

**EMPLOYEE TURNOVER AND ORGANIZATIONAL PERFORMANCE. A CASE  
STUDY OF EQUITY BANK UGANDA LIMITED**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
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UNIVERSITY**

**March, 2025**



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### **Declaration**

I, **Belinda Komunjeru**, declare that this thesis titled “**EMPLOYEE TURNOVER AND ORGANIZATIONAL PERFORMANCE. A CASE STUDY OF EQUITY BANK UGANDA LIMITED**” has been solely composed by myself and that it has not been submitted, in whole or partial, to any university except where stated otherwise by reference. The work presented is entirely my own. I confirm that appropriate credit has been given within this thesis where reference has been made to the work of others.

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### **Approval**

I certify that the research report titled **“EMPLOYEE TURNOVER AND ORGANIZATIONAL PERFORMANCE. A CASE STUDY OF EQUITY BANK UGANDA LIMITED”** has been done under my supervision in partial fulfilment of the requirements for the award of Master of Arts in Organizational Management and Leadership.

Signed: 

Supervisor: Henry Mugisha, PhD.

Date: 28<sup>th</sup> March 2025

### **Dedication**

I dedicate this work to God above for seeing me through all the way. He has been my source of strength, knowledge, and inspiration to carry on even when balancing work and the course felt so difficult.

I also dedicate this to my parents, Mr. Solomon Nyakahuma and Ms. Persis Nyakatura, who have seen me start the academic journey and supported me financially, emotionally, and otherwise. I'm forever grateful. May God bless you abundantly.

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## **List of Abbreviations**

|              |   |
|--------------|---|
| <b>CVI:</b>  | Content Validity Index                  |
| <b>EPS:</b>  | Earnings Per Share                      |
| <b>HR:</b>   | Human Resource                          |
| <b>KII:</b>  | Key informant interviews                |
| <b>ROA:</b>  | Return on Assets                        |
| <b>ROE:</b>  | Return on Equity                        |
| <b>SPSS:</b> | Statistical Package for Social Sciences |

## Abstract

This study examined the effect of employee turnover on organisational performance in Equity Bank Uganda Limited. Specifically, it assessed the impact of different levels of employee turnover, the direct financial costs of turnover, and the effect of knowledge loss and skill drain on organizational performance. The study employed a case study research design. In addition, a mixed-methods approach was employed. This approach combined both qualitative and quantitative research methods to gather a more holistic perspective on the research problem. A total of 148 respondents were selected using a stratified random sampling technique, ensuring representation across different departments within the bank. Primary data was collected using structured questionnaires administered to employees of Equity Bank Uganda Limited. The collected data was analysed using descriptive statistics, correlation analysis, and multiple regression analysis. The study revealed a significant positive correlation between employee turnover and organisational performance ( $r = 0.408$ ,  $p < 0.01$ ), indicating that higher turnover negatively affects performance. Direct financial costs due to turnover showed the strongest correlation with organisational performance ( $r = 0.878$ ,  $p < 0.01$ ), highlighting the financial burden of hiring and training new employees. Knowledge loss and skill drain were also significantly correlated with organisational performance ( $r = 0.773$ ,  $p < 0.01$ ), suggesting that the departure of experienced employees disrupts operations. Regression analysis showed that direct financial costs ( $\beta = 0.703$ ,  $p < 0.001$ ) had the most substantial impact on performance, followed by knowledge loss and skill drain ( $\beta = 0.221$ ,  $p < 0.001$ ). To mitigate the negative effects of employee turnover, management should implement competitive retention strategies, such as career development programs and performance-based incentives, to reduce turnover rates. Financial management teams should allocate sufficient resources for employee retention to minimise excessive recruitment and training costs. Additionally, knowledge management systems should be established to facilitate knowledge transfer and minimise skill gaps when employees leave.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter presents the introduction, background of the study, problem statement, purpose of the study, general and specific objectives, research hypothesis, scope of the study, significance and the conceptual framework.

### **1.1 Background to the Study**

Organizations prioritize performance due to shareholders' significant emphasis on returns from their investments. Organizational performance is a crucial determinant of shareholder value, affecting both the market's perception and the company's financial health. Performance metrics such as earnings per share (EPS), return on equity (ROE), and return on assets (ROA) are closely monitored by shareholders and investors as they reflect a company's profitability and efficiency in resource utilization (Penman, 2012).

Research shows that over 90% of business owners view performance management as a key factor in business success (Kaplan & Norton, 1996). Effective performance management entails setting clear goals, tracking progress, providing feedback, and making necessary adjustments to achieve organizational objectives. It is an integral part of strategic management, directly influencing productivity, employee engagement, and overall business outcomes (Armstrong, 2006). Consequently, organizational performance is a major driver of business success, as evidenced by consistent financial growth, strategic innovation, and agile and flexible performance processes. Agility and flexibility in performance procedures allow organizations to respond quickly to market dynamics and internal challenges. Initially developed for software development, Agile methodologies have been broadly adopted across various industries to enhance project management and operational efficiency (Beck et al.,

2001). Flexible performance procedures enable organizations to adapt their strategies in response to new opportunities or threats, ensuring sustained performance.

Organisational performance is driven by strong financial outcomes, efficient operations, and a highly engaged workforce (Lazzari et. al., 2022). Organisations experience steady revenue growth, cost efficiency, workplace productivity, and innovation when they are supported by a committed and skilled workforce (Mia et. al., 2022). A well-functioning organization retains experienced employees, ensuring continuity in service delivery, institutional knowledge retention, and customer satisfaction. Low employee turnover allows for consistent team dynamics, high morale, and an engaged workforce that contributes to financial stability and operational excellence (Lazzari et. al., 2022).

As highlighted by Dyer and Shafer (2003), agility in organizational processes is essential for thriving in unpredictable environments. However, sustainable organizational performance has been linked to a motivated workforce. Literature shows that employee performance is a key factor in the development of all organizations because it leads to increased output, profit, customer service, trust, and loyalty, especially for financial institutions. However, employee performance can be hampered by frequent employee turnover. Studies indicate that employee turnover is a critical issue for organizations worldwide, impacting various aspects of organizational performance. High turnover rates can lead to decreased organizational performance and decreased employee morale (Hom et al., 2017).

Employee retention is critical for organizations as it ensures the maintenance of a skilled, experienced, and motivated workforce, which has a direct impact on productivity, company culture, and customer satisfaction (Hausknecht et al., 2009). High retention rates help organizations minimize the costs and disruptions linked to recruiting and training new employees while preserving institutional knowledge and fostering long-term team relationships

(Frank, Finnegan, & Taylor, 2004). Additionally, retaining talented employees is essential for building a stable and engaged workforce, which is vital for sustaining a competitive advantage and achieving strategic business goals (Allen, Bryant, & Vardaman, 2010).

Employee turnover can have a profound impact on organizational performance, resulting in reduced productivity, disrupted workflows, and increased operational costs (Hancock et al., 2013). The departure of key employees often leads to the loss of valuable experience and expertise, creating knowledge gaps that can slow down project timelines and diminish overall organizational efficiency (Dess & Shaw, 2001). Those who remain are frequently required to absorb additional responsibilities, which can elevate stress levels, lead to burnout, and lower morale (Allen, Bryant, & Vardaman, 2010). This increased workload can cause employees to struggle with maintaining their performance, thereby reducing their focus and effectiveness. If left unaddressed, high turnover can initiate a cycle of declining organizational performance and growing employee dissatisfaction, further complicating talent retention and the achievement of business goals.

Employee turnover is a critical issue for organizations worldwide, defined as the process through which employees leave an organization and are replaced by new personnel. Turnover can be voluntary or involuntary. Voluntary turnover occurs when employees leave by choice, often in pursuit of better opportunities or due to dissatisfaction with their current jobs. Involuntary turnover happens when employees are terminated or laid off by the organization (Allen et al., 2010).

Several studies have identified key factors contributing to employee turnover, including job dissatisfaction, limited career advancement opportunities, ineffective management, inadequate compensation, and the availability of better job opportunities elsewhere (Holtom et al., 2008). Organisational culture, work-life balance, and employee engagement also play a crucial role in

influencing turnover rates, as employees who feel unsupported or disengaged are more likely to seek employment elsewhere (Gialuisi & Coetzer, 2013). When turnover rates are high, organisations face disruptions that can lead to operational inefficiencies, increased financial burdens, and diminished overall performance. Research has established a negative correlation between employee turnover and productivity, as frequent staff departures lead to knowledge gaps, loss of expertise, and a decline in service quality (Mitchell et al., 2018). These challenges make it essential to assess the impact of employee turnover on organisational performance, particularly within Uganda's banking sector, where staff retention is critical for maintaining customer trust and operational stability.

High turnover rates have significantly affected organisational performance across various industries. Constant employee departures disrupt business processes, increase recruitment and training expenses, and lower overall productivity levels (Al-Suraihi et al., 2021). In service-driven industries such as banking, healthcare, and education, persistent turnover has led to severe staffing shortages, which directly affect service delivery, institutional efficiency, and customer satisfaction (Mia et al., 2022). In the banking sector, frequent staff exits not only slow down workflow but also impact client relationships, as customers often rely on familiar banking officers for financial guidance. The inability to retain skilled employees further limits an organisation's capacity to innovate and maintain a competitive edge. Understanding the impact of employee turnover on business performance is critical in addressing workforce retention challenges and ensuring sustainable growth and efficiency in the banking industry.

Despite extensive research on the causes and consequences of turnover, there is a need for a deeper understanding of how turnover affects the performance of the remaining employees. This study aimed to fill this gap by exploring turnover's direct and indirect effects on employee performance.

## **1.2 Problem Statement**

Employee turnover is a persistent challenge in the banking sector, with significant implications for organizational performance (Hom et al., 2017). High turnover rates lead to increased recruitment and training costs, disrupt team cohesion, and result in knowledge loss, ultimately weakening financial stability and strategic growth (Mitchell et al., 2018). While previous research has examined turnover's direct financial costs, its broader impact on organizational performance - including return on investment, operational efficiency, and innovation - remains insufficiently explored (Kahn, 2017). This study sought to examine the link between employee turnover and organizational performance, assessing how turnover affects financial outcomes, operational efficiency, and long-term strategic agility.

## **1.3 The Action and Research Question**

The action question to guide this study is “What strategies can Equity Bank implement to manage employee turnover and enhance organizational performance?”

The central research question is: How does employee turnover impact organizational performance in the banking sector, considering both direct and indirect costs?

## **1.4 Subsidiary Insight Questions**

The study was guided by the following subsidiary insight questions which will guide the study:

- i. What are the direct financial costs of employee turnover on organizational performance (e.g., recruitment, training, productivity loss)?
- ii. How do different levels of employee turnover (low, moderate, high) influence financial performance metrics such as return on investment?
- iii. What is the impact of knowledge loss and skill drain due to employee turnover on innovation and operational agility?

iv. How does employee turnover affect team dynamics, morale, and overall workplace productivity?

### **1.5 Research objectives**

- i. To assess the effect of different levels of employee turnover on organisational performance in Equity Bank Uganda Ltd.
- ii. To investigate the effect of direct financial costs of employee turnover on organisational performance in Equity Bank Uganda Ltd.
- iii. To examine the effect of knowledge loss and skill drain due to employee turnover on organizational performance in Equity Bank Uganda Ltd

### **1.6 Significance of the Study**

This study holds significant value for various stakeholders, including organisational leaders, policymakers, employees, and academics, as it explores the critical relationship between employee turnover and organisational performance. The findings will contribute to a deeper understanding of the dynamics of employee turnover and its tangible and intangible costs, offering practical insights and strategies to mitigate its negative effects.

The study provides crucial insights for organizational leaders and managers, particularly in the banking sector, regarding both the direct and indirect costs associated with employee turnover. Employee turnover affects multiple aspects of organizational performance, including productivity levels, employee morale, and financial stability. Understanding these impacts enables leaders to develop and implement more effective retention strategies that address the root causes of high turnover rates. This includes fostering a work environment that promotes job satisfaction, offering career development opportunities, and cultivating a positive organizational culture that encourages employee loyalty and commitment. A well-structured retention strategy not only reduces recruitment and training costs but also enhances overall operational efficiency and service delivery.

Furthermore, the study offers evidence-based recommendations that banking institutions can use to mitigate high employee turnover. By identifying key factors contributing to turnover, such as inadequate compensation, limited career progression, and high work-related stress, the study provides a foundation for developing targeted policies and interventions. These insights can inform the creation of structured frameworks and best practices aimed at improving human resource management within the banking sector. Such frameworks may include fair and competitive compensation structures, transparent promotion criteria, and initiatives that support employee well-being and work-life balance.

The study explores key factors influencing job satisfaction, career advancement, and employee retention, offering valuable insights into how employees' experiences and career decisions affect both their personal growth and the overall success of their organisation. A deeper understanding of these factors empowers employees to make informed career choices while also encouraging organisations to implement more effective retention strategies. When organisations prioritise employee satisfaction by fostering a supportive work environment, providing opportunities for career progression, and recognising employee contributions, they enhance motivation and commitment. Implementing retention strategies based on the study's findings will lead to improved job satisfaction, reduced turnover, and a more stable and engaged workforce.

