Organizational climate and turnover in Islamic banking in the UAE

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Abstract

Purpose – The purpose of this paper is to examine the nature, strength and significance of the links between organizational climate and employee turnover.

Design/methodology/approach – Using a self-administered questionnaire, 70 employees from an Islamic bank were surveyed in order to examine the five main hypotheses of the study.

Findings – The study results revealed that employees’ perceptions of corporate climate plays a significant role in the rate of staff turnover. Organizational justice, as a component of corporate climate, found to be the most important factor in explaining the variance in employee turnover.

Practical implications – The theoretical and managerial implications of the findings are discussed in the paper, together with some recommendations for managing corporate climate and turnover in today’s diverse work teams and environments.

Originality/value – The paper examines the links between organizational climate and employee turnover for the first time, to the authors’ knowledge, in the UAE and the Arabic context.

Keywords United Arab Emirates, Islam, Banks, Employees turnover, Corporate climate, Organizational justice, Innovation, Work conditions, Middle East, Islamic banks

Paper type Research paper

Introduction

One of the major challenges that faces work organizations nowadays, especially in the United Arab Emirates (UAE) and other Gulf Cooperation Council (GCC) countries, is the recruitment and retention of staff. According to the Gulfnews (2008, p. 1), high staff turnover in UAE organizations costs about AED 9.9 billion a year:

Employee recruitment and retention in the Middle East will continue to pose challenges for both public and private organizations amid the global economic crisis, resulting in additional operating costs [...] It put the turnover rate at 21 percent, or 657,930 workers, representing Dh 9.9 billion in costs to businesses every year.

The majority of the departing professionals have unique skills and knowledge. They were recruited, trained and developed by the companies that they exited. Accordingly, UAE and other GCC organizations are losing significant revenue opportunities due to the departure of these talented professionals; besides incurring high monetary and non-monetary expenses as a consequence of this turnover, e.g. increased work load due to shortage of staff, productivity loss and recruitment costs. In this context, Bono et al. (2009) studied cultural diversity and HR strategies in a UAE organization. They found
that staff turnover was high and that the average time span for the typical manager with the company is one to two years: “as a result, costs are increasing through high staff turnover, impacting the company’s competitive positioning” (p. 14). Arguing that employee turnover has always been one of the invisible enemies of business in any growing economy, Ayesh (2008, p. 1) concluded:

Mobility of skilled professionals remains a challenge to UAE businesses. This is costing businesses a substantial deal of wasted resources and weakening their competitive positions against those which are having a stable workforce with lesser turnover rates.

Recent research (Schyns et al., 2009; Rashid et al., 2009; Khan et al., 2007; Furnham, 1991) confirmed that discouraging organizational climate negatively affects job satisfaction level which in turn may accelerate employee turnover.

Though plethora of studies have examined the relationship between job satisfaction and labour turnover (Ross and Zander, 2006; Amy and Foreman, 2009) and links between ethical climate and staff turnover (Jaramillo et al., 2006), the role of work atmosphere in shaping staff turnover has not received adequate attention from scholars. This is so, especially, in the context of Islamic financial institutions (IFI). Therefore, the current study is designed to explore the impact of the overall corporate/organizational climate on employee turnover. It will also examine the role of different factors of climate such as organizational justice, performance-reward relationship (PRR) and innovation climate in influencing staff turnover. The setting for the present research is one of the Islamic banks in the UAE, it requested to remain anonymous, therefore the name “Alpha Bank” will be used in this study to refer to this bank. The bank’s turnover rate in 2007 reached 13 percent which is considered as extremely high. The management tried to reduce the rate by making it attractive for the workers to stay in the bank. Some of the approaches taken included reducing the working time by one hour, setting up the self-appraisal system, improving the reward system and introducing a new performance-reward program. Despite all these, new initiatives to retain staff the turnover rate in Alpha Bank is still on increase. It seems that the high turnover is beyond the control of the bank’s management.

Since the issue of high staff turnover is of the features of the UAE labour market, especially in Islamic banks, and not restricted to Alpha Bank alone the current study is undertaken to study it further. It aims at understanding the real causes of turnover from UAE’s perspective, as well as assessing the work climate of Islamic banks and how it is perceived by employees. Further, the study also aims at examining the individual factors of Alpha’s corporate climate and investigating the role of each in employees’ decisions to quit.

