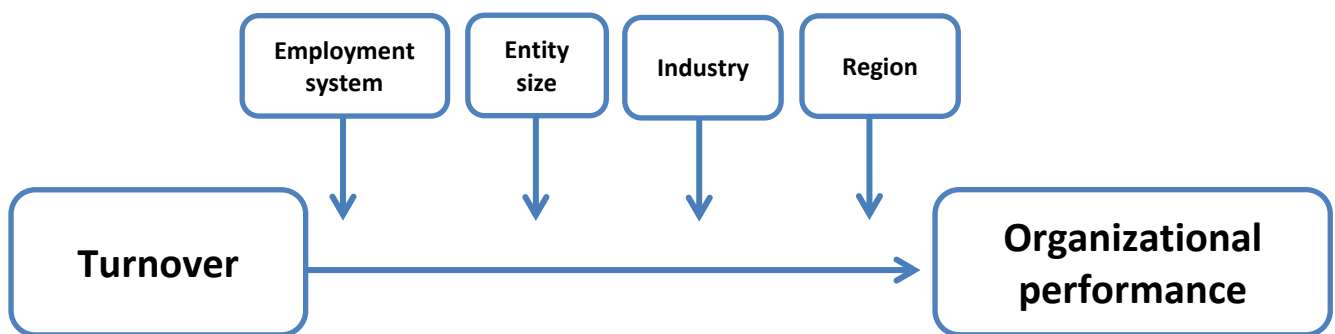


## How Turnover Affects Organizational Performance

**Key Finding:** The study investigates the relationship between turnover rates and organizational performance by integrating context-related moderators that can influence the relationship. The paper can help practitioners evaluate whether they are correct in their estimations of the potential costs of turnover in their firms.

**Executive Summary:** Perspectives on turnover are far from universal. While some argue that turnover is always bad for performance because it depletes human capital, others argue that turnover can be beneficial at levels because it reduces compensation costs, revitalizes the workforce, and sorts out poor performers. Some arguments suggest that organizations with high turnover rates become better at building human capital and, thereby, mitigating the potential negative effects of turnover. This paper looks at some of the factors that can influence how turnover affects performance, including employment systems, organizational size, industry, and region.

Moderator	Explanation	Proposed effect
<b>Employment system</b>	Commitment (value-based) systems versus control (cost-based) systems	Stronger negative effect in commitment systems
<b>Entity size</b>	Larger organizations versus smaller organizations (Large organizations can “buffer” effects)	Stronger negative effect in small organizations
<b>Industry</b>	People-heavy industries (e.g., services, research) versus technology-heavy industries (e.g., manufacturing)	Stronger negative effect in people-heavy industries
<b>Region/market</b>	Rigid versus flexible labor market (Rigid markets might be able to prepare for large turnover events)	Stronger negative effect in flexible markets



### What are the practical implications for my organization?

- Try to control turnover rates, as turnover can substantially reduce performance.
- Consider whether any context-specific factors exacerbate the negative impacts of turnover in your firm.
- Investigate the causes of turnover in your organization using an analytical approach.

Summary of: Park, T. Y., & Shaw, J. D. (2013). Turnover rates and organizational performance: A meta-analysis. *Journal of Applied Psychology*, 98(2): 268-309.