For academics and researchers, this study makes a significant contribution to the existing body of knowledge in organisational behaviour and human resource management. It provides a comprehensive examination of the relationship between employee turnover and organisational performance, extending beyond direct costs such as recruitment and training expenses to include the often-overlooked indirect effects. These include diminished employee morale, loss of institutional knowledge, and decreased productivity, all of which have long-term consequences for business sustainability. By addressing these research gaps, the study offers a

more holistic perspective on workforce stability and organisational efficiency. The findings will serve as a critical reference for future research, encouraging further exploration into strategies for minimising turnover and optimising human capital management. Researchers can build upon this work to develop new models and frameworks that enhance workforce retention and organisational effectiveness in various industries. Given its focus on Equity Bank Uganda Limited's head office departments, this study is relevant to the banking sector. By exploring turnover's specific effects on financial institutions, the research provides actionable insights to enhance strategic management practices and promote sustainable organisational performance. This is critical for fostering a competitive advantage and achieving long-term growth amidst high turnover rates.

In conclusion, this study's findings will provide practical and theoretical contributions to addressing employee turnover, enhancing organisational performance, and promoting sustainable workforce practices, benefiting many stakeholders within and beyond the banking industry.

## **1.7 Scope of the Study**

### **1.7.1 Subject Scope**

This study focused on examining the impact of employee turnover on organisational performance, specifically within the context of Equity Bank Uganda. It explored various aspects of employee turnover, including turnover levels, financial costs associated with recruitment and training, and the loss of institutional knowledge. The study further analysed how these factors affect the bank's financial performance, operational efficiency, and employee morale, engagement, and productivity.

### **1.7.2 Geographical Scope**

The research was conducted at Equity Bank Uganda, located in Kampala, Uganda. The choice of this location was due to the bank's significant presence in the Ugandan financial sector and its ongoing challenges with employee turnover, which makes it an ideal case study for understanding how turnover impacts organisational performance in the context of a major banking institution in Uganda.

### **1.7.3 Time Scope**

The study covered the period from 2015 to 2024, allowing for an in-depth analysis of the trends and changes in employee turnover at Equity Bank Uganda over the past decade. This period provided a comprehensive view of the impact of turnover on the bank's performance, including the effects on financial outcomes, operational performance, and employee-related factors such as morale and engagement. The chosen timeframe also allows for the observation of any long-term patterns and developments related to employee turnover and organisational performance.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

The chapter provides information from texts and publications on topics related to the research problem. The section covered the theoretical review, and empirical review on the study specific objectives

#### 2.1. Theoretical perspectives

##### 2.1.1 Vroom's Expectancy Theory

The current study was anchored on Victor Vroom's Expectancy Theory, proposed in 1964 by Victor Vroom. This theory is a central framework in the study of motivation within organisational behaviour, asserting that individuals are motivated to act based on their expectations of desired outcomes (Min, et. al., 2020). Vroom's theory revolves around three key constructs: expectancy, instrumentality, and valence. Expectancy refers to an individual's belief that their effort will lead to a desired level of performance; in other words, the likelihood that putting in a certain amount of effort will result in successful performance. Instrumentality, on the other hand, is the belief that good performance will lead to specific outcomes or rewards, such as bonuses, promotions, or other incentives (Agbele, and Onoriode 2021). Finally, valence refers to the value or importance an individual places on the rewards or outcomes. The interaction of these three constructs determines the level of motivation an individual experiences, as employees are more likely to exert effort if they believe that their effort will lead to satisfactory performance and, in turn, desirable rewards.

One of the main strengths of Vroom's Expectancy Theory is its ability to provide a clear framework for understanding the decision-making process behind an individual's motivation. It directly links the employee's perception of their own effort with the organisation's outcomes,

offering a useful lens for evaluating and enhancing performance motivation. This makes the theory especially relevant in dynamic organisational settings, where performance expectations and rewards may change frequently. Vroom's model highlights that motivation is not a one-size-fits-all approach but rather is influenced by the individual's expectations of success and the value they place on outcomes. Moreover, the theory has been widely applied across various sectors to understand motivation and behaviour. For example, Agbele, and Onoriode (2021) used it to explore employee motivation in the public sector, while Min et al. (2020) applied it in educational settings. Similarly, AlKhalifa et al. (2024) demonstrated its utility in the business environment, linking motivation directly to organisational performance.

However, there are some limitations to Vroom's Expectancy Theory that must be considered. The theory assumes that employees are rational beings who make decisions based on a logical analysis of effort, performance, and reward. In practice, employee behaviour may be influenced by other non-rational factors such as emotional states, interpersonal relationships, and organisational culture (Min, et. al., 2020). Additionally, the model fails to account for the impact of external factors, such as leadership styles, workplace environment, or organisational changes, which may also influence an individual's motivation. It does not fully capture the complexity of human motivation, particularly in diverse and multifaceted organisational settings. Employees may not always perceive effort and rewards in the same way, and their decisions to stay with or leave an organisation can be influenced by more than just rational thought processes.

Despite these limitations, Vroom's Expectancy Theory is particularly relevant to this study of employee turnover and organisational performance, particularly in the context of Equity Bank Uganda. The theory offers a framework for understanding why employees may leave an organisation if they perceive that their efforts will not lead to desired performance outcomes or if they do not find the rewards offered by the organisation valuable enough to justify their

continued efforts. For instance, if employees at Equity Bank feel that their performance is not adequately recognised or rewarded, or if they perceive the organisational environment as failing to support their career growth, their motivation will decrease, leading to higher turnover rates. This turnover, in turn, negatively impacts organisational performance, as the loss of skilled employees disrupts operations, leads to increased recruitment and training costs, and causes a drain of institutional knowledge. In addition, lower employee morale and disengagement can reduce team dynamics and productivity, further affecting performance across financial, operational, and employee-related metrics (Min, et. al., 2020).

Moreover, the theory can guide the bank in addressing turnover issues by improving the alignment between employees' expectations and the rewards they receive, thereby enhancing motivation and reducing the negative consequences of high turnover. If Equity Bank Uganda can identify areas where expectancy, instrumentality, or valence are low, the organisation can take targeted actions to address these gaps. For example, Agbele, and Onoriode (2021) noted that increasing clarity around career progression, offering more competitive rewards, and fostering a supportive work culture can help employees feel that their efforts are valued, which in turn could reduce turnover and improve overall performance. Thus, Vroom's Expectancy Theory not only provides a theoretical basis for understanding the relationship between employee turnover and organisational performance but also offers practical insights into how organisations can design better motivational strategies to improve retention and performance outcomes.

## **2.2 Empirical Review**

### **2.2.1 Different levels of employee turnover and organizational performance**

Employee turnover is a critical area of study in organisational behaviour, as it has profound implications for the overall performance of any business or institution. The relationship between employee turnover and organisational performance has been explored in various

contexts, highlighting both direct and indirect effects on financial, operational, and employee-related performance metrics. Numerous studies have assessed the impact of turnover, with many revealing that high turnover negatively affects organisational performance, while moderate turnover, if managed well, may not cause as significant harm.

Kasanzu and Wanjira (2021) conducted a study on the effects of high employee turnover, specifically top-performing employees, on the strategic performance of Kenya Airways, a major airline in Africa. Their research demonstrated that when skilled and high-performing employees left the company unexpectedly, it severely impacted the organisation's strategic objectives. The departure of experienced staff led to operational disruptions, as these individuals often carried essential knowledge and relationships with key clients. The financial cost of replacing these employees, which includes recruitment, training, and potential delays in service delivery, also contributed to the deterioration of the airline's performance. The study found that high turnover led to lower productivity, reduced customer satisfaction, and a decline in the airline's competitive advantage in the market.

A similar finding was reported by Mwosi et al. (2024), who investigated employee retention and its influence on organisational performance within the Kabale District Local Government in Uganda. Their study found that higher levels of employee turnover led to a marked decline in service delivery, reduced operational efficiency, and increased financial strain. The loss of experienced personnel often led to knowledge gaps and a delay in completing projects, which hindered the local government's ability to fulfil its mandates. Additionally, the costs associated with constantly recruiting and training new employees exacerbated the organisation's financial difficulties. The research concluded that high turnover rates, if left unmanaged, significantly hamper the organisation's ability to maintain service standards and meet its objectives.

In the context of Tanzania, Mboya and Mwakalila (2024) studied the factors affecting employee turnover within local government authorities, focusing on Dar es Salaam City Council. Their research revealed that high employee turnover rates had a deleterious effect on organisational performance, primarily due to the instability it created. The loss of staff meant that remaining employees had to take on additional responsibilities, leading to burnout, dissatisfaction, and disengagement. This diminished morale and engagement, negatively affecting workplace productivity. Furthermore, the financial costs associated with turnover such as recruitment, training, and loss of skills further strained the council's ability to deliver quality public services. The study concluded that high turnover not only hindered employee performance but also eroded the overall performance of the council by compromising service quality and efficiency.

In South Africa, Brouwers and Paltu (2020) explored the impact of toxic leadership on turnover intention and organisational performance within the manufacturing industry. The study found that toxic leadership led to a high turnover rate, which in turn negatively affected job satisfaction, commitment, and organisational culture. As employees left the organisation, the manufacturing industry struggled with operational inefficiencies, reduced employee morale, and weakened team cohesion. These disruptions had a long-lasting effect on the organisation's ability to maintain high performance in terms of production levels, innovation, and internal communication. The study underlined the importance of leadership in managing turnover, especially in high-pressure environments like manufacturing, where the cost of losing skilled employees is particularly high.

In a study focused on U.S. federal agencies, Lee (2018) investigated the relationship between employee turnover and organisational performance. Lee found that when turnover rates were high, agencies experienced significant declines in operational efficiency and employee engagement. The departure of experienced staff led to a loss of institutional knowledge, which

impacted decision-making processes and overall agency performance. The increased workload on remaining employees also led to burnout, reduced job satisfaction, and lower productivity. Financially, the agency incurred high costs for recruitment and training, which further strained resources. Lee's study reinforced the idea that high turnover is costly for both public and private organisations, ultimately affecting their ability to achieve their objectives.

Moderate turnover, although potentially less disruptive than high turnover, still poses a challenge for organisational performance. Mia et al. (2022) examined the financial impact of employee turnover on microfinance institutions globally. Their study indicated that while moderate turnover might not result in immediate operational setbacks, it still negatively affects the organisation's financial performance. Moderate turnover led to higher recruitment and training costs, as organisations continually needed to replace employees. The study found that even with moderate levels of turnover, microfinance institutions experienced a reduction in the level of customer service and satisfaction. Consequently, this affected customer retention and profitability, as clients were less likely to stay with institutions that experienced frequent employee changes.

Li et al. (2022) further examined the effects of employee turnover on firm performance by looking at a large sample of firms. Their findings revealed that even moderate turnover could create challenges in terms of knowledge retention and continuity. While firms could absorb the impact of moderate turnover by investing in recruitment and training, the loss of experienced employees often led to a temporary decline in operational efficiency and innovation. Over time, these moderate losses contributed to a reduction in firm performance, as they eroded the organisation's ability to adapt quickly to market changes and innovate effectively.

Low employee turnover, although often seen as a positive outcome, does not come without its own set of challenges. Houssein et al. (2020) explored employee retention strategies within the

financial sector in Djibouti and found that a low turnover rate could sometimes lead to complacency in organisations. In some cases, when turnover was low, employees became too comfortable in their roles, leading to stagnation in skill development and a lack of innovation. This was particularly evident in organisations where career development opportunities were limited. While low turnover might reduce recruitment and training costs, the study concluded that organisations should ensure that employee engagement and motivation are actively managed to prevent stagnation and ensure sustained high performance.

The empirical literature consistently highlights the significant relationship between employee turnover and organisational performance. High levels of turnover, especially among skilled and experienced employees, negatively impact both operational and financial performance. It leads to increased recruitment and training costs, disruption in service delivery, loss of knowledge, and a decline in employee morale. Moderate turnover, while less disruptive, can still result in decreased organisational efficiency and increased costs, affecting long-term performance. Low turnover, while often viewed as a positive indicator, can also present challenges in terms of complacency and stagnation if employee engagement and motivation are not effectively managed.

### **2.2.2 Direct financial costs of employee turnover and organizational performance**

Employee turnover, especially in terms of direct financial costs, has become a central concern for organisations aiming to maintain optimal performance. The financial impact of turnover is multifaceted, involving various direct costs such as recruitment, training, and the potential loss of productivity (Lyons and Bandura 2020). These costs, both immediate and long-term, can significantly affect an organisation's financial health and overall performance. Several studies have explored the direct financial costs associated with employee turnover, shedding light on how these costs influence different aspects of organisational performance.

Kuhn and Yu (2021) investigated the cost of employee turnover within the retail industry, finding that the direct financial costs associated with turnover can be substantial. In their research, they highlighted several key expenses, including the costs of advertising job openings, recruiting and interviewing candidates, conducting background checks, and onboarding new employees. The study concluded that the direct financial impact of turnover in retail settings can be as high as 50% of an employee's annual salary, depending on the position. Additionally, the costs of training new employees and the temporary loss of productivity as new hires get acclimatised to their roles were found to have a lasting effect on the organisation's operational efficiency. In retail businesses, where employees typically interact directly with customers, turnover can also lead to a decrease in service quality, which negatively affects customer satisfaction and ultimately, the organisation's reputation and revenue.

Similarly, Lyons and Bandura (2020) explored the direct financial implications of employee turnover in organisations. They noted that the financial costs of turnover extend beyond the immediate recruitment and training expenses. Organisations incur significant costs due to the loss of productivity, as it often takes time for new employees to reach the productivity levels of their predecessors. Moreover, in organisations where employees hold critical roles or possess specialised knowledge, turnover can lead to even greater financial losses. The authors emphasised that turnover not only affects the budget directly but also impacts organisational performance in terms of missed deadlines, reduced output, and decreased morale among remaining employees who must compensate for the loss of staff. The study suggested that understanding the full financial implications of turnover is essential for organisations to develop effective retention strategies, as the financial burden of turnover can significantly impact profitability and operational performance.