Although the growth of Islamic banking in the UAE and GCC countries is on a sharp upward curve and that there is a big actual and latent demand for its products and services in the region, few studies, if any, have addressed the problem of high turnover rate in Islamic banks. The library search using manual and computerized (e.g. EBESCO, Emerald fulltext, Bids and PsychoInfo) search revealed that there are no studies conducted in this field in the UAE and other GCC countries. Thus, to authors’ knowledge, this paper is the first of its kind that explores the links between corporate climate and staff turnover in Islamic banks in the UAE.

**Literature review**

In recent years, there has been a plethora of research literature concerned with corporate climate and employee turnover as separate concepts or in relation to some other
organisational variables, e.g. loyalty and satisfaction. However, the nature, direction and significance of the relationship between them as global constructs on one hand and the factors of corporate climate and turnover on the other hand remain unclear. This section of the study will review some of the previous attempts of conceptualising and studying climate and turnover in work organisations.

Corporate climate

Corporate climate or the work environment is no longer “one of the fuzziest concepts to come along in some time” as Guion (1973, p. 121) argued. This construct is now well conceptualized and investigated in the literature. Although there are some disagreements about its factors, most researchers tend to agree on the definition of organizational climate. Moran and Volkwein (1992, p. 20), for example, defined corporate climate as:

A relatively enduring characteristic of an organization which distinguishes it from other organizations and; (a) embodies members’ collective perceptions about their organization with respect to such dimensions as autonomy, cohesiveness, support, recognition, innovation, and fairness; b) is produced by members interaction; (c) serves as a basis for interpreting the situation; (d) reflects the prevalent norms, values, and attitudes of organizations cultures; and (e) acts as a source of influence for shaping behaviour.

Dickson et al. (2006, p. 351) defined it as “[…] an inherently multilevel constructs involving distinct perceptions and beliefs about an organization’s physical and social environment”. Likewise, Altman (2000, p. 15) viewed organizational climate as it refers to “[…] employee perceptions of their work environment. Generally, these perceptions are descriptively based rather than value based”. Batlis (1980, p. 234) emphasized that organizational climate possesses the following characteristics:

• It consists of global impressions of the organization which members form as consequences of interacting with other members, policies, structures and processes.
• It is a multi-dimensional variable.
• It can be viewed as an intervening variable, influenced by such organizational characteristics as leadership style and job activities, and, in turn influencing individual work behavior and job-related attitudes.
• Climate perceptions are description of environmental events and conditions rather than evaluations of them.

Lambert et al. (2001) reported five factors of work environment, namely: role conflict, task variety, financial rewards, relations with co-workers and autonomy/participants. Moreover, Downey et al. (1975) identified six components of organizational climate: decision making, warmth, risk, openness, reward, structure. Altman (2000, p. 15) suggested that corporate climate characteristics can be classified into the following areas: “[…] job, Role, Leaders, Organization and Workgroup”.

As can be seen from the previous discussion of the literature, there is a disagreement among scholars about the number and the kind of facets that constitute organizational climate. Meanwhile, all conceptualizations and definitions of work environment can be categorised into three major and separate approaches, namely:

(1) The structural approach. This approach conceptualizes work environment essentially as a set of organizational attributes. In other words, the work
environment is a characteristic belonging to an organization, but it does not take into account the human dimension of the organization, and people’s role in shaping the work climate.

(2) Perceptual approach. Two views of work climate based on perception have emerged in the management literature. The first view perceives work environment as a set of perceptual variables which are still seen as organizational main effects. The second perspective concentrates on the individual as the major determinant of the work environment. It argues that the people, and not structures, come first, and that the similarity among individuals gives rise to similar perceptions of organizational life, which in turn builds up the work environment.

(3) The interactional approach. This perspective places the base of defining corporate climate on the interaction between both the individual and the organization. It simply suggests that interactions between employees and the organization produce a certain type of work environment that is perceived by organizational members.

Corporate climate and turnover
Numerous studies examined the relationship between organizational climate and job satisfaction, but few of them paid attention to the relationship between organizational climate and other job-related attitudes such as propensity to leave the organization. There is a near consensus among writers (Kovner et al., 2006) that job dissatisfaction is a predictor of employee turnover. For example, Shaver and Lacey (2003) explored satisfaction-turnover relationship. They found that “[...] satisfaction is negatively related to employee turnover: as satisfaction decreases, turnover increases" (p. 166). Carayon et al. (2006) reported that turnover intention is influenced by job satisfaction and organizational commitment. Koberg and Chusmir (1987) study revealed that innovative work climate is positively related to job satisfaction and negatively linked to intention to leave. Lum et al. (1998) suggested that job satisfaction has indirect influence on turnover intent while pay satisfaction has both direct and indirect impact, and that organizational commitment has the most direct effect on the rate of turnover.

