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# The Boss-Employee Relationship: Influence on Job Retention

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## ABSTRACT

This research paper explores and reveals the dynamic relationship between employees and their bosses as this relationship influences retention. Employee unhappiness has been cited as a common reason that an employee may leave his or her job; but unfortunately, a boss does not often realize that it is his or her own management style which may cause a valued employee to quit. Bosses who fail to retain their staff, end up costing the company anywhere from 90% to 200% of that employee's annual salary. A primary conclusion of this research is that managers need to be educated; they are the link between a high potential employee staying or leaving the job. Managers have a large impact on their employees' attitude toward their jobs, and their relationship with the employees remains the single greatest reason why employees leave organizations.

## 1 INTRODUCTION

One of the most challenging tasks for a business is to retain talent. Therefore, it is essential for bosses to pursue ways to retain their staff. Often times it's not the job that employees quit; it is the boss (Allen, Bryant and Vardaman 2010, 53). This is influenced by poor management qualities, which include being overly: passive, judgmental, defensive, intimidating, closed-minded, and tardy in their performance (West and Berman 2012, 70). Compensation is often the smallest contributing factor in retaining employees (Allen, Bryant and Vardaman 2010, 49). Compensation is a satisfier not a motivator. An employee seeks a comfortable work environment in which he or she feels appreciated. The task falls on the manager to ensure that this remains the case. Communication is critical to retention (McCabe 1990). It's never too early or too late to start building engagement. It can start as early as the pre-hire interview or the first day of training (Coleman 2009). A recent survey reported that, "54% of employed adults, including 71% of those between the ages of 18 and 29, are likely to seek new jobs once the economy improves" (Allen and Vardaman 2010, 49). Though the recession has helped with retention of employees, when normalcy returns to the market, companies may see a large departure of their valued employees.

## 2 LITERATURE REVIEW

The U.S. job market saw over one million workers voluntarily leave jobs October 2011. This was the highest number of quits in one month in over a decade ("Annual quits rates" 2012). Though the U.S. Bureau of Labor Statistics does not make specific data available on why these employees are exiting their jobs, Kranz (2012) suggests it is due to poor management practices. One in four high potential employees quit last year, as compared to one in

seven in 2005. The cost of employee turnover can range from 90% to 200% of the annual salary of the employee (Allen, Bryant and Vardaman 2010, 51). Kranz (2012) suggests that the managers' relationships with their employees remain the single largest factor in retention. Too often businesses will try "quirky things" to get their people to stay, like casual Fridays, and pet insurance. Kranz states that retention strategies too heavily involve HR practices rather than involving the front line-managers. Yet, supervisors exert the most influence on whether employees stay with a company; it is for this reason that the quick fixes, don't work. Kranz (2012) suggested that it takes a team effort and a culture change to improve employee retention.

### Research Developments Related to Employee Turnover.

March and Simon identified two factors that influenced an employee to leave his or her job: the perceived desirability of leaving, and the perceived ease of leaving. So in 1958 the world thought people left jobs because of job satisfaction, organizational commitment, and the quality of job alternatives. In 1977 Mobley identified the "sequential and intermediary" variables linking job dissatisfaction to eventually quitting. In 1986 Price and Mueller added to Mobley's research by including an element of pay, social integration, instrumental communication, formal communication, centralization, routinization, role overload, promotional opportunity, professionalism, general training, supervisor support, coworker support, and disruptive justice. The current philosophy on employee retention is that businesses that can keep their people have an advantage over businesses that cannot. In fact, a number of studies concluded that turnover negatively influences performance. Firms that have high turnover will significantly underperform their competition (Felps, Mitchell, Hekman, Lee, Holtom, and Harman 2009, 545-546).

**Common Misconceptions.** According to Allen, Bryant, and Vardaman (2010, 49) five misconceptions surrounding employee turnover are: (1) All turnover is the same, and it's all bad; (2) people quit because of pay; (3) people quit because they are dissatisfied with their jobs; (4) there is little that managers can do to directly influence turnover decisions; and (5) a simple one-size-fits-all retention strategy is most effective.