Kumar (2022) focused on talent management practices and their influence on employee turnover and retention in various organisational settings. The study highlighted that organisations with poor talent management practices experience higher turnover rates, leading to direct financial costs in the form of recruitment, training, and lost productivity. On the other hand, organisations that invest in employee development, create a supportive work environment, and have strong talent management systems in place can mitigate the financial costs associated with turnover. Kumar's research found that turnover-related financial costs are particularly pronounced in high-skill industries, where the recruitment and training of employees are resource-intensive. These costs can, therefore, have a pronounced impact on the financial performance of the organisation.

The importance of understanding direct financial costs is further emphasised in the work of Mhatre et al. (2020), who utilised big data and machine learning to predict employee attrition. While their study was focused on predicting turnover rather than its costs, it highlighted the financial consequences of unanticipated turnover. The costs incurred when organisations fail to predict turnover include last-minute recruitment expenses, urgent training costs, and the potential decrease in productivity as remaining employees try to fill in the gaps. The study argued that proactive measures, such as predictive analytics, can reduce the financial burden by allowing organisations to anticipate turnover and take preventative steps, such as offering retention incentives or career development opportunities.

Mhatre et al. (2020) also demonstrated that the immediate costs of turnover are exacerbated by the loss of high-performing employees who often possess specific skills that are difficult to replace. This leads to prolonged recruitment periods, which increase the cost of hiring and training new employees. Moreover, the prolonged absence of skilled workers impacts productivity, creating a cycle of increasing financial strain on the organisation.

Al-Suraihi et al. (2021) provided a comprehensive overview of the causes and costs of employee turnover, with particular attention to retention strategies. The authors noted that one of the most direct financial consequences of turnover is the investment required to replace an employee. They found that organisations with high turnover rates, particularly in sectors where skills and experience are paramount, incur significant costs not just in recruitment and training, but also in terms of lost business opportunities, decreased customer satisfaction, and diminished organisational performance. Al-Suraihi et al. argued that these financial losses often outweigh the perceived short-term savings that companies may believe they achieve by not investing in employee retention programmes. Thus, the study reinforced the idea that turnover costs are an ongoing financial burden that affects an organisation's bottom line.

Further evidence of the financial burden caused by employee turnover was provided by Lazzari et al. (2022), who explored employee turnover intention and its implications for organisational performance. The research highlighted that organisations with a high turnover rate experience rising recruitment and onboarding costs, which detracts from their profitability. Additionally, the study noted that turnover leads to a disruption in workflow, as new employees need time to become familiar with organisational processes, which further contributes to financial losses. While turnover can sometimes bring in fresh perspectives, the direct financial costs associated with it such as lower employee morale, operational disruption, and the financial outlay for recruitment and training generally outweigh the potential benefits.

In Uganda, Koutsoumpa et al. (2020) examined the health workforce financing challenges, including the financial implications of employee turnover in the public health sector. The study indicated that turnover in the health workforce results in considerable direct costs, including recruitment expenses and the costs of training new employees. Furthermore, when turnover occurs in critical roles, such as doctors and nurses, the financial implications are more severe,

as it leads to understaffing and overwork for remaining employees, ultimately resulting in a drop in service quality. These disruptions negatively affect organisational performance and the financial health of the institution. The study emphasised that the costs of turnover in the health sector are particularly high, not just due to recruitment and training, but also because of the potential risk to public health outcomes, which can have long-term financial consequences.

The empirical literature consistently demonstrates the significant financial costs associated with employee turnover. The direct costs, including recruitment, training, and the loss of productivity, create a substantial financial burden on organisations. These costs, when combined with the indirect costs such as decreased morale and service quality, can severely impact organisational performance. High turnover rates lead to not only immediate financial losses but also long-term challenges in maintaining operational efficiency, service quality, and employee engagement.

### **2.2.3 Knowledge loss and skill drain due to employee turnover and Organizational performance**

Employee turnover, particularly when it involves the loss of skilled workers, has far-reaching effects on an organisation's performance. Beyond the direct financial costs associated with turnover, organisations also face significant challenges due to knowledge loss and skill drain. Knowledge loss and skill drain refer to the departure of employees with critical skills, knowledge, and expertise. This loss can have profound consequences for an organisation's ability to maintain its competitive advantage and ensure operational efficiency. Firdaus and Amin (2025) examined the effect of employee turnover on operational efficiency, innovation, and customer satisfaction. Their study highlighted the importance of tacit knowledge, which is often embedded in the minds of experienced employees. Tacit knowledge includes insights, experiences, and expertise that are not easily codified but are essential to the smooth functioning of an organisation. The loss of such knowledge, due to turnover, can lead to

decreased operational efficiency and hinder innovation, as new employees often struggle to fill the knowledge gap left by their predecessors. The study also found that the loss of this intangible asset negatively impacts customer satisfaction, as employees with deep knowledge of customer preferences are often irreplaceable.

In the context of a financial institution like Equity Bank Uganda Ltd, the loss of institutional knowledge, especially related to customer service, banking operations, and compliance, could have serious ramifications. Employees in such organisations hold critical insights into processes, customer relationships, and financial products. The loss of these employees leads to a gap in knowledge, requiring time and resources for new staff to get up to speed, which in turn slows down the overall productivity of the bank.

Phaladi and Ngulube (2024) further investigate the effects of tacit knowledge loss in public enterprises, suggesting that the loss of experienced employees can cause disruptions in both operational processes and service delivery. Their research shows that public and private sector organisations alike experience similar consequences when high-level expertise is lost through turnover. The study emphasizes the importance of knowledge management practices, such as mentorship programs and knowledge sharing platforms, to reduce the impact of tacit knowledge loss. Specifically, for financial institutions like Equity Bank Uganda Ltd., the transfer of tacit knowledge through structured programmes could mitigate the impact of turnover on institutional knowledge. Without such strategies, the bank could face decreased service quality, which ultimately affects its performance.

In financial institutions, the knowledge loss is particularly critical as employees often possess specialised knowledge of financial products, customer portfolios, and regulatory requirements. Wanniarachchi et al. (2022) explored the organisational perspective on skill drain and its impact on organisational performance. Their research showed that skill drain, particularly when

employees with critical financial expertise leave an organisation, can directly affect a company's ability to deliver high-quality service, innovate, and comply with changing regulations. For instance, at Equity Bank Uganda Ltd., the departure of skilled financial analysts or branch managers could result in delays in product development, hinder financial decision-making, and affect compliance with Uganda's financial regulations. The loss of such expertise would consequently diminish the organisation's ability to adapt to market changes, leading to a competitive disadvantage.

Moon et al. (2022) examined the hidden costs of worker turnover in a manufacturing context, focusing on how the departure of skilled workers leads to product reliability issues. Although this study focuses on the manufacturing industry, its findings can be applied to the financial sector, where knowledge loss can manifest in various ways. When skilled workers, such as experienced relationship managers or senior loan officers, leave the bank, their departure impacts the bank's ability to maintain product reliability, client relationships, and customer trust. In the financial sector, product reliability can refer to the consistency and dependability of the bank's financial products, services, and advice, which are often closely tied to the knowledge and expertise of its employees. Knowledge loss, in this sense, may result in decreased customer satisfaction and operational inefficiencies.

In relation to Equity Bank Uganda Ltd., if experienced employees in key roles leave, the remaining employees may lack the necessary skills or knowledge to maintain high service levels. As a result, customers may experience delays in accessing services or errors in financial transactions, which could hurt the bank's reputation and profitability.

The mitigation of knowledge loss and skill drain is essential for maintaining organisational performance. Ong et al. (2022) focused on retaining skilled workers through motivation in the Malaysian context, arguing that organisations should focus on intrinsic and extrinsic motivators

to reduce turnover. Their study found that organisations that offer career development, recognition, and a supportive work environment are better able to retain skilled workers. This is particularly relevant to Equity Bank Uganda Ltd., which can implement similar strategies to retain its experienced workforce. Providing opportunities for career advancement, fostering a supportive work culture, and investing in employee well-being can reduce turnover and, consequently, mitigate knowledge loss and skill drain.

Phaladi (2021) proposed a framework for integrating knowledge management and human resource management to reduce organisational knowledge loss. The framework emphasizes the need for organisations to adopt proactive strategies such as creating knowledge repositories, engaging in continuous professional development, and fostering knowledge sharing among employees. For a bank like Equity Bank Uganda Ltd., implementing knowledge management systems that capture tacit knowledge and encourage mentoring can help preserve critical knowledge and skills within the organisation, reducing the negative impact of turnover.

Additionally, Guo et al. (2022) explored the relationship between work alienation and knowledge hiding, which exacerbates knowledge loss. Their study revealed that when employees feel disconnected or alienated from their work environment, they are less likely to share their knowledge, contributing to a knowledge gap when they eventually leave. This is particularly concerning for financial institutions, where the loss of financial expertise can have a domino effect on the organisation's performance. Therefore, fostering a supportive work environment that discourages alienation and promotes knowledge sharing is essential for mitigating the impact of turnover.

This literature provides compelling evidence that knowledge loss and skill drain due to employee turnover can significantly impact an organisation's performance, particularly in industries like banking, where employee expertise plays a crucial role in delivering high-quality

services. For Equity Bank Uganda Ltd., the loss of skilled employees can lead to decreased operational efficiency, hinder innovation, and damage customer satisfaction. To mitigate these risks, the bank must invest in retention strategies, such as career development, knowledge management systems, and creating a motivating work environment.

### **2.3 Summary of Literature and research Gaps**

The existing literature highlights the significant impact of employee turnover on organizational performance, particularly in African contexts. High turnover, especially of key employees, results in increased costs related to recruitment, training, and productivity losses. Studies by Kasanzu and Wanjira (2021) and Mwosi et al. (2024) suggest that turnover disrupts team dynamics, lowers morale, and erodes institutional knowledge, ultimately affecting an organization's strategic goals. Conversely, moderate turnover can bring in fresh ideas, but excessive turnover has a negative impact on long-term performance, as evidenced by Lee (2018) and Mboya and Mwakalila (2024).

The direct financial costs of turnover, including recruitment, training, and productivity losses, are well-documented in the literature. Lyons and Bandura (2020) and Kuhn and Yu (2021) emphasize that the costs are particularly high in sectors like banking, where skilled personnel are crucial. Kumar (2022) also shows that effective retention strategies can mitigate some of these financial costs. However, many organizations still struggle with balancing turnover and maintaining high performance.

Another critical consequence of turnover is the loss of knowledge and skills, which directly impacts operational efficiency, innovation, and customer satisfaction. Firdaus and Amin (2025) and Phaladi and Ngulube (2024) stress that turnover leads to a significant loss of tacit knowledge, which is difficult to replace. In financial institutions, where specialized knowledge is vital, the impact of knowledge loss is even more pronounced. Phaladi (2021) highlights that

many organizations fail to implement effective knowledge management systems to prevent such loss, exacerbating the negative effects of turnover.

Despite these insights, several research gaps remain, particularly in the Ugandan context. There is limited research on employee turnover in Uganda's financial sector, and the specific socio-economic factors influencing turnover in banks like Equity Bank Uganda Ltd. remain underexplored. Additionally, while much of the existing literature focuses on the immediate impact of turnover, the long-term consequences, such as diminished customer loyalty and regulatory issues, are not well-studied. Moreover, while moderate turnover can have positive effects, the varying impacts of different levels of turnover on performance need more attention. Research on knowledge management practices in Ugandan banks is also lacking, particularly in terms of how such systems can mitigate the effects of turnover. Furthermore, the specific consequences of skill drain in banking services have not been thoroughly investigated, particularly in terms of how it affects service delivery and innovation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter comprised the research design, research approach, study population, sampling design, sampling size calculation, stratified sampling allocation, sample size distribution, stratified sampling, advantages of using stratified sampling, purposive sampling, data collection methods, instruments for data collection, data analysis, limitations of the study and ethical considerations and the research interview guide.

#### **3.1 Research design**

The research adopted a case study research design, which was well-suited for examining complex issues in real-world contexts. A case study design allowed for an in-depth exploration of the effects of employee turnover on organisational performance, particularly within the context of Equity Bank Uganda Ltd. This approach was valuable as it provided detailed insights into the dynamics of turnover, knowledge loss, and financial costs, and how these factors impacted the bank's performance. A mixed-methods approach was employed, combining both qualitative and quantitative research methods to gather a more holistic perspective on the research problem. The quantitative aspect involved the collection of numerical data through surveys, while the qualitative aspect included interviews with key stakeholders, such as management, HR personnel, and employees. This provided insights into the underlying reasons for turnover, its effects on employee morale and team dynamics, and the role of knowledge loss in operational inefficiency and skill drain.

#### **3.2 Study Population**

The study focused on employees from Equity Bank Uganda Limited, specifically those in the operations, credit, and human resource departments. According to the bank's staff count records

from November 2024, the total number of employees in these departments is 244 (Equity Bank Staff Count Records, November 2024).

