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An exploratory study of the effect of employee turnover on organization`s rate of knowledge diffusion

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(Work in progress)

1 Introduction

Managerial concern on employee turnover has suddenly become heightened (Prefer and Sutton, 2009, cited in Anders and Bard, 2010, pp1). This concern is further exacerbated as a result of the growing cost of replacing employees, or other general costs typically associated with employees like recruitment and training (Collins and Smith, 2006). Some of the specific concerns of managers and other concerned stakeholders are the negative consequences of high employee turnovers which are often reflected in product and service quality, consistency and stability of services exchanged for money with clients and customers in general (Trevor and Nyberg, 2008). Other consequences of unchecked growing rate of employee turnover could also be an increase in the client's level of dissatisfaction with products and services being offered by such organization (Lin and Chang, 2005). Other related costs that emanate from an increase in the rate of employee turnover are described as the costs of voluntary turnover by Morrell et al (2004). Morell et al (2004) identifies direct and indirect costs of voluntary turnover as replacement, recruitment and selection, temporary staff, management time, morale, pressure on remaining staffs, costs of learning, product or service quality, organizational memory, and the loss of social capital (Dess and Shaw, 2001). As a direct response to the need to subdue the growing impact of employee turnover and also the rates at which it is growing, various management researchers have proposed numerous solutions that have either been proven conceptually or empirically.

For example Anders and Bard (2010) proposed the development of processes intrinsically motivate employees as a potential solution to the unusual high turnover rates recorded globally, while Zimmerman and Darnold (2009) relate job performance with employee turnover rate. Zimmerman and Darnold (2009) are particularly of the opinion that employees who leave their jobs might have done so in either an environment so poor to induce a high level of job performance, or they might have quit their job when there is a consistent poor level of job performance over a period of time. Within this context Steer and Mowday (1981, cited in Zimmerman and Darnold, 2009, pp 2) are strongly of the opinion that an assessment of employee turnover that precludes a study of job performance might be referred as a huge oversight on the part of the management of such organization. Within this context the study of employee turnover as well as its attendant problems, costs and consequences has been comprehensively studied (Shaw et al, 1998), and a recent empirical and meta-analysis study of the phenomenon observed its influence in 800 different cases (Iverson, 1999). But within the scope discussed above the impact of employee turnover on the rate of knowledge diffusion in organizations has received very little research focus (Madsen et al, 2002). Madsen and McKelvey (1996) argue that management research interests should however been shifted to the balance between a firm's variation and its retention activities. Retention here refers to the ability of the firm to drastically reduce the turnover rates of its knowledge workers as they are largely responsible for the distribution of tacit knowledge and skills, or human capital across space and time (Almeida and Kogut, 1999 cited in Madsen et al, 2002). This situation is particularly crucial since the knowledge production mechanism of any firm is closely connected to the tacit knowledge and skill held by a firm's members whether they are new members or established members (Madsen et al, 2002). Knowledge diffusion is described as the second phase of progression in any knowledge management chain (Melissa and Gretchen, 1999). Melissa and Gretchen (1999) identify knowledge creation, knowledge diffusion and knowledge implementation as

three generic and broad processes that any quantum of knowledge must progress through. A conceptual analogy given by Melissa and Gretchen (1999) argue that the technical prowess of a firm depends on the technical prowess of its employees which eventually determines the firm's opportunity for knowledge diffusion within an innovative community. In a way the above author has shown conceptual evidence that connects a firm's employees with the firm's knowledge position. Thus the author's findings both conceptual and empirical point to the fact that organizational knowledge diffusion can be impeded by internal factors in the organizations which act as barriers to the rate of diffusion. The need to carry out this exploratory study was premised on the perceived lack of sufficient research outputs that connect employee turnover with the rate of knowledge diffusion, whether internally or externally in modern organizations. Within this context the three core aims of this exploratory study are to add to the existing body of knowledge on employee turnover in modern organizations; add to knowledge management diffusions in modern organizations; and to highlight the existing conceptual and empirical evidences on the impacts of employee turnover on the rate of knowledge diffusion in modern organizations. By approaching this research from an inductive perspective built on phenomenology the exploratory study will be largely executed as a qualitative research with and a large collection of data from secondary sources.

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