fact that knowledge of any kind plays a crucial role in today's economic processes. Countries and organizations that efficiently manage their human resources are currently faring better than those that do not. Organizations with a higher knowledge potential systematically overtake those with poorer knowledge. This strategic role is reflected in the growth of investments in research and development, support of innovation activities, technology transfer, implementation of new technical solutions, education, science and human resources development.

The outputs revealed two basic approaches to maintaining knowledge inside organizations. Employees can be divided into knowledge workers and the remainder who seek only security. Based on the research outputs, organizations should focus on revealed knowledge workers and try to eliminate the main reasons why they are dissatisfied, why they leave and are not willing to share their knowledge (due to high affectivity and fast leave, as revealed by the first scenario). Additionally, possible transfer to a different organization, sometimes even to a different sector was found. A knowledge worker who decides to transfer is not motivated by amount of salary (they do not mind a lower level of remuneration in the sectors mentioned); on the contrary, they suffer from unclear vision on the part of the organization where they used to work; they cannot remain in conditions where there is no possibility to participate in personal growth.

There are three main reasons for such transfers. Firstly, it is a personal reason. This is normal (family reasons, children, study, retirement), so this is out of our concern. The second reason is transfer to a different organization due to unsuitable practices perceived in the current one. These practices can be described as problems with seven main unsuitable factors: remuneration, communication, future certainty, corporate culture, relationships, recognition and expectations. And finally, the impossibility to grow is the third reason. This third reason is the most important, as knowledge and talented workers can be found among migrants. Such employees use transfers to get to a new, better position and improve their status and career growth. But there are only about 20% of such employees. The rest merely search for a safe place – most staff prefers security and certainty.

With respect to the demographic development of the population, organizations should focus more on investments in ensuring knowledge continuity and stimulate and motivate knowledge transfer within the organization in order to prevent the loss of important knowledge if an employee retires or leaves. Motivation is one of the important factors which influence the ensuring of knowledge continuity ( $p$ -value = 0.031, Cramer's  $V$  = 0.207). Employee turnover is determined by seven internal factors and these need to be adjusted accordingly (Pearson's coefficient of the factors examined ranges from 0.88 to 0.99 – strong dependence). Investments in knowledge have to be used efficiently, with an emphasis on knowledge investment recoverability, including long-term recoverability. These investments have to be deployed and used in a way that will improve the system of knowledge management and make it more efficient, which will lead to better performance of organizations.

Organizations need some time to adapt to changes in behaviour and transfer new knowledge acquired by employees. The process of transferring acquired knowledge from leaving employees to their successors requires some time as well. Even the time needed does not decrease the value of the benefits of professional qualification development of employees in the given organization. It can be said that investments in intellectual capital are investments in the future of the organization. Without a suitable tool for knowledge management and ensuring its continuity, the return of such investments is not measurable or usable.

## Acknowledgement

This contribution is a follow-up to the project of University of Economics and Management.

## REFERENCES

- AHMAD, M. B. et al. 2012. Impact of employee motivation on customer satisfaction. *Interdisciplinary Journal of Contemporary Research in Business*, 4(6): 531–539.
- ANDERSON, V. 2009. *Research Methods in Human Resource Management*. London: Chartered Institute of Personnel Development.
- ARMSTRONG, M. 2002. *Řízení lidských zdrojů*. Praha: Grada.
- ARMSTRONG, M. 2007. *Řízení lidských zdrojů: Nejnovější trendy a postupy*. Praha: Grada.
- BEAZLEY, H., BOENISCH, J. and HARDEN, D. 2002. *Continuity Management: Preserving Corporate Knowledge and Productivity When Employees Leave*. New York: Wiley.
- BENET-MARTINEZ, V. and JOHN, O. P. 1998. Los Cinco Grandes across cultures and ethnic groups: Multitrait multimethod analyses of the Big Five in Spanish and English. *Journal of Personality and Social Psychology*, 75: 729–750.