### 3.3 Sample Size and Sampling Design

#### 3.3.1 Sample Size

The sample size was calculated proportionally. A percentage calculation is done as below:

**Table 3.1: Quantitative sample size allocation table**

| Department     | Population size | Proportion of total population | Sample Size                          |
|----------------|-----------------|--------------------------------|--------------------------------------|
| Operations     | 120             | $120/239 = 0.502$              | $0.502 \times 148 = 74$ participants |
| Credit         | 104             | $104/239 = 0.435$              | $0.435 \times 148 = 64$ participants |
| Human Resource | 15              | $15/239 = 0.063$               | $0.063 \times 148 = 10$ participants |
| <b>Total</b>   | <b>239</b>      | <b>1.000</b>                   | <b>148</b>                           |

**Table 3. 2: Sample Size and Sampling Procedure**

| S/N          | Category               | Population | Sample Size | Sampling technique     |
|--------------|------------------------|------------|-------------|------------------------|
| 1            | Head of Operations     | 1          | 1           | Census Sampling        |
| 2            | Head of Credit         | 1          | 1           | Census Sampling        |
| 3            | Head of Human Resource | 1          | 1           | Census Sampling        |
| 4            | Head of Finance        | 1          | 1           | Census Sampling        |
| 5            | Branch Manager         | 1          | 1           | Census Sampling        |
| 6            | Operations             | 120        | 74          | Simple Random Sampling |
| 7            | Credit                 | 104        | 64          | Simple Random Sampling |
| 8            | Human Resource         | 15         | 10          | Simple Random Sampling |
| <b>Total</b> |                        | <b>244</b> | <b>153</b>  |                        |

*Source: Equity Bank Staff count records (2024).*

#### 3.3.2 Sampling Design

Sampling technique is a method of drawing samples from a population usually in such a manner that the sample facilitated determination of some hypothesis concerning the population. The study employed census and Simple Random sampling techniques in selecting the sample.

### **3.3.2.1 Census Sampling**

Census sampling involved collecting data from every member of a population, ensuring complete enumeration. This method was particularly useful when the population size was manageable, allowing for comprehensive analysis without the need for sampling. A census ensured that all key figures in these positions contributed to the study, capturing a complete perspective on the issue. The study adopted a census approach for selecting key informants in senior management positions, including the Head of Operations, Head of Credit, Head of Human Resources, Head of Finance, and Branch Managers. These individuals held critical decision-making roles and possessed comprehensive insights into how employee turnover affected different aspects of organisational performance at Equity Bank Uganda Limited.

### **3.3.2.2 Simple Random Sampling**

The study used simple random sampling to select respondents from the Operations, Credit, and Human Resources departments. This method ensured that every eligible employee within these departments had an equal chance of being selected, reducing selection bias and enhancing the generalisability of the findings. By using a random approach, the study captured a diverse range of perspectives on employee turnover and its impact on organisational performance. This technique complemented the census of key informants, providing a balanced mix of insights from both senior management and departmental staff.

## **3.4 Data Sources**

Data sources refer to the origins from which data is gathered for a study. These are typically categorised into two types: primary and secondary data.

### **3.5.1 Primary Data**

Primary data was collected directly from respondents through structured questionnaires and Key Informant Interviews (KIIs). The study engaged employees from the Operations, Credit,

and Human Resource departments, as well as senior managers, including the Head of Operations, Head of Credit, Head of Human Resources, Head of Finance, and selected Branch Managers. The use of primary data provided first-hand insights into employee turnover and its impact on organisational performance at Equity Bank Uganda Limited

### **3.4.2 Secondary Data**

Secondary data was obtained from existing reports, organisational records, and published literature related to employee turnover and organisational performance. This included staff turnover reports, financial statements, industry reports, and academic studies. These sources helped provide contextual background, trends, and comparisons that supported the analysis of primary data. The combination of both primary and secondary data enhanced the reliability and comprehensiveness of the study findings.

## **3.5 Data Collection methods**

This study utilised survey questionnaires and key informant interviews.

### **3.5.1 Survey Questionnaires**

Survey questionnaires were administered to employees in the Operations, Credit, and Human Resource departments. These structured questionnaires captured quantitative data on the levels of employee turnover, direct financial costs associated with turnover, and the extent of knowledge loss and skill drain. The survey approach ensured a standardised collection of responses, allowing for statistical analysis of trends and relationships between employee turnover and organisational performance.

### **3.5.2 Key Informant Interviews**

Key Informant Interviews (KIIs) were conducted with senior management personnel, including the Head of Operations, Head of Credit, Head of Human Resources, Head of Finance, and

selected Branch Managers. These interviews provided qualitative insights into the causes of employee turnover, its financial implications, and the strategies Equity Bank Uganda Limited implemented to mitigate its effects. KIIs captured in-depth perspectives that were not fully addressed through survey questionnaires, enriching the study with detailed managerial experiences and observations.

### 3.6 Measurement of Variables

The variables in this study was measured using a 5-point Likert scale to assess the effect of employee turnover on organizational performance. The Likert scale ranged from 1 (Strongly Disagree) to 5 (Strongly Agree), allowing respondents to express varying degrees of agreement with each statement related to the study's key variables

### 3.7 Validity and Reliability of Research Instruments

#### 3.7.1 Validity

To ensure the validity of the study, the research instrument was subjected to validation by the supervisor. The instrument was evaluated by the supervisors and other experts against the study's research questions, theory, and literature to confirm its relevance and alignment with the study objectives. The Content Validity Index (CVI) was employed to assess the extent to which the items in the instrument represent the concepts being studied. The finding from the experts were used to establish CVI

**Table 3. 3: Validity findings**

|         | Relevant items | Not relevant items | Total |
|---------|----------------|--------------------|-------|
| Rater 1 | 42             | 3                  | 45    |
| Rater 2 | 43             | 2                  | 45    |
| Total   | 85             | 5                  | 90    |

**Source: Primary Data (2025)**

$$\begin{aligned}
\text{CVI} &= \frac{\text{Relevant Items}}{\text{Total Number of Items}} \\
&= \frac{85}{90} \\
&= 0.944
\end{aligned}$$

Torkian, *et. al.*, (2020) suggestion of a minimum CVI of 0.7 for high-quality research was followed

### 3.7.2 Reliability

Reliability refers to the consistency and dependability of the research instrument to measure variables accurately and yield replicable results. To achieve this, the study pre-tested the questionnaire to ensure that it consistently provides reliable data. The Cronbach Alpha Coefficient was used to assess the internal consistency of the instrument, with a coefficient value of 0.70 or above indicating a reliable instrument (Bujang, *et. al.*, 2018). The following were the findings

**Table 3. 4: Reliability findings**

| Concept                                | Alpha Value |
|--|-------------|
| Levels of employee turnover            | 0.732       |
| Knowledge Loss and Skill Drain         | 0.751       |
| Direct Financial Costs due to turnover | 0.764       |
| organizational Performance             | 0.710       |

**Source: Primary Data (2025)**

The Cronbach Alpha Value was used to test the reliability of the study instrument, and the results showed that it was trustworthy. The lowest values for each metric were 0.710, while Bujang, *et. al.*, (2018) emphasize that the lowest minimum permissible value is 0.700. Consequently, the research tools were trustworthy

## **3.8 Data Analysis**

### **3.8.1 Qualitative data analysis**

Qualitative data were analysed through thematic analysis to uncover recurring themes and patterns within the data. This process involved systematically coding the data, identifying significant themes, and interpreting findings in relation to the research questions. Thematic analysis organised data into categories, which helped in understanding and explaining the underlying meanings and insights provided by participants. This approach allowed for a detailed examination of qualitative data, facilitating the extraction of meaningful patterns and insights relevant to the study's objectives. The findings helped answer the research questions and highlighted the need for comprehensive employee support systems and interventions to maintain high morale and job satisfaction in the face of turnover.

### **3.8.2 Quantitative Data Analysis**

Quantitative data were collected through structured survey questionnaires administered to employees in the Operations, Credit, and Human Resource departments. The data were analysed using descriptive and inferential statistical methods. Descriptive statistics such as frequencies, percentages, means, and standard deviations summarised the data, providing an overview of employee turnover levels, financial costs associated with turnover, and organisational performance indicators such as revenue, productivity, and employee morale.

Inferential statistics were used to examine relationships between variables. A correlation analysis and a multiple regression analysis assessed the effect of employee turnover (independent variable) on organisational performance (dependent variable). This analysis determined the significance and strength of the relationship between turnover levels, financial costs, knowledge loss, and organisational performance indicators. Statistical analysis was

conducted using SPSS (Statistical Package for the Social Sciences), and the results were presented in tables and graphs for clear interpretation.

### **3.9 Limitations of the study**

Several limitations arose when conducting this study on the impact of high employee turnover on organisational performance. One significant limitation was that staff were reluctant to provide complete information due to concerns that their responses could be traced back to them, potentially leading to negative consequences from management. This issue was particularly relevant in cases where employees feared retaliation or a breach of confidentiality.

Time constraints also posed a challenge, as employees struggled to dedicate sufficient time to fully engage in interviews or complete surveys. Increased workloads due to high turnover left remaining staff with limited availability to participate meaningfully in the study. This resulted in incomplete or rushed responses, affecting the depth and accuracy of the data collected. Additionally, organisational policies on confidentiality discouraged employees from openly discussing internal challenges, further limiting access to critical insights.

Qualitative data analysis introduced potential challenges as well. Interpretation of responses was inherently subjective, and if not handled carefully, there was a risk of researcher bias influencing the conclusions. Although qualitative research provided valuable insights into specific cases, its findings were difficult to generalise to a broader population. The unique conditions of a particular organisation may not necessarily apply to other institutions, limiting the extent to which conclusions could be drawn for the banking sector as a whole.

To mitigate these challenges, the study ensured strict confidentiality measures, encouraged voluntary participation, and triangulated data sources to enhance the reliability and applicability of the findings.

### **3.10 Ethical considerations**

This study adhered to strict ethical guidelines to protect the rights and welfare of participants. Informed consent was obtained from all respondents, ensuring they fully understood the purpose of the study, their voluntary participation, and the right to withdraw at any time. Participants' anonymity and confidentiality were maintained by not collecting personally identifiable information and securely storing the data. Additionally, no participant faced harm or coercion, and the study received approval from an ethics review board to ensure compliance with established ethical standards

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.0 Introduction

This chapter presents the findings on employee turnover and its impact on organisational performance, with a specific focus on Equity Bank Uganda Limited. The chapter outlines the study's results in relation to the research objectives, which aim to assess the effect of varying levels of employee turnover on organisational performance, investigate the direct financial costs associated with turnover, and examine the impact of knowledge loss and skill drain due to turnover. These objectives are addressed in detail, offering valuable insights into how employee turnover influences the overall performance and operational efficiency at Equity Bank Uganda Ltd.

#### 4.1 Response Rate

This section presents the response rate of the study

**Table 4.1: Showing the Response Rate of the Respondents**

| <b>Instruments</b> | <b>Targeted No</b> | <b>No of respondents</b> | <b>Percentage (%)</b> |
|--------------------|--------------------|--------------------------|-----------------------|
| Interviews         | 5                  | 4                        | 80.0%                 |
| Questionnaires     | <b>148</b>         | 148                      | 100.0%                |
| <b>Total</b>       | 153                | 152                      | 99.3%                 |

*Source: Primary data (2025).*

The table presents the response rate for data collection instruments used in the study. Interviews were conducted with a targeted sample of 5 participants, out of which 4 responded, resulting in a response rate of 80%. Questionnaires were distributed to 148 participants, and all were completed, yielding a 100% response rate. Overall, out of the 153 targeted respondents, 152 participated in the study, representing a 99.3% response rate. This high response rate suggests that the data collected is representative and reliable for analysis.

## 4.2. Demographic Characteristics of the Respondents

**Table 4. 2: Demographic Characteristics of the Respondents**

| <b>Gender</b>           | <b>Frequency (n=148)</b> | <b>Percentage (%)</b> |
|-------------------------|--------------------------|-----------------------|
| Male                    | 72                       | 48.6                  |
| Female                  | 76                       | 51.4                  |
| <b>Marital status</b>   |                          |                       |
| Single                  | 26                       | 17.6                  |
| Cohabiting              | 2                        | 1.4                   |
| Married                 | 113                      | 76.4                  |
| Divorced                | 5                        | 3.4                   |
| Widowed                 | 2                        | 1.4                   |
| <b>Duration of Work</b> |                          |                       |
|                         | 3                        | 7.7%                  |
| Less than 1 year        | 21                       | 14.2                  |
| 1-3 years               | 23                       | 15.5                  |
| 4-5 years               | 12                       | 8.1                   |
| 6-12 years              | 62                       | 41.9                  |
| Over thirteen years     | 30                       | 20.3                  |

**Source: Primary data (2025)**

The findings on gender distribution indicate that there is a fairly balanced representation of male and female employees at Equity Bank Uganda Limited, with 48.6% male employees and 51.4% female employees. This suggests that gender is not a significant differentiating factor in terms of employee turnover, indicating that both male and female employees contribute equally to the workforce.

Regarding marital status, the majority of employees (76.4%) are married, which may indicate a more settled workforce. Single employees represent 17.6%, while cohabiting, divorced, and

widowed employees each represent a small portion of the workforce (1.4%, 3.4%, and 1.4%, respectively). The high percentage of married employees may suggest that those with families might be more committed to their roles and, therefore, less likely to leave, although this would need further exploration.

