Case study

Validity of exit interviews in retailing

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Abstract

Employee turnover is a costly and destructive phenomenon in retailing. Retailers typically experience anywhere from 25% to 75% annual turnover of staff. Reduction of turnover can have direct effects on the bottom line. Exit interviews are common means by which retailers try to understand why their employees are leaving. Such information can then be used to intervene and reduce turnover. In this study the validity of exit interview information was assessed by comparing reasons for leaving given by employees on the exit interview and in follow-up surveys. Results clearly showed that the information from exit interviews is suspect. Actions and interventions based on this invalid information is counter productive at worst and misleading at best. © 2000 Elsevier Science Ltd. All rights reserved.

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1. Introduction

Turnover is an extremely costly and seemingly uncontrollable problem for retailers (Hellweg, 1981; Kabachnick, 1995). Why else would retailers accept between a 50% to more than 100% turnover of their employees each year (Davidson et al., 1988)?

Employee turnover is the withdrawal of an employee from an organization. The costs of turnover stem from lost productivity of people who leave but had been contributing, the direct costs of finding and training replacements, the indirect costs of loss of productivity of others in the organization who negatively interpret the losses of personnel, and the loss of productivity of the new person who is yet to fully contribute and the one who is training and thus cannot contribute to the productive work. Because of the costs inherent in employee turnover, any effort to understand and reduce employee turnover will have direct and indirect positive effects on a company's bottom line (Powell and Feinberg, 1984).

There is a wide body of literature exploring the antecedents of turnover of employees in general (e.g., Mowday et al., 1982; Mobley, 1982) and in retailing specifically (e.g., Gable et al., 1984; Good et al., 1996,

1998; Lucas et al., 1990). The search for the antecedents of turnover stem from the belief that if one understands turnover one can take steps to reduce it. Understanding the reasons why desired retail employees leave the company and then taking steps to select better (Kabachnick, 1995) or eliminate the causes of the departure is beneficial to both the company and other employees. Companies benefit by saving substantial amounts of money for hiring and training new workers. Current and potential employees also benefit as turnover adversely affects morale and productivity levels (Mercer, 1988). The costs of turnover certainly vary for each retailer but are expensive. The costs are a function of lost productivity of the leaving worker, the lost productivity of those working with that worker, replacement costs, start-up cost for new employees when on board, work undone during transition, search costs, human resource time (e.g., time conducting exit interviews) paperwork costs, advertising job availability, selection interviews, staff meetings, travel and recruiting time and costs associated, employment medical and psychological exams, training costs, and the costs of monitoring and managing turnover (Cascio, 1987). The cost of turnover can be significant. According to one consulting firm's national survey in the US 45% of companies reported that turnover costs more than $10,000 per employee who must be replaced. Twenty percent of companies reported the cost to be more than $30,000 (www.nightlybusiness.org/oldsite/jull4survey. htm)

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The main weapons in the fight against turnover are the employee survey and the exit interview (Hinrichs, 1975). In the survey technique employees are surveyed on variables of interest, tracked, and at some time following the data collection a pool of employees who have remained and who have left exist. Relationships between the antecedent variables and turnover are easily established (e.g., Good et al., 1996). The other main weapon that companies use to understand their turnover has been the exit interview (Mercer, 1988). An exit interview is a one-on-one session with a soon to be departed employee in which the reasons for leaving are explored (Kiechel, 1990). If exit interviews are a valid source of information about the reasons why an employee(s) is leaving the exit interview is a crucial source of intelligence in reducing turnover. Exit interviews should determine why people leave, and once knowing that, interventions can be developed which would reduce turnover levels. When exit interviews are conducted properly, they provide a database of valuable information on areas of the company which are successful and those that need improvement. Exit interviews can guide the creation of new policies and improve the work environment for all employees (Giancalone and Knouse, 1989).

The use of exit interviews is widespread. According to Kiechel (1990) most companies use exit interviews. Yet even in those companies in which exit interviews are used turnover is still widespread. This suggests that there is a problem in either using exit interview information, or obtaining valid and accurate information from exit interviews. The usefulness of the exit interview lies fundamentally in the validity of its information. If employees do not give accurate information in the exit interview, attempts to reduce turnover based on that information will not be valid (Lefkowitz and Katz, 1969). This study was designed to assess the validity of exit interviews used in retailing.