- BĚLOHLÁVEK, F. 2008. *Jak vést a motivovat lidi*. Brno: Computer Press.
- BLÁHA, J., MATEICIUC, A. and KAŇÁKOVÁ, Z. 2005. *Personalistika pro malé a střední firmy*. Brno: CP Books.
- CIMBÁLNÍKOVÁ et al. 2012. *Age Management pro práci s cílovou skupinou 50+*. Praha: Asociace institucí vzdělávání dospělých ČR.
- COLLINS, J. 2001. *Good to Great*. London: Random House Business Books.
- ČADIL, J., PAVELKA, T., KAŇKOVÁ, E. and VORLÍČEK, J. 2011. Odhad nákladů nezaměstnanosti z pohledu veřejných rozpočtů. *Politická ekonomie*, 59(5): 618–637.
- ČESKÝ STATISTICKÝ ÚŘAD. *Průměrné mzdy*. [Online]. Available at: <http://www.czso.cz/csu/csu.nsf/informace/cpmz030912.doc>. [Accessed 2012, April 24].
- DE VAUS, D. 2002. *Surveys in Social Research*. London: Routledge/Taylor and Francis.
- EUCKER, T. 2007. Understanding the impact of tacit knowledge loss. *Knowledge Management Review*, 10(2): 10–13.
- EUROPEAN COMMISSION. *Úvod do Age Managementu*. [Online]. Available at: <http://www.eurelectric.org/Demographic/CZ/toolkitczechp8.htm>. [Accessed 2012 September 17].
- GOSLING, S. D., RENTFROW, P. J. and SWANN, W. B. 2003. A very brief measure of the Big-Five personality domains. *Journal of Research in Personality*, 37: 504–528.
- HARELL, G. and DAIM, T. U. 2010. HDM Modeling as a Tool to Assist Management With Employee Motivation: The Case of Silicon Forest. *Engineering Management Journal*, 22(1): 23–33.
- HSIU-FEN, L. 2011. The effects of employee motivation, social interaction, and knowledge management strategy on KM implementation level. *Knowledge Management Research & Practice*, 9: 263–275. doi:10.1057/kmrp.2011.21.
- JAVADI, M. H. M. et al. 2012. Effect of Motivation and Trust on Knowledge Sharing and Effect of Knowledge Sharing on Employee's Performance. *International Journal of Human Resource Studies*, 2(1): 201–221. doi:10.5296/ijhrs.v2i1.1675.
- JOHN, O. P., NAUMANN, L. P. and SOTO, C. J. 2008. *Paradigm Shift to the Integrative Big-Five Trait Taxonomy: History, Measurement, and Conceptual Issues. Handbook of personality: Theory and research*. New York: Guilford Press.
- KIM, C. H. and SCULLION, H. 2013. The effect of Corporate Social Responsibility on employee motivation: A cross-national study. *Poznan University of Economics Review*, 13(2): 5–30.
- KOCIANOVÁ, R. 2010. *Personální činnosti a metody personální práce*. Praha: Grada.
- KÖNIGOVÁ, M. and FEJFAR, J. 2011: Evaluation and development of managerial competencies. *Scientific papers of the University of Pardubice*, 10(4): 68–80.
- LEVY, M. 2011. Knowledge retention: minimizing organisational business loss. *Journal of Knowledge Management*, 15(4): 582–600.
- LINDNER, F. and WALD, A. 2011. Success factors of knowledge management in temporary organisations. *International Journal of Project Management*, 29(7): 877–888.
- LINHARTOVÁ, L. 2012. Variability of employees behaviour during disaffection. *Ekonomický časopis*, 60(1): 83–97.
- MARUTA, R. 2012. Transforming knowledge workers into innovation workers to improve corporate productivity. *Knowledge-Based Systems*, 30: 35–47.
- MAXWELL, J. C. 2012. *5 úrovní leadershipu*. Praha: BETA.
- MCCLELLAND, D. C. 1987. *Human Motivation*. New York: Press Syndicate of the University of Cambridge.
- MCGREGOR, D. 2006. *The Human Side of Enterprise*. New York: McGraw-Hill.
- MLÁDKOVÁ, L. 2004. *Management znalostí v praxi*. Praha: Professional Publishing.
- MRÁČEK, K. 2009. State and company solution of effects of current economic crisis. *Scientia et Societas*, 5(4): 17–33.
- PETERS, T. 2011. *Malé velké věci*. Praha: Management Press.
- RAHMAN, M. et al. 2013. Nexus of employee motivation with HRM and workplace behaviour: An assessment of the dominant factors. *Management Research and Practice*, 5(4): 49–57.
- SMRČKA, L. and ARLTOVÁ, M. 2012. Ekonomické aspekty stárnutí populace ve vyspělých zemích. *Politická ekonomie*, 60(1): 113–132.
- SKOGLUND, B. and SKOGLUND, C. 2005. Can age management promote work ability among older workers? *International Congress Series*, 1280: 392–396. doi:10.1016/j.ics.2005.02.049.
- STRAKOVÁ, J. et al. 2013. *Předpoklady úspěchu v práci a v životě: Mezinárodní výzkum dospělých OECD PIAAC*. Praha: Dům zahraniční spolupráce.
- TRUNEČEK, J. 2004. *Management znalostí*. Praha: C. H. Beck.
- URBANCOVÁ, H. 2013. *Kontinuita znalostí: Jak uchovat znalosti klíčových pracovníků v organizaci*. Praha: Adart.
- VNOUČKOVÁ, L. 2013. *Fluktuace a retence zaměstnanců*. Praha: Adart.
- VRONSKÝ, J. 2012. *Profesiografie a její praktické využití při řízení lidských zdrojů v organizaci*. Praha: Wolters Kluwer ČR.
- WOOD, S. and REYNOLDS, J. 2013. Knowledge management, organisational learning and memory in UK detail network planning. *Service Industries Journal*, 33(2): 150–170.
- XIN, J. et al. 2011. Constructing a decision support system for management of employee turnover risk. *Information Technology and Management*, 12(12): 187–196.



Contact information

Lucie Vnoučková: [lucie.vnouckova@vsem.cz](mailto:lucie.vnouckova@vsem.cz)  
Hana Urbancová: [hana.urbancova@vsem.cz](mailto:hana.urbancova@vsem.cz)