Anderson et al. (2004) studied the consequences of staff turnover in nursing homes. They found that homes with reward climate and open communication had lower turnover rate. Batlis (1980) also found a relationship between reward system, turnover and job dissatisfaction. In this context, O’Neill et al. (2007) argued that encouraging work climate positively affect employee satisfaction, motivation and decrease stress. They focused in their research on the work-family climate and top management characteristics and their implications on the employees’ commitment and turnover.

One of the earliest studies that examined inks between organizational climate and intention to leave among intensive care unit nurses is Stone et al. (2006). About 17 percent of the respondents indicated that they have intention to leave their jobs in the coming years. More than half of those (52 percent) reported that the reason was due to working condition. Stone et al. concluded that there is a relationship between organizational climate and intention to leave. Thatcher et al. (2003) focused on the effect of organizational climate on the turnover intention in an information technology firm. They reported a strong relationship between both of them.

Nonetheless, much of the empirical research on turnover is based on actual turnover, though some studies are based on intentions to quit. Apart from the practical
difficulty in conducting turnover research among people who have left an organization, some researchers suggest that there is a strong link between intentions to quit and actual turnover.

**Employee involvement/identification and turnover.** van Dick et al. (2004) suggested a social identity approach to understand human behavior. Social identity theories state that a strong organizational identification can lead to low turnover intention. They proposed that the relationship between identification and turnover will be mediated by job satisfaction. van Dick et al. (2004, p. 357) found that “[...] organizational identification is indeed closely related to turnover intentions and that this effect is caused by a strong influence of identification on job satisfaction”. They reported that fostering identification can reduce or prevent turnover by using several management identification strategies.

Similarly, Van Knippenberg (2000) debated that organizational identification is positively related to work motivation. He discussed a strategy to stress organizational identity by highlighting the mission, culture and common goals in the organization. Wegge and Haslam (2005) suggested that this – employee involvement – can be accomplished by transformational leaders that can provide a vision for their staff by setting participative group goal strategies. In the same context and to enhance workers’ identifications, Hogg and Terry (2000) suggested a benchmarking strategy. As an example, if a competitor was selected for benchmarking comparisons, it will threaten the organization reputation and enhance salience and organizational identification. To improve retention among employees, Davies (2001) recommended creating a scene of belonging in the organization. Then identification will be an appropriate concept for managers to concentrate on. According to Altman (2000), employees who are given opportunity to be involved at different levels in the company and not only following their job description are more likely to stay longer in the organization and perform better. If the organizational climate has lacking in clarity about employee role requirements then this can be a significant reason for workers turnover (Batils, 1980; Srivastav, 2006). Thatcher et al. (2003) reported that beliefs about job characteristics (a factor of climate) can influence turnover intention.

**Demographic factors, corporate climate and turnover.** Most researchers (Lambert et al., 2001; Stone et al., 2006) agreed that demographic characteristics and work environment factors considerably shape employee job satisfaction which accordingly shapes turnover intention. According to Lambert et al. (2001, p. 236), “[...] demographic characteristics are commonly included in job satisfaction studies as control variables”. They found that age, tenure and education level or academic level shown to be major predictors of turnover, whereas marital status and race reported to be poor predictors of turnover. Thatcher et al. (2003) contended that gender and age are negative correlate of turnover. Carayon et al. (2006) reported in their study that turnover rate among women in technical sectors is higher than those of women in other fields.

**UAE studies related to climate and turnover.** As far as UAE is concerned, there are few studies that examined corporate climate and turnover from different perspectives as separate variables. Suliman (2007) examined links between justice, satisfaction and performance in the UAE and Arabian countries. Using a self-administered questionnaire 1,500 employees from 29 organizations were surveyed in order to examine the five main hypotheses of the study. The study results revealed that employees’ perceptions
of justice influence their work performance and that job satisfaction plays a partial role in mediating this effect and influencing work performance. Suliman and Abdulla (2005) explored the role of work climate in influencing employees’ perceptions of intra-individual conflict in a Middle Eastern context. The findings revealed that feelings of frustration and perceptions of role and goal conflict among participants were largely determined by the factors of work climate.