A successful exit interview involves commitment from the employee and the company. Employees need to feel that it is all right for them to give honest responses and then do so in the interview. The company needs to conduct the interview within a process that treats the information as important (as it is) and respect the confidentiality of the information so that the employee is sure that no repercussions can occur because of the information given. This turns out not to be easy to accomplish (Drost et al., 1987). Who conducts the exit interview and how it is conducted has been found to affect employee response (Hellweg, 1981). Most exit interviews are believed to result in very superficial information because the employee fears repercussions and they do not want to burn their bridges (Kiechel, 1990).

The purpose of this research is to determine whether exit interviews are a valid source of information about why employees are leaving the company. This is not a study of the particular reasons for turnover in retailing only if exit interviews are giving an accurate view of why people are leaving. Because there is ample evidence that there are a number of possible reasons why employees would be reluctant to give the real reasons for their leaving it is predicted that information collected at exit interviews is not valid. In this study information given in exit interviews is compared to information obtained from a survey done independently of the exit interview to an outside university. If exit interviews are not valid there should be no relationship between the information given across the two methods. Moreover, if employees are reluctant to give the real reasons for their leaving because of the painful nature of the information to the organization the reasons given at the exit interview will be more positive to the organizational environment and structure (employee health) rather than negative to that structure (poor pay, poor support, negative opportunities, negative work environment).

A sample of non-executive and executive employees who left a major mid-western retailer were mailed a survey. The survey contained the same set of reasons for leaving the company that appeared in the exit interview. The primary reasons for leaving could then be compared.

2. Methodology

2.1. Sample

Three hundred surveys were mailed out to employees in positions classified as executive level (salaried full time) randomly selected from a pool of over 500 possible employees. Two thousand surveys (randomly selected from only a slightly larger pool of about 2700 possible employees) were mailed out to employees in positions classified as non-executive (hourly, part-time, non-benefits). The participating firm was a large mid-western USA-based department store retailer with a dominant position in their markets with 19 stores. The employees could have left the organization within a two-year period.

Employees who had left the firm within a two-year period were recontacted via mail survey. The survey consisted of a pre-post card followed up within two weeks by a survey to their last known address. The exit interview questions were embedded within a larger survey of employee attitudes.

3. Results

3.1. Sample return/methodological limitations

The surveys were mailed to last known addresses. As a result there were a large number of non-deliverables/no

new address returns, which limited the sample obtained. In addition, there was a significant inconsistency in how well human resources collected and kept exit interview data. Thus, in some cases although survey returns were obtained there were no exit interview data from which to measure validity.

Of the three hundred surveys mailed to employees of executive level positions 57 were returned non-deliverable, and only 108 were received completed. The effective return rate was therefore 44%. Of these only 51 had completed exit interviews. Of the two thousand surveys mailed to employees in non-executive classified positions 487 were returned non-deliverable, 875 were returned completed, and 411 of these had matching exit interview data (effective return rate of 47%).

It is clear that the results need to be understood within the problems of using data of this kind. The large number of exit interviews that did not exist indicates that the organization was not committed to the importance of this information. Employees may have known this and thus did not feel the need to give accurate information. The results were limited by the unavailability of current addresses. If significant differences between these unavailable individuals and those who did participate existed the day would be flawed (there is no reason to believe that this is the case). Finally employee memory of the reasons for leaving may be different two years after leaving than immediately after (when exit interviews are usually conducted).

3.2. Correspondence between exit interview and survey data

As expected there was no correspondence between the reason why employees gave for leaving the company on the survey and on the exit interview. There were 30 categories for leaving the organization possible on the exit interview form. Of the 30 categories, 15 of them were never chosen as a reason for leaving by any of the respondents. The remaining 15 were easily narrowed to three reasons–health, job dissatisfaction other than supervisor, dissatisfaction with management style/supervisor. These responses of respondents were than compared to those given on the survey instrument.