When examining the duration of employment, the majority of employees (41.9%) have worked at Equity Bank Uganda Ltd for 6-12 years, which reflects a relatively stable workforce with a significant proportion of long-tenured employees. Another 20.3% have worked for over 13 years, indicating a solid core of experienced staff. However, 14.2% of employees have worked for less than one year, suggesting a moderate influx of new hires, while 15.5% have been employed for 1-3 years, pointing to some turnover. The relatively smaller proportion of employees in the 4-5-year bracket (8.1%) could signal a potential area of concern for retention in that specific tenure range.

### **4.3 Descriptive Statistics**

This section presents the descriptive statistics based on respondents' answers to statements about the study's independent and dependent variables. These statements were rated using a Likert scale to gauge levels of agreement or disagreement. The mean values for each variable are interpreted using the following 5-point scale:

1.0 - 1.8: Strongly Disagree

1.81 - 2.6: Disagree

2.61 - 3.4: Neutral

3.41 - 4.2: Agree

4.21 - 5.0: Strongly Agree

The standard deviation is also provided to measure response variability. A low standard deviation indicates that responses are closely clustered around the mean, while a high standard deviation shows greater variation in responses.

### 4.3.1 Descriptive statistics on Levels of Employee Turnover

The table below presents findings from the statements posed assessing the aspect of Levels of Employee Turnover

**Table 4. 3: Descriptive statistics for Levels of Employee Turnover**

|  | N   | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|------|----------------|
| The number of employees leaving the company has been consistently low over the past year.                  | 148 | 1       | 5       | 1.68 | 1.010          |
| Employee turnover in the company is at a moderate level and occurs periodically.                           | 148 | 1       | 5       | 2.05 | 1.157          |
| Employee turnover is high in my department, leading to frequent changes in team composition                | 148 | 1       | 5       | 3.41 | 1.364          |
| There is a strong sense of job security among employees in this department.                                | 148 | 1       | 5       | 2.86 | 1.283          |
| The bank has been facing challenges with employee retention in recent months.                              | 148 | 1       | 5       | 4.10 | 1.067          |
| High employee turnover has had a negative impact on the team's performance and morale.                     | 148 | 1       | 5       | 3.86 | 1.164          |
| In my department, turnover is noticeable but does not disrupt the overall functioning                      | 148 | 1       | 5       | 2.91 | 1.304          |
| The company does a good job of retaining its staff.  | 148 | 1       | 5       | 1.97 | 1.285          |
| The turnover rate is affecting the continuity of work task completion in my department.                    | 148 | 1       | 5       | 3.14 | 1.318          |
| There are occasions when experienced employees leave, but it does not significantly affect work processes. | 148 | 1       | 5       | 2.34 | 1.292          |
| Valid N (listwise)   | 148 |         |         |      |                |

**Source: Primary data (2025)**

The findings reveal that employee turnover at Equity Bank Uganda Limited has had varying impacts on different aspects of the organization. One of the key observations is that the number of employees leaving the bank has been consistently low over the past year, with a mean score

of 1.68, indicating that, for the most part, turnover has not been a significant concern during this period. The relatively low standard deviation (1.010) supports this, suggesting that responses were consistent among participants, with the majority agreeing that turnover levels have been minimal. Despite this, there is a perception that employee turnover occurs at a moderate level and periodically, as indicated by the mean score of 2.05. While this perception is still on the lower end, the higher standard deviation of 1.157 reveals a degree of variation in responses, suggesting that some employees may perceive turnover to be more frequent than others.

Employee turnover is also reported to be more pronounced in specific departments. For instance, the statement that turnover is high in certain departments, leading to frequent changes in team composition, had a mean score of 3.41, suggesting that turnover in these areas is indeed notable. The higher standard deviation of 1.364 indicates that turnover is experienced more acutely in some departments than in others, reflecting varying degrees of concern depending on the department. As one senior manager put it,

*“In departments like Credit and Loans, turnover has slowly become quite noticeable. It feels like every six months we’re having to adjust to new people coming in, which affects how we work” (KII, 2025).*

This implies that while turnover is not across the board, certain departments experience it more intensely, disrupting team consistency.

Furthermore, the perception of job security among employees, with a mean of 2.86, indicates a general lack of confidence in job stability. The higher standard deviation (1.283) points to differing opinions on this issue, suggesting that while some employees feel secure in their roles, others do not share this sentiment..

The bank’s challenges with employee retention were also evident, with a mean score of 4.10, indicating that most employees agree that retention has been problematic in recent months.

This perception is consistent, as the relatively narrow standard deviation (1.067) suggests that a significant majority of employees share this view. Additionally, the negative impact of high turnover on team performance and morale was evident, with a mean score of 3.86. This finding aligns with the perception that turnover disrupts team dynamics, reduces performance, and lowers morale. The standard deviation (1.164) suggests a general consensus among employees, though some variance exists in the extent to which they feel turnover affects morale. One branch manager shared,

*“The biggest issue for us has been keeping up with the workload. When people leave, the remaining team members have to pick up the slack, and that’s led to a noticeable drop in morale”* (KII, 2025).

This highlights how the additional burden placed on remaining staff can negatively affect their performance and overall mood.

Regarding the impact of turnover on department operations, a mean score of 2.91 indicates that while turnover is noticeable, it does not significantly disrupt overall functioning. However, the standard deviation of 1.304 suggests differing opinions on whether turnover disrupts day-to-day operations. When it comes to retention efforts, the bank received low marks, as reflected by the mean score of 1.97, indicating that employees largely disagree with the statement that the company does a good job retaining its staff. The standard deviation (1.285) further indicates a consistent dissatisfaction with the bank's retention strategies.

In addition, turnover was found to impact the continuity of work task completion, as reflected by a mean score of 3.14. While the impact was not overwhelmingly severe, the relatively high standard deviation (1.318) suggests that there are varying perceptions of how much turnover disrupts work continuity. Similarly, the departure of experienced employees was seen to affect work processes, with a mean score of 2.34, suggesting that, contrary to the idea that such departures do not have a significant effect, most respondents believed that the loss of

experienced staff does disrupt work. The relatively low standard deviation (1.292) indicates a consensus on this point. As one senior manager reflected,

*“What I can say is that losing experienced people means we lose a lot of valuable knowledge that’s not always easy to replace. It’s a gap that takes time to fill, and it does affect how smoothly things run”* (KII, 2025).

This statement reinforces the importance of retaining experienced staff to ensure continuity and operational efficiency.

### 4.3.2 Descriptive statistics on Direct Financial Costs due to turnover

The table below presents findings from the statements posed assessing the aspect of Direct Financial Costs due to turnover

**Table 4. 4: Descriptive statistics for Direct Financial Costs due to turnover**

|  | N   | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|------|----------------|
| The bank incurs significant recruitment costs every time an employee leaves the organisation.                      | 148 | 1       | 5       | 3.96 | 1.042          |
| Employee turnover has led to an increase in costs associated with hiring new staff.                                | 148 | 1       | 5       | 3.92 | .986           |
| Training new employees to replace those who leave requires a substantial financial investment.                     | 148 | 1       | 5       | 3.90 | .967           |
| The training costs for new hires are higher than anticipated due to the frequent turnover.                         | 148 | 1       | 5       | 3.85 | .950           |
| Employee turnover results in productivity loss because of the time spent on recruitment and training               | 148 | 1       | 5       | 3.68 | 1.218          |
| The cost of recruiting new employees has a noticeable impact on the department's budget.                           | 148 | 1       | 5       | 3.74 | 1.019          |
| Training expenses for new staff have a direct financial impact on the company's overall costs                      | 148 | 1       | 5       | 3.95 | 1.052          |
| When employees leave, the productivity of the team is significantly reduced until new employees are fully trained. | 148 | 1       | 5       | 3.79 | 1.268          |
| High employee turnover has caused a strain on financial resources due to increased hiring and training expenses.   | 148 | 1       | 5       | 3.66 | 1.164          |
| The time and cost involved in recruiting and training new employees outweigh the benefits of hiring replacements   | 148 | 1       | 5       | 3.52 | 1.291          |
| Valid N (listwise)   | 148 |         |         |      |                |

**Source: Primary data (2025)**

The findings from the data on recruitment and training costs associated with employee turnover at Equity Bank Uganda Ltd. indicate significant financial implications for the organization. The mean score for the statement "The bank incurs significant recruitment costs every time an employee leaves the organisation" is 3.96, suggesting that respondents largely agree with the statement that turnover results in substantial recruitment expenses. The standard deviation of 1.042 indicates that there is a moderate level of consensus among employees regarding the financial burden of recruitment due to turnover. One senior manager pointed out,

*"Every time an employee leaves, it feels like we start from scratch. The recruitment process is costly, both in terms of time and money"* (KII, 2025). This suggests that the recruitment process is not only financially demanding but also time-consuming.

A similar trend is observed for the statement "Employee turnover has led to an increase in costs associated with hiring new staff," which has a mean score of 3.92. This indicates that turnover is contributing to higher recruitment costs, and the relatively low standard deviation (0.986) suggests a strong agreement across respondents on the impact of turnover on hiring expenses. Furthermore, the mean score of 3.90 for "Training new employees to replace those who leave requires a substantial financial investment" supports the view that turnover leads to a significant financial commitment in training new staff. The standard deviation (0.967) again reflects relatively uniform perceptions of training costs across the sample. The statement "The training costs for new hires are higher than anticipated due to the frequent turnover" also garnered a high mean score of 3.85, suggesting that employees perceive an increase in training expenses due to the regular turnover. The standard deviation of 0.950 indicates that most respondents agree on the elevated training costs. A comment from the Head of Human Resources highlighted this issue:

*"Training costs are much higher when employees keep leaving. It feels like we're always*

*trying to catch up, and it becomes a financial burden on the company"* (KII, 2025). This emphasises how the recurring nature of turnover exacerbates training costs, forcing the bank to allocate more resources to onboarding.

The financial strain caused by recruitment and training expenses is further highlighted in statements such as "The cost of recruiting new employees has a noticeable impact on the department's budget" (mean = 3.74, standard deviation = 1.019) and "Training expenses for new staff have a direct financial impact on the company's overall costs" (mean = 3.95, standard deviation = 1.052). These findings demonstrate that employee turnover is not only a drain on departmental budgets but also contributes significantly to the overall financial costs of the bank..

Additional insights are provided by the statement "When employees leave, the productivity of the team is significantly reduced until new employees are fully trained" with a mean score of 3.79 and a standard deviation of 1.268, indicating that team productivity is considerably affected during the onboarding and training period of new employees. The impact of turnover on financial resources is also apparent in the statement "High employee turnover has caused a strain on financial resources due to increased hiring and training expenses" (mean = 3.66, standard deviation = 1.164), which reinforces the notion that turnover results in considerable financial strain.

In addition, respondents rated the statement "The time and cost involved in recruiting and training new employees outweigh the benefits of hiring replacements" with a mean score of 3.52, suggesting that while there may be some perceived value in replacing staff, the costs involved in recruitment and training may outweigh the benefits. The high standard deviation (1.291) indicates that opinions on this matter are somewhat divided, with some employees feeling that the costs involved are justifiable, while others feel they are excessive. One senior manager observed,

*"At times, it feels like we are spending more money to replace someone than we would if we focused on retaining the staff we have"* (KII, 2025). This comment underscores the concern that the costs of turnover might outweigh the perceived benefits of hiring replacements, particularly when the associated expenses are taken into account.

#### **4.3.3 Descriptive statistics on Knowledge Loss and Skill Drain**

The table below presents findings from the statements posed assessing the aspect of Knowledge Loss and Skill Drain.

**Table 4. 5: Descriptive statistics for Knowledge Loss and Skill Drain**

|  | N   | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|------|----------------|
| Frequent employee turnover leads to the loss of valuable institutional knowledge.                                  | 148 | 1       | 5       | 3.92 | 1.152          |
| When employees leave, critical knowledge and expertise are lost, affecting the organisation's overall performance. | 148 | 1       | 5       | 3.92 | 1.060          |
| The loss of experienced employees creates significant skill gaps within the team.                                  | 148 | 1       | 5       | 4.01 | 1.106          |
| The departure of key employees has a negative impact on the bank's ability to maintain operational continuity.     | 148 | 1       | 5       | 3.72 | 1.081          |
| The knowledge loss due to turnover results in a decline in the efficiency of our operations                        | 148 | 1       | 5       | 3.91 | 1.006          |
| Employee turnover has led to an increased need for training to fill skills gaps within the team.                   | 148 | 1       | 5       | 4.05 | .943           |
| The skills gaps left by departing employees take a long time to fill, affecting overall team productivity.         | 146 | 1       | 5       | 3.85 | 1.122          |
| Institutional knowledge is difficult to replace, and its loss due to turnover affects our competitive advantage.   | 148 | 1       | 5       | 3.82 | 1.092          |
| The departure of long-term employees creates challenges in transferring essential knowledge to new hires.          | 146 | 1       | 5       | 3.92 | 1.183          |
| Frequent turnover causes a noticeable loss in both tacit and explicit knowledge within the organisation            | 148 | 1       | 5       | 3.95 | 1.090          |
| Valid N (listwise)   | 144 |         |         |      |                |

**Source: Primary data (2025)**

The findings presented in the data on knowledge loss and skill gaps due to employee turnover

at Equity Bank Uganda Ltd. illustrate the significant impact of turnover on the organisation's intellectual capital and operational effectiveness. The statement "Frequent employee turnover leads to the loss of valuable institutional knowledge" had a mean score of 3.92, suggesting a strong agreement among respondents that turnover results in the loss of important organisational knowledge. The standard deviation of 1.152 indicates some variability in the responses, but the overall trend highlights the perceived negative impact of turnover on knowledge retention within the bank.