In viewing these misconceptions, we find the following: (1) Dysfunctional turnover consists of exiting high performers or employees who have skill sets that are very difficult to replace. Functional turnover, although it can disrupt current workflow, consists of employees who are easy to replace. This can be beneficial to a company if the exiting employee

is a poor performer. (2) Although compensation does influence retention, it is a weak predictor for a turnover decision. (3) Job dissatisfaction is the driver in less than half of the individual turnover decisions. Often turnover is started by a shock that leads an employee to start his or her job search. Examples include a coworker or boss mistreating the employee; an employee feeling passed over for a promotion; a spouse being offered a new position that requires relocation; the company merging with another, or a bad performance evaluation. (4) Managers often believe that voluntary turnover is unavoidable; however there is evidence that relationship-focused strategies can reduce turnover. Examples include: realistic job preview during recruitment, ensuring an employee is a good fit with the organization, tailoring compensation to the individual's needs and preferences; training supervisors how to develop effective relationships with subordinates, and other retention management skills. (5) It is not wise to sink a significant amount of money into a generic retention strategy; rather it is important for a company to understand the specific causes of the turnover before they can try to fix them. This requires the ability to diagnose the turnover problem, adapt an underlying retention principle to it and then figure out a good way to reduce or sometimes eliminate the cause of that one issue (Allen, Bryant, and Vardaman 2010, 50-57).

**Top Reasons Employee Quit and Social Contagion.** In 1999 surveys of HR executives revealed that the number one cause of employee turnover was limited advancement opportunities, followed by lack of recognition, inadequate salary and benefits, and then lastly the employee's unhappiness with management (Thomas 1999, 11). A more recent study of 215 HR professionals, and 862 employees, revealed that not much has changed in the last 9 years. Lack of growth opportunities was still the number one reason for turnover, but it's what the employees and HR professionals disagreed on, which is interesting. Employees find the need for their work tasks to be interesting, and benefits to be a primary reason for turnover, where as HR professionals placed them as secondary reasons (Turnover and Retention 2008, 28).

When coworkers engage in looking for other jobs, this mentality can spread. The process is called social contagion. Humans are constantly comparing their self-perception with that of their coworkers. So when an employee leaves, the coworkers will actually compare him or herself with that individual and think, can I do better as well? The most likely employees who will ride the quitting wave are those who have low levels of job embeddedness, which is the employee's attachment to a particular job (Felps, Mitchell, Hekman, Lee, Holtom, and Harman 2009, 546).

### **The Boss-Employee Relationship**

The boss-employee relationship can have the strongest influence on how an employee feels about his or her job. If the employee has a good relationship with his or her boss, then the employee tends to overlook other areas of the job that may be deficient. The inverse of that, when employees dislike their boss, reveals a large number of reasons that

employees may have to leave because they have examined all the reasons for which they feel dissatisfaction (McCullum 2009, 8). Employees report several reasons why their relationship with their boss can take a turn for the worst, including not getting the feedback they need, to know how they are performing, to not receiving the recognition they deserve, and to not getting adequate training. According to McCullum (2009), these problems usually come with younger employees who are used to many years of receiving feedback and coaching from parents and teachers. For the younger employee, something as simple as the boss saying *thank you* or *good job* can go a long way toward job satisfaction (McCullum 2009, 8).

So what can management do to keep as many valued employees as possible? Basically, create a great environment, create great jobs, and lastly, ask early and ask often. Most managers assume that the company policies and corporate culture control the work environment; this is simply an outline of what a specific department culture is like. What is important to employees is the work environment that they are in. Friendly relationships are an excellent way to create a great work environment. If the boss shows ordinary courtesy and respect to all employees, plus positive recognition in the workplace and social settings, with a general interest in his or her employees, they are bound to have a positive atmosphere (Employee Retention: What Managers Can Do 2000, 2).