3.3. Executive employees

There was no correspondence between reasons given for leaving on the exit interview and those in the survey. Table 1 shows clearly and (to be somewhat non-scientific) dramatically that not a single reason matched when the reasons given for leaving on the exit interview were compared to the reasons given on the follow-up survey. Because actual values in cells were below five a Fishers Exact Probability test was used and confirmed the obvi-

Table 1
Comparison of reasons on exit interview and survey executive employees ($n = 51$)

	Reasons given	
	Same (%)	Different (%)
Health reasons	0	24
Job dissatisfaction	0	57
Supervisor dissatisfaction	0	19

Table 2
Comparison of reasons on exit interview and survey non-executive employees ($n = 343$)

	Reasons given	
	Same (%)	Different (%)
Health reasons	1	12
Job dissatisfaction	3	73
Supervisor dissatisfaction	< 1	10

ous conclusion reached by visual examination of the data that reasons given on the exit interview were not related to those given on the survey ($p < 0.05$).

In addition, only 2 of the 51 reasons given on the exit interview were negative toward the company (dissatisfaction with supervisor and hours). The other 49 reasons for leaving given on the exit interview included going back to school, leaving city, retirement, family responsibility, staff reduction, and no reason given. However, 76% of the reasons given for leaving on the follow-up survey reflected dissatisfaction with the organization (dissatisfaction with pay, dissatisfaction with supervisor).

3.4. Non-executive employees

Similar results were found for non-executive employees. There was no relationship/association between the reasons given for leaving the organization on the exit interview and in the survey. Table 2 shows clearly that 95% of the reasons given on the survey were different in category from the reasons given at the exit interview. A significant Fishers Exact Test ($p < 0.05$) confirmed that there was no association between the responses for leaving given in the exit interview and those given on the follow-up survey. In addition, while 53% of the reasons given for leaving on the exit interview were directly negative of the company 86% of those given on the survey were negative (dissatisfaction with pay, dissatisfaction with supervisor).

4. Conclusion and discussion

The data supports the hypothesis that there is a difference between the reasons an employee gives for leaving an organization on exit interviews and those given on a follow-up survey by an independent agency. This could mean that information obtained on exit interviews is not valid. It could also mean that the exit interview information is valid but information from a follow-up survey is not valid. Indeed, the reason selected by the human resource officer may be more valid than the reason selected by the respondent themselves later on a survey as they try to remember their reason for leaving. The fact that the responses given on the survey were more directly negative toward the organization than those reasons given on the exit interview suggests that, as has been pointed out in the literature, employees have reasons not to tell the truth on exit interviews. Thus, the logical conclusion would be that information given on exit interviews is not valid.

There are a number of limitations in this study that need to be understood as the findings and their implications evaluated. This is a very limited study focusing on the single issue of match between reasons why employees say they are leaving a company at the point of exit to the company and in a follow-up survey administered by a neutral party. This was a study of one company and as such the findings might be unique to this particular company. In some cases an employee may have received a survey two years following their turnover and hence memory problems may have played a role in the findings (memory problems and bias may play a role 2 weeks after leaving for that matter). This study was limited in many ways by the categories that employees had to choose since we were using the company's form at exit as the survey. These categories may be so broad that multiple interpretations are possible. The requirements of the company were that anonymity of respondent be assured so that follow-up relationships between turnover, validity of exit interviews and demographics or other employee characteristics were impossible.

Companies believe that employees are giving honest responses during the exit interviews (Kiechel, 1990; Mercer, 1988). They are then using that information to understand and try to reduce their significant problems in turnover. Our data shows this not to be the case. Of course this conclusion must be tempered by the fact that this study covered one Mid-Western department store over a two-year period. Yet there is no reason to believe that any other sample would be any different (although that is as we say an empirical question).

It is clear that employees are more careful (positive) to companies during the exit interview. The greater negativity of responses on follow-up may reflect exactly what we think it reflects–employees understand that companies may be called upon to comment on their tenure and thus they should show caution. Although the possibility exists that the follow-up survey served as a forum to get back at the company through this independent university, since their anonymity was promised. There is also a possibility that there exists a memory bias such that negativity increase over the time period (although a literature review shows that if a bias exists it is that negative information becomes more positive over a time period).

The results of this study suggest that information obtained during exit interviews is potentially not valid. As a result any policy, intervention, or changes that have resulted from information obtained this way may lead to inefficient, ineffective, and at worst be counter productive to reducing turnover. Companies who are using exit interviews should consider moving to a more independent method of collecting information about why their employees are leaving the company. Turnover is a significant and costly problem for retailers. The exit interview has become the main weapon in the fight against turnover. This study suggests that faith in the exit interview as a means of collecting meaningful and actionable information about a company's turnover should be questioned.

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