Similarly, the statement "When employees leave, critical knowledge and expertise are lost, affecting the organisation's overall performance" received a mean score of 3.92, reflecting a consensus that turnover causes a detrimental loss of critical knowledge, which in turn affects performance. This is further supported by the statement "The loss of experienced employees creates significant skill gaps within the team," with a mean score of 4.01, the highest in this section, signifying that the loss of experienced employees creates noticeable skill shortages. The standard deviation of 1.106 also suggests that this impact is widely recognised, though some departments may experience it more acutely than others. One senior manager shared,

*"When people with years of experience leave, we lose more than just their roles; we lose the feel of how things work around here. It's not just about filling positions, it's about bridging those gaps in knowledge"* (KII, 2025). This reflects the widespread recognition of the loss of valuable expertise that can directly hinder performance and productivity.

The departure of key employees has a significant impact on operational continuity, as reflected in the statement "The departure of key employees has a negative impact on the bank's ability to maintain operational continuity" (mean = 3.72, standard deviation = 1.081). This suggests that staff turnover disrupts business operations, and the team's ability to maintain smooth

workflows is compromised. Furthermore, the loss of institutional knowledge is perceived to lead to reduced operational efficiency, as indicated by the mean score of 3.91 for the statement "The knowledge loss due to turnover results in a decline in the efficiency of our operations."

The data also underscores the need for additional training to mitigate the effects of knowledge and skill loss. The statement "Employee turnover has led to an increased need for training to fill skills gaps within the team" received a high mean score of 4.05, suggesting that turnover has created a demand for ongoing training. This is consistent with the finding that "The skills gaps left by departing employees take a long time to fill, affecting overall team productivity" (mean = 3.85, standard deviation = 1.122), indicating that the time required to address skill shortages hinders productivity and operational effectiveness.

The difficulty in replacing institutional knowledge is highlighted by the statement "Institutional knowledge is difficult to replace, and its loss due to turnover affects our competitive advantage" (mean = 3.82, standard deviation = 1.092). This finding suggests that the loss of experienced employees hampers the bank's ability to maintain a competitive edge. Similarly, "The departure of long-term employees creates challenges in transferring essential knowledge to new hires" (mean = 3.92, standard deviation = 1.183) further demonstrates the complexities involved in transferring critical knowledge to new employees, thereby contributing to the disruption of the bank's operations. One of the key informants also mentioned, "

*"When someone with years of service leaves, their understanding of internal processes, customer relationships, and even unspoken rules leaves with them. We can't replace that easily"* (KII, 2025). This highlights how deeply embedded knowledge within long-term employees contributes to maintaining the organisation's operational strength and competitive position.

In addition, the impact of turnover on both tacit and explicit knowledge is evident, as reflected in the statement "Frequent turnover causes a noticeable loss in both tacit and explicit knowledge within the organisation" (mean = 3.95, standard deviation = 1.090). This suggests that turnover affects not just the tangible knowledge or documented processes, but also the intangible, experiential knowledge held by experienced employees, which is harder to replace

#### **4.3.4 Descriptive statistics on Organizational performance**

The table below presents findings from the statements posed assessing the aspect of Organizational performance

**Table 4. 6: Descriptive statistics for Levels of Organizational performance**

|  | N   | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|------|----------------|
| Our revenue has increased despite the challenges caused by high employee turnover.                               | 148 | 1       | 5       | 2.95 | 1.080          |
| We have noticed a decrease in our profit margins due to high employee turnover.                                  | 148 | 1       | 5       | 3.03 | .993           |
| Employee turnover has led us to incur higher recruitment and training costs, affecting our cost efficiency.      | 148 | 1       | 5       | 3.86 | .904           |
| Our workplace productivity has significantly decreased due to the loss of experienced employees through turnover | 148 | 1       | 5       | 3.40 | 1.298          |
| Employee turnover has hindered innovation and creative problem-solving within our organisation.                  | 148 | 1       | 5       | 3.55 | 1.180          |
| High employee turnover has limited our ability to maintain operational agility and flexibility.                  | 148 | 1       | 5       | 3.62 | 1.121          |
| The loss of key employees due to turnover has disrupted our operational performance and service delivery.        | 148 | 1       | 5       | 3.67 | 1.183          |
| Our employee morale has decreased as a result of high turnover rates within the organisation.                    | 148 | 1       | 5       | 3.91 | 1.115          |
| Employee engagement levels have been lower due to the constant changes caused by turnover                        | 148 | 1       | 5       | 3.93 | 1.098          |
| The frequent departure of experienced employees has negatively affected team dynamics and collaboration          | 148 | 1       | 5       | 3.84 | 1.119          |
| Frequent turnover has caused a decline in job satisfaction among the remaining employees.                        | 148 | 1       | 5       | 4.04 | 1.036          |
| Valid N (listwise)   | 148 |         |         |      |                |

**Source: Primary data (2025)**

The findings highlight the impact of employee turnover on financial, operational, and employee-related performance at Equity Bank Uganda Ltd. The statement "Our revenue has increased despite the challenges caused by high employee turnover" had a mean score of 2.95,

indicating that respondents were largely neutral or slightly disagreed that revenue had grown despite turnover challenges. This suggests that turnover may be affecting financial growth, although the impact is not uniform across all departments. Additionally, the statement "We have noticed a decrease in our profit margins due to high employee turnover" received a mean of 3.03, reflecting a slight agreement that turnover negatively affects profitability, likely due to increased costs related to recruitment and lost productivity.

The financial burden of turnover is further emphasised by the statement "Employee turnover has led us to incur higher recruitment and training costs, affecting our cost efficiency" (mean = 3.86, standard deviation = 0.904). This suggests that most respondents agreed that turnover increases costs, making operations less efficient. High recruitment and training costs directly impact profitability, reinforcing the need for retention strategies to mitigate these expenses.

The operational effects of turnover are also evident in the data. The statement "Our workplace productivity has significantly decreased due to the loss of experienced employees through turnover" had a mean score of 3.40, indicating that respondents recognised a decline in productivity caused by turnover. This is closely linked to "Employee turnover has hindered innovation and creative problem-solving within our organisation" (mean = 3.55), suggesting that turnover disrupts the organisation's ability to generate new ideas and solve problems efficiently. Furthermore, the mean score of 3.62 for "High employee turnover has limited our ability to maintain operational agility and flexibility" indicates that respondents believe turnover affects the organisation's ability to adapt to changes and respond to market demands.

Service delivery and operational efficiency have also been disrupted due to turnover, as reflected in the statement "The loss of key employees due to turnover has disrupted our operational performance and service delivery" (mean = 3.67). This suggests that turnover not only affects internal workflows but also the quality of service provided to clients. The inability

to retain experienced employees appears to have negatively impacted service consistency and overall organisational stability.

The impact of turnover on employees' morale and engagement is significant. "Our employee morale has decreased as a result of high turnover rates within the organisation" had a high mean score of 3.91, showing a strong agreement that morale is negatively affected by turnover. Similarly, "Employee engagement levels have been lower due to the constant changes caused by turnover" received a mean of 3.93, indicating that turnover disrupts employee commitment and involvement in organisational activities. Constant staff changes may create uncertainty, reducing motivation and affecting performance.

Furthermore, "The frequent departure of experienced employees has negatively affected team dynamics and collaboration" (mean = 3.84) shows that turnover impacts teamwork, making it harder for employees to build strong professional relationships. Additionally, the highest mean score in this section (4.04) was for "Frequent turnover has caused a decline in job satisfaction among the remaining employees", highlighting that turnover reduces job satisfaction among those who stay. The departure of colleagues increases workload, creates instability, and affects employees' overall experience within the organisation.

#### **4.4 Correlation Analysis**

The table below presents result of the correlation analysis conducted between Knowledge Loss and Skill Drain, Levels of employee turnover, Direct Financial Costs due to turnover and organisational performance

**Table 4. 7: Pearson's correlation Matrix.**

### Correlations

|  |                     | 1      | 2      | 3      | 4      |
|--|---------------------|--------|--------|--------|--------|
| Levels of employee turnover (1)            | Pearson Correlation | 1      | .446** | .402** | .408** |
|  | Sig. (2-tailed)     |        | .000   | .000   | .000   |
| Direct Financial Costs due to turnover (2) | Pearson Correlation | .446** | 1      | .782** | .878** |
|  | Sig. (2-tailed)     | .000   |        | .000   | .000   |
| Knowledge Loss and Skill Drain (3)         | Pearson Correlation | .402** | .782** | 1      | .773** |
|  | Sig. (2-tailed)     | .000   | .000   |        | .000   |
| Organizational Performance (4)             | Pearson Correlation | .408** | .878** | .773** | 1      |
|  | Sig. (2-tailed)     | .000   | .000   | .000   |        |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary data (2025)s**

The correlation analysis examined the relationships between employee turnover, its associated costs, knowledge loss, and organisational performance. The correlation analysis revealed significant relationships between employee turnover, financial costs, knowledge loss, and organisational performance. A moderate positive correlation ( $r=.408$ ,  $p=.000$ ) exists between levels of employee turnover and organisational performance, indicating that as turnover increases, there is a noticeable effect on performance. However, the relationship is not very strong, suggesting that while turnover contributes to performance challenges, other factors also play a role.

Financial costs due to turnover show a very strong positive correlation with organisational performance ( $r=.878$ ,  $p=.000$ ), implying that as expenses related to recruitment, training, and lost productivity rise, organisational performance is significantly affected. The strength of this relationship suggests that financial costs are a critical factor in determining the bank's overall efficiency and sustainability. Similarly, knowledge loss and skill drain have a strong correlation with organisational performance ( $r=.773$ ,  $p=.000$ ), highlighting the impact of employee departures on institutional knowledge and expertise. This suggests that maintaining

experienced staff and implementing effective knowledge transfer mechanisms are essential for sustaining operational effectiveness.

Further analysis of interrelationships between variables indicates that employee turnover is moderately correlated with financial costs ( $r=.446$ ) and knowledge loss ( $r=.402$ ), meaning that turnover leads to increased financial burdens and a decline in institutional expertise. Additionally, financial costs and knowledge loss are highly correlated ( $r=.782$ ), suggesting that the financial strain caused by turnover is closely linked to the disruption of knowledge continuity. The strongest correlation is between financial costs and organisational performance ( $r=.878$ ), reinforcing the idea that the financial burden associated with turnover is the most significant determinant of performance outcomes.

These findings suggest that employee turnover has both direct and indirect effects on organisational performance at Equity Bank Uganda Ltd. The financial implications of recruitment and training, coupled with the loss of institutional knowledge, create significant challenges for the bank’s operations.

#### 4.5 Regression Analysis

The table below shows the regression model summary

**Table 4. 8: Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .889 <sup>a</sup> | .791     | .787              | .389                       |

a. Predictors: (Constant), Knowledge Loss and Skill Drain, Levels of employee turnover, Direct Financial Costs due to turnover

**Source: Primary data (2025)**

The regression model provides valuable insights into the extent to which knowledge loss and skill drain, levels of employee turnover, and direct financial costs due to turnover influence

organisational performance. The R value of 0.889 indicates a strong positive relationship between these factors and organisational performance. This suggests that as turnover-related costs and knowledge loss increase, organisational performance is significantly affected. The R Square ( $R^2$ ) value of 0.791 demonstrates that 79.1% of the variation in organisational performance can be explained by the independent variables. This high explanatory power confirms that turnover-related factors are critical determinants of performance within the organisation. The adjusted R Square of 0.787 further supports this, showing that the model remains reliable even after accounting for potential variations. The standard error of 0.389 suggests that the model's predictions are relatively accurate, with minimal deviation from actual performance values.

**Table 4.9: Regression analysis for Levels of employee turnover, Direct Financial Costs due to turnover, Knowledge Loss and Skill Drain**

| <b>Coefficients<sup>a</sup></b>        |                             |            |                           |        |      |
|--|-----------------------------|------------|---------------------------|--------|------|
| Model                                  | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|  | B                           | Std. Error | Beta                      |        |      |
| 1 (Constant)                           | .154                        | .185       |                           | .833   | .406 |
| Levels of employee turnover            | .008                        | .064       | .005                      | .127   | .899 |
| Direct Financial Costs due to turnover | .703                        | .063       | .703                      | 11.186 | .000 |
| Knowledge Loss and Skill Drain         | .197                        | .055       | .221                      | 3.604  | .000 |

a. Dependent Variable: Organizational Performance

**Source: Primary data (2025)**

The standardised coefficients (Beta values) provide insights into the relative impact of each independent variable on organisational performance. The Beta value represents the strength and direction of the relationship between each predictor and the dependent variable, while the significance (Sig.) value determines whether the relationship is statistically significant. The

Beta value for direct financial costs due to turnover is 0.703, indicating that it has the strongest positive influence on organisational performance among the three predictors. The significance level (Sig. = 0.000) confirms that this relationship is highly statistically significant. This suggests that higher financial costs associated with turnover such as recruitment, training, and lost productivity have a major impact on organisational performance. Managing these costs effectively is crucial for maintaining financial stability and operational efficiency.

The Beta value for knowledge loss and skill drain is 0.221, showing a moderate positive effect on organisational performance. The significance level (Sig. = 0.000) indicates that this effect is also statistically significant. This suggests that when employees leave, the loss of their institutional knowledge and expertise disrupts organisational workflows, leading to reduced efficiency and productivity. Organisations should implement knowledge management strategies, mentorship programmes, and structured succession planning to minimise these disruptions.