Creating great jobs relies on the manager's ability to allow autonomy, let people stretch, and to be flexible. Let your employees have some freedom, create a team for a task and let them be creative with their process. The last step in retaining good people in the management-employee relationship is asking early and asking often. "Great work environments and great jobs are a matter of opinion" (Employee Retention: What Managers Can Do 2000) what makes a person stay is personal. It's important that a manager doesn't wait until the exit interview to ask what went wrong; instead, have the conversation now. Get feedback on the work environment that you have established, then continuously improve and tailor your work environment around your existing staff (Employee Retention: What Managers Can Do 2000, 2).

### **3 RESEARCH METHOD**

Content analysis was the primary research method used to draw out the themes from a wide range of literature of both a theoretical and empirical nature. A systematic iterative process of reducing and combining the concepts of interest have led to the results reported here ("Content Analysis n.d.; Levine 1996). The research focused on exploring two questions: (1) Are there common characteristics in bosses who demonstrate poor employee retention? (2) What do exiting employees say about why they left their jobs? The desired outcome is the grounded theory presented in the discussion and conclusion sections.

#### 4 RESULTS

Content analysis of the data allowed ten groups to emerge:

1. Despite a tough job market, employees are willing to leave jobs. The national quit rate has been on the rise for the last two years affecting all companies and industries. It's estimated that one in four high potential employees quit last year (Kranz 2012).
2. Companies cannot afford to continuously lose great employees. The cost is between 90% and 200% of the employees' annual salaries (Allen, Bryant and Vardaman 2010).
3. Some turnover can be prevented, but for some types of quitters there are no work related reasons for them leaving (Allen, Bryant and Vardaman 2010).
4. An employee's negative relationship with the manager can be the single greatest reason that an employee considers alternative employment. Good boss-employee relationships help employees overlook other job deficiencies, and can cause an employee to deflect during times of poor interaction (McCullum 2009; Mitchell 2010).
5. Employees often times quit jobs for more than one specific reason (Allen, Bryant and Vardaman 2010).
6. It is not the HR department's role to create gimmicks to retain employees; rather it is the function of the employee's direct supervisor to develop a sincere at-work relationship (Kranz 2012).
7. A great manager and a great leader are not the same; however both are important in successful organizations (Watson 2012).
8. Trust is a large function of the management-employee relationship and should be closely guarded by the manager (Kranz 2012, Mackenzie 2010).
9. Job embeddedness is an important job characteristic when fighting turnover contagion. It's imperative that management helps the employees to develop a high level of job embeddedness (Felps, Mitchell, Hekman, Lee, Holtom, and Harman 2009).
10. Management must be educated on the misconceptions related to turnover. Strong managers are the best and cheapest frontline defense against employees leaving (Allen, Bryant and Vardaman 2010).

Seven of the ten groupings contain evidence that managers do influence an employee's desire to stay with a particular company, the three other groupings state that the employee population is willing to relocate jobs if given the reason to do so. Throughout the research a consistent message was that management styles/attitudes have a direct influence on employee retention (Wallach 2012).

#### 5 ANALYSIS

To analyze the results the ten groups were compared and further reduced to four major themes. Group numbers one and two were synthesized to create the first theme. Groups three, seven, and ten have also formed a common theme. The third common theme was a synthesis of groups four and six. The last theme was the result of reducing groups five, eight and nine. These four major resulting themes are:

1. There is a strong likelihood of turnover in all companies across all types of work, and it is costly. The cost of an employee leaving is 90%-200% of that individual's annual salary. Besides the financial loss associated, it is inefficient to be constantly looking for new people. Being that one in four high potential employees quit last year, companies must retain those employees that would be most damaging should they quit (Kranz, 2012; Allen, Bryant and Vardaman 2010).
2. The relationship among groups three, seven, and ten is about education of management within organizations. It is crucial that management knows the differences between a great manager and a leader, what are the causes of turnover, and that not all turnover can be prevented. It is the function of management to retain employees; they are the best and cheapest defense (Allen, Bryant and Vardaman 2010; Watson 2012).
3. The third theme draws together groups four and six. This theme speaks to whose responsibility it is to retain employees, and the relationship between boss and employee (McCullum 2009; Kranz 2012). It is management's responsibility to develop, grow, and nurture the boss-employee relationship. It is their rapport, demeanor and attitude toward the employee that can affect that relationship. Employees are looking to feel appreciated and valued by their bosses.
4. The last theme draws together groups five, eight and nine and is related to reasons employees quit bosses. Trust is a big part of the employee-boss relationship. (Macklem 2005). Small problems at work can be overlooked when the employee trusts the boss (Allen, Bryant and Vardaman 2010; Kranz 2012; Felps, Mitchell, Hekman, Lee, Holtom, and Harman 2009).