The Beta value for levels of employee turnover is 0.005, indicating a very weak relationship with organisational performance. Additionally, the significance level (Sig. = 0.899) shows that this effect is not statistically significant. This suggests that the mere occurrence of turnover does not necessarily determine performance outcomes—rather, the associated financial costs and knowledge loss are the primary drivers of performance decline. This finding implies that focusing on retention strategies and cost management may be more effective than merely reducing turnover rates. The results highlight that financial costs due to turnover and knowledge loss are the most significant factors affecting organisational performance. While the frequency of turnover alone does not have a major impact, its associated costs and skill drain significantly influence organisational outcomes.

## **CHAPTER FIVE: DISCUSSION OF RESULTS/FINDINGS**

### **5.0 Introduction**

This section presents a detailed discussion of the findings from the study on the in relation to the research objectives, which aim to assess the effect of varying levels of employee turnover on organisational performance, investigate the direct financial costs associated with turnover, and examine the impact of knowledge loss and skill drain due to turnover.

### **5.1 Effect of different levels of employee turnover on organisational performance**

The findings indicate that employee turnover significantly affects organisational performance, particularly by disrupting team stability, reducing productivity, and increasing operational inefficiencies. Respondents reported that turnover occurs periodically and is notably high in some departments, leading to frequent changes in team composition. These disruptions contribute to a decline in employee morale and overall organisational effectiveness.

The study by Kasanzu and Wanjira (2021) on Kenya Airways supports these findings, showing that high turnover, especially among top-performing employees, negatively impacted strategic performance. The frequent departure of skilled employees weakened efficiency and operational sustainability, a challenge also observed within Equity Bank Uganda Limited. The loss of experienced personnel reduces institutional knowledge and affects long-term service delivery.

Similarly, research by Mwosi et al. (2024) on employee retention in Uganda's Kabale District Local Government highlights that high turnover rates lead to lower productivity and increased inefficiencies. This aligns with the finding that turnover affects both individual and team performance, making it harder to maintain consistent service quality. The study suggests that organisations with effective retention strategies experience better operational stability and sustained growth.

The study conducted by Mboya and Mwakalila (2024) in Tanzania also found that frequent employee turnover disrupts service delivery and lowers overall organisational efficiency. This reflects the experiences within Equity Bank Uganda Limited, where turnover weakens operational agility and flexibility. As employees leave, the time and resources required to recruit and train new staff create further constraints, ultimately affecting overall performance.

Another perspective comes from Brouwers and Paltu (2020), who explored the impact of toxic leadership on employee turnover and organisational performance in South Africa's manufacturing sector. They found that poor leadership increased turnover intentions, contributing to instability and decreased productivity. This study similarly found that workplace morale and employee engagement decline due to high turnover, suggesting that leadership quality plays a crucial role in retention and performance.

The findings are also consistent with Lee (2018), who examined U.S. federal agencies and found that turnover negatively influenced performance, particularly in roles requiring specialised knowledge. The loss of key employees led to a decline in institutional knowledge, reducing operational efficiency. In this study, knowledge loss and skill drain were identified as major consequences of turnover, indicating that financial costs alone do not fully explain the negative impact. When experienced employees leave, organisations struggle to transfer critical expertise to new hires, affecting both short-term operations and long-term competitiveness.

## **5.2 Effect of direct financial costs of employee turnover on organisational performance**

The findings indicate that direct financial costs due to employee turnover have a significant impact on organisational performance. The study revealed that recruitment and training expenses associated with replacing employees are substantial, affecting cost efficiency and overall financial stability. The financial burden is further exacerbated by productivity losses as

new employees take time to reach optimal performance levels. These findings align with existing literature, highlighting the critical role that direct financial costs play in shaping organisational sustainability. The study by Kuhn and Yu (2021) on the retail industry found that turnover-related costs, including recruitment, training, and lost productivity, are significant financial burdens. This aligns with the findings from Equity Bank Uganda Limited, where frequent turnover has led to increased expenditure on hiring and onboarding processes. The bank incurs substantial costs in training new employees, impacting its budget allocation and reducing profitability.

Similarly, Lyons and Bandura (2020) examined the direct financial implications of employee turnover, demonstrating that organisations with high turnover rates face increased operational costs. The findings in this study support their conclusions, as respondents indicated that recruitment and training expenses have a noticeable effect on departmental budgets. High turnover rates necessitate continuous hiring, further straining financial resources and limiting investments in other key areas such as employee development and technological improvements.

Kumar (2022) explored talent management practices and their influence on turnover, highlighting the importance of retention strategies in reducing financial losses. The findings from Equity Bank Uganda Limited suggest that without effective retention policies, turnover-related costs continue to rise, ultimately affecting financial performance. Organisations that fail to manage turnover effectively not only experience higher direct costs but also struggle to maintain a competitive advantage due to constant workforce disruptions.

The research by Mhatre et al. (2020) further supports these findings by using big data and machine learning to predict employee attrition. Their study demonstrated that turnover costs are even higher when skilled employees leave, as replacing them requires extensive recruitment

efforts and increased training investments. The present study confirms this, as respondents indicated that knowledge loss due to turnover leads to longer adjustment periods for new employees, further driving up costs. The loss of high-performing employees with specialised skills presents additional financial challenges, as finding suitable replacements can be both time-consuming and costly.

Al-Suraihi et al. (2021) provided a comprehensive analysis of turnover causes and costs, emphasising the need for organisations to implement retention strategies. The findings from this study align with their research, demonstrating that reducing turnover can significantly lower financial costs and improve overall organisational performance. When turnover rates are controlled through effective employee retention strategies, organisations experience fewer disruptions and greater financial stability.

Further evidence of the financial burden caused by turnover is provided by Lazzari et al. (2022), who examined turnover intention and its impact on organisational performance. Their study highlighted that high turnover rates result in increased financial pressure due to ongoing recruitment and training costs. The findings in this study support this perspective, as respondents acknowledged that frequent turnover affects cost efficiency and overall profitability.

### **5.3 Effect of knowledge loss and skill drain due to employee turnover on organizational performance**

The findings from this study underscore the significant impact of knowledge loss and skill drain due to employee turnover on organisational performance. The departure of experienced employees leads to the loss of both tacit and explicit knowledge, creating skill gaps that can disrupt operations and hinder long-term strategic goals. As new employees struggle to fill these gaps, organisations face declines in operational efficiency, productivity, and service delivery.

This phenomenon is consistent with the insights found in existing research, which highlights the detrimental effects of knowledge and skill loss on an organisation's performance.

The study aligns with Firdaus and Amin (2025), who examined the effects of employee turnover on operational efficiency, innovation, and customer satisfaction. Their research highlighted that the loss of experienced workers results in a decline in the organisation's ability to innovate and meet customer expectations. Similarly, the findings from Equity Bank Uganda Limited show that high turnover, especially among experienced employees, impedes the bank's capacity to maintain smooth operations and meet service delivery standards. The loss of tacit knowledge, such as the understanding of customer preferences or institutional processes, leads to a drop in both operational efficiency and customer satisfaction.

Phaladi and Ngulube (2024) explored the effects of tacit knowledge loss in public enterprises, suggesting that such loss can create substantial disruptions in operational processes and service delivery. This is particularly relevant to the findings in the present study, where respondents noted that the departure of experienced employees has a direct impact on the continuity of work tasks and the maintenance of operational stability. The knowledge and expertise that long-serving employees accumulate over time are not easily replaced, and their absence can severely hinder an organisation's ability to function effectively.

In addition, Wanniarachchi et al. (2022) investigated the organisational perspective on skill drain, highlighting how the loss of skilled workers results in significant challenges to organisational performance. The present study supports this view, as it was observed that the departure of skilled employees creates significant gaps in the team, delaying project timelines and reducing overall productivity. As new employees are onboarded, there is often a lag in the time it takes for them to acquire the necessary skills and knowledge to perform at the same

level as their predecessors. This leads to a decline in both individual and team performance, affecting overall organisational output.

Moon et al. (2022) explored the hidden costs of worker turnover in a manufacturing context, focusing on how the departure of skilled workers leads to product reliability issues. This is closely related to the findings from this study, where it was noted that the loss of experienced employees disrupts not only routine processes but also affects the bank's ability to ensure consistency in service delivery. When skilled workers leave, the organisation is often left with inexperienced staff who may not fully understand the intricacies of the tasks at hand, resulting in errors, delays, and inconsistencies.

Ong et al. (2022) emphasised the importance of retaining skilled workers through motivation, suggesting that both intrinsic and extrinsic motivators play a critical role in reducing turnover. The findings from this study support this argument, as the departure of skilled employees is often linked to factors such as job dissatisfaction and a lack of career advancement opportunities. Addressing these issues through targeted retention strategies could mitigate the knowledge loss and skill drain that significantly affect organisational performance.

Phaladi (2021) proposed a framework for integrating knowledge management and human resource management to reduce organisational knowledge loss. The present study aligns with this perspective, highlighting the importance of strategic knowledge management practices to preserve critical knowledge and skills within the organisation. Implementing such frameworks could help reduce the negative impacts of turnover by capturing tacit knowledge and ensuring that it is passed on to new employees, thereby minimising disruptions to organisational performance. Guo et al. (2022) examined the relationship between work alienation and knowledge hiding, which exacerbates knowledge loss within organisations. The study findings support this view, as high turnover often leads to knowledge gaps that are not easily filled due

to the reluctance of remaining employees to share critical information with newcomers. The loss of knowledge, coupled with the challenges in transferring that knowledge, hampers the organisation's ability to function effectively and can slow down efforts to fill skill gaps.

## **CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS**

### **6.0 Introduction**

This chapter summarises the key findings of the study on the effect of employee turnover on organisational performance, specifically focusing on Equity Bank Uganda Limited. It highlights the main conclusions drawn from the data analysis, and offers recommendations based on these findings.

### **6.1 Conclusions**

#### **6.1.1 Effect of Different Levels of Employee Turnover on Organisational Performance**

The study found that varying levels of employee turnover have a significant impact on the performance of Equity Bank Uganda Limited. High turnover rates, particularly in key departments, disrupt workflow, reduce productivity, and negatively affect team cohesion. The instability caused by frequent employee departures contributes to lower morale and increased workloads for remaining staff. Moderate levels of turnover, while less disruptive, still require ongoing recruitment and training efforts that impact operational efficiency. The findings suggest that an optimal balance must be maintained to avoid the negative consequences of excessive turnover while ensuring workforce flexibility.

#### **6.1.2 Effect of Direct Financial Costs of Employee Turnover on Organisational Performance**

The financial implications of employee turnover were found to be substantial. High recruitment, onboarding, and training costs impose a significant financial burden on the bank. The need to continuously replace employees leads to increased expenditure, reducing the organisation's overall cost efficiency. Furthermore, financial resources that could be allocated to strategic initiatives are instead directed toward managing turnover-related expenses. These

costs not only affect the bank's profitability but also create constraints in workforce planning and resource allocation.

### **6.1.3 Effect of Knowledge Loss and Skill Drain Due to Employee Turnover on Organisational Performance**

The study revealed that employee turnover results in substantial knowledge loss and skill drain, negatively impacting the bank's performance. The departure of experienced employees leads to the erosion of institutional knowledge, making it difficult to maintain consistency in service delivery. Skill gaps created by turnover disrupt operations, reduce efficiency, and lower the quality of customer service. Additionally, the need for continuous training to fill these gaps increases operational costs and prolongs the time required for new employees to reach optimal productivity levels. The loss of expertise also affects the organisation's ability to innovate and respond effectively to market challenges.

## **6.2 Recommendations**

### **6.2.1 Effect of Different Levels of Employee Turnover on Organisational Performance**

- i. The Human Resource (HR) department should develop and implement targeted employee retention strategies, including competitive compensation packages, career development opportunities, and regular engagement initiatives. HR should also conduct regular employee satisfaction surveys to identify and address factors contributing to turnover. These surveys should be analysed quarterly to proactively address issues that may lead to increased turnover rates.
- ii. Department heads should focus on creating a positive work environment by promoting team cohesion, providing constructive feedback, and offering support for career growth. Managers should hold regular one-on-one meetings with their teams to understand their concerns and provide tailored development plans. These initiatives

will foster employee loyalty and job satisfaction, contributing to a reduction in turnover at the department level.

### **6.2.2 Effect of Direct Financial Costs of Employee Turnover on Organisational Performance**

- i. The Finance department should work closely with HR to track and analyse turnover-related costs, including recruitment, training, and onboarding. They should conduct a cost-benefit analysis to identify areas where financial resources are being overallocated to manage turnover. Based on the findings, the Finance team should allocate more resources towards retention strategies, which can reduce the long-term financial burden associated with turnover. Finance should collaborate with HR to develop a more streamlined recruitment and training budget that aligns with the company's financial goals.
- ii. Human Resource and top management should invest in creating an employee value proposition that not only addresses financial aspects but also focuses on non-monetary benefits such as work-life balance, recognition, and personal development. HR should offer a comprehensive onboarding experience and provide mentorship for new employees to speed up the training process, thereby reducing the financial impact of turnover. Moreover, HR should implement retention programs that include competitive performance incentives to ensure long-term employee retention, thereby reducing costs associated with turnover.