In brief, there is an enormous cost to replacing a lost employee in recruiting, hiring, and training, as well as the cost of the lost productivity (Kranz 2012). Trust is a large reason that the boss-employee relationship can go bad. There are many reasons employees will quit jobs, however it is clear in the literature that when employees lose trust in their bosses they may start to look at alternative employment options. Another element is that abusive managers will cause turnover. (Allen, Bryant and Vardaman 2010). A primary lesson drawn from the literature is that managers need to be educated. It should not be the responsibility of the HR department to retain employees; it is the obligation of management to maintain the boss-employee relationship; however, it is the responsibility of HR and executive leadership to ensure that management has the training needed to effectively initiate, develop, and maintain these at-work relationships.

#### 6 DISCUSSION

Due to the qualitative nature of this research and the use of secondary data, the grounded theory emerging from the data analysis did not directly answer the original research questions. Rather, the data suggested answers to two different questions, which will be discussed here.

**Is Employee Turnover Related Solely to a Poor Relationship with the Employee's Direct Boss?** The answer is "No." Though there is evidence that the boss-employee relationship is the number one reason employees quit, there are other reasons as well. Though it is a function of management to retain employees, the boss-employee relationship is fragile in nature. It doesn't take much to affect this relationship; sometimes the little things like saying "thank you", and "please" go a long way, and can cause an early departure for employees if they are lacking. Employees are looking for positive reinforcement from their managers. It is vital that employees trust their bosses. If employees feel betrayed by their managers, the boss-employee relationship may never be salvaged. Yet after conducting this research, we can suggest that the poor relationship isn't the reason the employee quits, but rather it is the first cause for the unhappy employee to "look" for another job. It can be the straw that broke the camel's back. For example, if an employee dislikes his or her manager then the employee may start to view other facets of the company negatively. These reasons then build and eventually the employee will depart from the organization (Wallach 2012).

**Are There any Effective Retention Strategies that Companies Can Implement to Lessen the Loss of High Potential Employees?** The answer is "Yes." Management should know what the cause and effect relationship is for the company when they lose an employee; then it will be easier to understand that action needs to be taken to limit this loss. Simply, the most effective way to retain quality and high potential employees is to first create a strong boss-employee relationship. This can be accomplished with annual training on how to initiate, develop, nurture, and maintain the very fragile boss-employee relationship (Wallach 2012).

## 7 CONCLUSION

The study of employee retention is an important field to study. Our global economy requires companies to remain lean and efficient. So why waste money by continuously replacing valuable high potential employees? The results of this research effort revealed the following lessons:

1. Though there is no one cause that employees leave companies, the boss-employee relationship can be one of the strongest reasons that employees defect.
2. A poor boss-employee relationship can cause an employee to start looking for new means of employment, or can be the last fault in a company that causes the employee to leave.
3. Empowering management to maintain the boss-employee relationship can have a great deal of advantages for the company and for the managers.
4. Training is the easiest and most effective way a company can increase its employee retention.
5. Educating management on how to develop, grow, nurture, and maintain the boss-employee relationship is the fastest and cheapest way to see immediate results with respect employee retention.

All things considered, "no", employee turnover is not solely related to a poor relationship with the employee's direct

boss, and, "yes", there are effective retention strategies that companies and organizations can implement to help lessen the loss of high potential employees. Managers' attitudes and behaviors have a large impact on their employees' attitude toward their jobs, and the relationship with the employees remains the single greatest reason why employees leave organizations. Management should make a conscious effort at developing, growing, nurturing, and maintaining the boss employee relationship (Wallach 2012).

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