### **6.2.3 Effect of Knowledge Loss and Skill Drain Due to Employee Turnover on Organisational Performance**

- i. The Human Resource should implement a structured knowledge transfer program. This could include documenting key processes, creating knowledge-sharing platforms, and

encouraging senior employees to mentor newer hires. HR should ensure that exit interviews are used effectively to capture departing employees' insights and knowledge before they leave the organisation. Knowledge sharing should be embedded into the organisational culture, and all employees should be encouraged to participate in this process to minimise the risk of knowledge loss.

- ii. Departmental managers should encourage experienced employees to mentor less experienced staff and actively participate in cross-departmental knowledge sharing. They should implement periodic skill assessments and identify knowledge gaps within their teams, ensuring that this information is communicated to HR and management. Managers should prioritise internal training and development to upskill employees, thus reducing the reliance on external hires. This will not only help fill skill gaps but also enhance the overall performance of the team, reducing the impact of turnover on organisational performance.

### **6.3 Areas for further research**

- i. **The Impact of Employee Turnover on Customer Satisfaction and Service Delivery.** Future studies should explore how employee turnover affects customer experience and service quality, particularly in the banking sector. Investigating whether frequent staff changes lead to inconsistencies in customer service, delays in processing transactions, or a decline in client trust would provide valuable insights for improving customer retention strategies.
- ii. **The Role of Organisational Culture in Employee Retention:** Further research could examine how organisational culture influences employee turnover rates. This includes assessing the impact of leadership styles, workplace relationships, and company values on employee engagement and commitment to the organisation. A comparative study across different industries could offer a broader perspective.

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## **Appendices**

### **Appendix I: Informed Consent Form for The Respondents**

***Title of the Study:*** The Impact of Employee Turnover on Organisational Performance: A Case of Equity Bank Uganda Limited.

**Introduction:** You are invited to participate in this research study, which seeks to examine the effects of employee turnover on organisational performance. Your participation is entirely voluntary, and you are free to decline or withdraw at any time without any consequences. This form provides information about the study, its purpose, potential benefits, and any risks involved to help you make an informed decision.

**Purpose of the Study:** The study aims to assess the impact of different levels of employee turnover, the financial costs of turnover, and the effects of knowledge loss and skill drain on organisational performance at Equity Bank Uganda Limited.

**Procedures:** If you agree to participate, you will be asked to complete a questionnaire and/or take part in an interview. The questionnaire will take approximately 20 minutes while the interview will last around 40 minutes. Your responses will be recorded anonymously and used solely for academic purposes.

**Potential Risks and Discomforts:** There are no significant risks associated with participation in this study. However, if you feel uncomfortable answering any question, you are free to skip it or withdraw from the study without providing any explanation.

**Confidentiality:** All information you provide will be kept strictly confidential. No personally identifiable details will be included in the final report. Data will be stored securely and accessed only by the research team.

**Benefits of Participation:** While there are no direct personal benefits, your participation will contribute to understanding employee turnover and help organisations develop better retention strategies.

**Voluntary Participation:** Participation in this study is entirely voluntary. You have the right to refuse to participate or to withdraw at any stage without facing any penalties or loss of benefits.

**Consent Statement:** I have read and understood the above information about the study. I voluntarily agree to participate, knowing that I can withdraw at any time. I confirm that I have been given the opportunity to ask questions, and I am satisfied with the explanations provided.

**Participant's Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Researcher's Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Appendix II: Key Questionnaire for employees in Operations, Credit and Human Resource departments**

**Please tick as appropriate:**

1. Gender of Respondent

|          |            |
|----------|------------|
| Male (1) | Female (2) |
|          |            |

2. Age

|                  |                   |                  |                   |                   |
|------------------|-------------------|------------------|-------------------|-------------------|
| 25 -34 years old | 35 – 44 years old | 45 -54 years old | 55 – 64 years old | 65 years and over |
|                  |                   |                  |                   |                   |

3. What is your marital status?

|        |         |          |
|--------|---------|----------|
| Single | Married | Divorced |
|        |         |          |

4. How long have you served as an employee of Equity Bank Uganda Limited?

|                      |               |               |                |                        |
|----------------------|---------------|---------------|----------------|------------------------|
| Less than 1 year (1) | 1-3 years (2) | 4-5 years (3) | 6-12 years (4) | 13 years and above (5) |
|                      |               |               |                |                        |

**Section B:**

1. Please indicate the extent to which you agree or disagree to the following statements' by ticking the appropriate number.

|                       |              |                 |                 |                          |
|-----------------------|--------------|-----------------|-----------------|--------------------------|
| <b>Strongly agree</b> | <b>Agree</b> | <b>Not sure</b> | <b>Disagree</b> | <b>Strongly Disagree</b> |
| <b>5</b>              | <b>4</b>     | <b>3</b>        | <b>2</b>        | <b>1</b>                 |

To what extent do you agree with the following statements

| <b>Levels of Employee Turnover</b> |   |          |          |          |          |          |
|------------------------------------|---|----------|----------|----------|----------|----------|
| L1                                 | The number of employees leaving the company has been consistently low over the past year. | <b>5</b> | <b>4</b> | <b>3</b> | <b>2</b> | <b>1</b> |
| L2                                 | Employee turnover in the company is at a moderate level and occurs periodically.          | <b>5</b> | <b>4</b> | <b>3</b> | <b>2</b> | <b>1</b> |

|   |  |   |   |   |   |   |
|---|--|---|---|---|---|---|
| L3  | Employee turnover is high in my department, leading to frequent changes in team composition                        | 5 | 4 | 3 | 2 | 1 |
| L4  | There is a strong sense of job security among employees in this department.  | 5 | 4 | 3 | 2 | 1 |
| L5  | The bank has been facing challenges with employee retention in recent months.                                      | 5 | 4 | 3 | 2 | 1 |
| L6  | High employee turnover has had a negative impact on the team's performance and morale.                             | 5 | 4 | 3 | 2 | 1 |
| L7  | In my department, turnover is noticeable but does not disrupt the overall functioning                              | 5 | 4 | 3 | 2 | 1 |
| L8  | The company does a good job of retaining its staff.  | 5 | 4 | 3 | 2 | 1 |
| L9  | The turnover rate is affecting the continuity of work task completion in my department.                            | 5 | 4 | 3 | 2 | 1 |
| L10   | here are occasions when experienced employees leave, but it does not significantly affect work processes.          | 5 | 4 | 3 | 2 | 1 |
| <b>Direct Financial Costs due to turnover</b> |  |   |   |   |   |   |
| F1  | The bank incurs significant recruitment costs every time an employee leaves the organisation.                      | 5 | 4 | 3 | 2 | 1 |
| F2  | Employee turnover has led to an increase in costs associated with hiring new staff.                                | 5 | 4 | 3 | 2 | 1 |
| F3  | Training new employees to replace those who leave requires a substantial financial investment.                     | 5 | 4 | 3 | 2 | 1 |
| F4  | The training costs for new hires are higher than anticipated due to the frequent turnover.                         | 5 | 4 | 3 | 2 | 1 |
| F5  | Employee turnover results in productivity loss because of the time spent on recruitment and training               | 5 | 4 | 3 | 2 | 1 |
| F6  | The cost of recruiting new employees has a noticeable impact on the department's budget.                           | 5 | 4 | 3 | 2 | 1 |
| F7  | Training expenses for new staff have a direct financial impact on the company's overall costs                      | 5 | 4 | 3 | 2 | 1 |
| F8  | When employees leave, the productivity of the team is significantly reduced until new employees are fully trained. | 5 | 4 | 3 | 2 | 1 |

|                                       |  |   |   |   |   |   |
|---------------------------------------|--|---|---|---|---|---|
| F9                                    | High employee turnover has caused a strain on financial resources due to increased hiring and training expenses.   | 5 | 4 | 3 | 2 | 1 |
| F10                                   | The time and cost involved in recruiting and training new employees outweigh the benefits of hiring replacements   | 5 | 4 | 3 | 2 | 1 |
| <b>Knowledge Loss and Skill Drain</b> |  |   |   |   |   |   |
| K1                                    | Frequent employee turnover leads to the loss of valuable institutional knowledge.                                  | 5 | 4 | 3 | 2 | 1 |
| K2                                    | When employees leave, critical knowledge and expertise are lost, affecting the organisation's overall performance. | 5 | 4 | 3 | 2 | 1 |
| K3                                    | The loss of experienced employees creates significant skill gaps within the team.                                  | 5 | 4 | 3 | 2 | 1 |
| K4                                    | The departure of key employees has a negative impact on the bank's ability to maintain operational continuity.     | 5 | 4 | 3 | 2 | 1 |
| K5                                    | The knowledge loss due to turnover results in a decline in the efficiency of our operations                        | 5 | 4 | 3 | 2 | 1 |
| K6                                    | Employee turnover has led to an increased need for training to fill skills gaps within the team.                   | 5 | 4 | 3 | 2 | 1 |
| K7                                    | The skills gaps left by departing employees take a long time to fill, affecting overall team productivity.         | 5 | 4 | 3 | 2 | 1 |
| K8                                    | Institutional knowledge is difficult to replace, and its loss due to turnover affects our competitive advantage.   | 5 | 4 | 3 | 2 | 1 |
| K9                                    | The departure of long-term employees creates challenges in transferring essential knowledge to new hires.          | 5 | 4 | 3 | 2 | 1 |
| K10                                   | Frequent turnover causes a noticeable loss in both tacit and explicit knowledge within the organisation            | 5 | 4 | 3 | 2 | 1 |

**SECTION C: Organizational Performance**

|    |  |   |   |   |   |   |
|----|--|---|---|---|---|---|
| P1 | Our revenue has increased despite the challenges caused by high employee turnover. | 5 | 4 | 3 | 2 | 1 |
| P2 | We have noticed a decrease in our profit margins due to high employee turnover.    | 5 | 4 | 3 | 2 | 1 |

|     |  |   |   |   |   |   |
|-----|--|---|---|---|---|---|
| P3  | Employee turnover has led us to incur higher recruitment and training costs, affecting our cost efficiency.      | 5 | 4 | 3 | 2 | 1 |
| P4  | Our workplace productivity has significantly decreased due to the loss of experienced employees through turnover | 5 | 4 | 3 | 2 | 1 |
| P5  | Employee turnover has hindered innovation and creative problem-solving within our organisation.                  | 5 | 4 | 3 | 2 | 1 |
| P6  | High employee turnover has limited our ability to maintain operational agility and flexibility.                  | 5 | 4 | 3 | 2 | 1 |
| P7  | The loss of key employees due to turnover has disrupted our operational performance and service delivery.        | 5 | 4 | 3 | 2 | 1 |
| P8  | Our employee morale has decreased as a result of high turnover rates within the organisation.                    | 5 | 4 | 3 | 2 | 1 |
| P8  | Employee engagement levels have been lower due to the constant changes caused by turnover                        | 5 | 4 | 3 | 2 | 1 |
| P10 | The frequent departure of experienced employees has negatively affected team dynamics and collaboration          | 5 | 4 | 3 | 2 | 1 |
| P11 | Frequent turnover has caused a decline in job satisfaction among the remaining employees.                        | 5 | 4 | 3 | 2 | 1 |

**THANKS FOR YOUR TIME**

### **Appendix III: Key Informant Interview (KII) Guide for Head of Operations, Head of Credit, Head of Human Resource, Head of Finance and Branch Manager**

1. Can you describe the current employee turnover trends in your department/branch?
  - How would you classify the turnover rate (low, moderate, high)?
  - Have there been any noticeable changes in the turnover rate in recent years?
2. What do you think are the main reasons behind employee turnover in your department/branch?
  - Are these reasons related to external factors (economic environment, competition) or internal factors (work culture, management practices)?
3. How does the turnover of staff in your department/branch impact the overall performance of the bank?
  - Do you notice any differences in performance when turnover rates are high versus when they are low?
4. What are the direct financial costs associated with high turnover?
  - Can you describe the costs involved in recruiting, training, and onboarding new staff?
  - Has the bank's budget been significantly affected by these costs in any particular year or period?
5. Do you believe that high turnover increases recruitment or training expenses in your department/branch?
  - How do these additional costs impact your department's budget or performance targets?
6. How does employee turnover affect day-to-day operations within your department or branch?
  - Have you noticed any disruptions in service delivery, operational efficiency, or productivity due to high turnover?
  - How long does it typically take for new employees to reach the productivity level of their predecessors?
7. Has employee turnover affected innovation and the implementation of new processes or products in your department?
  - Are there any examples where the departure of experienced staff has hindered innovation?
8. Does employee turnover impact the agility or adaptability of your department in responding to market or operational changes?
  - Have you experienced situations where the departure of employees slowed down your ability to adapt to new challenges?

9. How does employee turnover affect the retention of institutional knowledge and expertise within your department?
  - Have you noticed a loss in the depth of knowledge or skills after key staff members leave?
  - What impact does this loss have on operational continuity and service quality?
10. Do you have any strategies in place to mitigate knowledge loss or prevent skill drain due to turnover?
  - How does your department manage knowledge transfer from departing employees to remaining staff?
11. How does employee turnover affect the morale and motivation of remaining employees?
  - Have you observed any negative consequences in terms of job satisfaction, engagement, or team dynamics?
  - Do employees express frustration or dissatisfaction regarding frequent turnover?
12. How does turnover affect employee engagement and retention in your department/branch?
  - Are there specific strategies you use to maintain engagement levels despite high turnover?
  - How do you address concerns from staff about the impact of turnover on their workload and career progression?
13. What overall impact do you think employee turnover has on the long-term success of Is there anything else you would like to share about the impact of employee turnover in your department or branch?
  - Any additional thoughts or perspectives that might help us understand the issue better?