Abu Elanain (2009) examined the impact of five job characteristics on work attitudes and behaviors in the UAE, and tested the mediating impact of distributive justice on the job characteristics-work outcomes relationship. Results revealed that skill variety and feedback have functional impacts on job satisfaction, organizational commitment and turnover intentions. Suliman and Al-Junaibi (2010) studied organizational commitment and turnover intention in UAE organizations. They found a significant negative relationship between organizational commitment and intention to quit. The results related to demographic factors and commitment show some evidences that support these links.

Conclusions and hypotheses. As can be seen from the discussed literature, the relationship between corporate climate and turnover has been driven from different perspectives. Most studies (Carayon et al., 2006) attempted to examine the roles of job satisfaction and commitment in predicting turnover. Some other studies (Koberg and Chusmir, 1987) attempted to explore the impact of different factors of corporate climate on turnover. Few non-UAE studies, mainly westerners, explored the direct links between climate and turnover such as Stone et al. (2006, hospital context) and Thatcher et al. (2003, information technology firm).

To the best of the researchers’ knowledge, no study has examined the direct link between climate – as a global variable and its factors – and turnover in IFI, especially in the context of the UAE. It can be argued that as a strongly growing business that currently faces shortage of research, IFI is need for scientific research/studies to support its growth and development. As well as to correct some management practices and to provides some science-based recommendations for managing both the technical and human sides of IFI organizations.

Having examined the related literature and since the current study is the first of its kind in the UAE and IFI, it can be argued that there are no clear directions or signals that can guide the hypotheses of the current study. Therefore, the researchers opted to explore the links between climate and turnover using null hypothesis format. Below are the five hypotheses that the study will test using a computerized statistical package for analyzing data:

\( H1. \) Organizational climate in Islamic banks in the UAE will not significantly explain the variance in employee turnover.

\( H2. \) Opportunities for innovation in Islamic banks will not significantly influence employee turnover.

\( H3. \) Organizational Justice in Islamic banks will not significantly influence employee turnover.

\( H4. \) Opportunities for decision making in Islamic banks will not significantly influence employee turnover.

\( H5. \) PRR in Islamic banks will not significantly influence employee turnover.
Methods

Study sample
Using a systematic random sampling and a self-administered questionnaire, 70 employees from top, middle and bottom management were selected from an organization that provides Islamic banking services in the UAE. The participants were asked to give their spontaneous answers and were assured that the collected data will be used for research purpose only. The number of questionnaires collected back by researchers was 50; representing a response rate of 71 percent. All collected questionnaire (50) were found to be suitable for data analysis using the SPSS application. The next section provides detail information about the backgrounds of the co-opted sample.

Study measures

Demographic data. The following factors are used: gender, marital status, education level, age, number of years worked in the current organization, number of years worked in the current job, job status and nationality. Demographic factors were measured using scales developed by the researchers ranged between two points (e.g. gender: male-female) to six points (e.g. education level: high school, college, etc.).

Organizational climate. This variable was measured using Suliman and Abdulla’s (2005) scale of perceived work environment. Using Likert’s five-point scale, four factors of organizational climate are included in this study, namely:

1. Decision-making policy (DMP). Chances for employees to take part in decision making.
2. PRR. Degree to which rewards are based on how well you do your work.
3. Organizational justice. Refers to the fairness in all organizational policies and practices.
4. Opportunities for innovation. Willingness of the organization to try new ideas.

Employee turnover. This is a uni-dimensional variable which was measured using five-item scale developed by the researchers using Likert’s five point.

Data collection methods
The primary data of this study were collected using a self-administered questionnaire that contained three parts. The first part that included eight questions was used to collect some information about the respondent’s demographic backgrounds. Using Likert’s five-point scale, the second section comprised 20 statements, measuring the global corporate climate and its four factors, e.g. there are opportunities to use my skills and abilities. The last section dealt with employee turnover which composed five statements to be answered using Likert’s five point, e.g. I think a lot about leaving the organization.

The questionnaire was developed in English but since non-English speakers work in Alpha Bank; the questionnaire was translated into Arabic. The Arabic version of the instrument was translated back to English using a certified translator and it was adjusted accordingly to reach the highest possible match between the two versions, i.e. the English and Arabic.

Study model
The proposed relationships between the above-mentioned study variables can be represented in diagrammatic form as Figure 1 shows.
The current study, as the diagram exhibits, will attempt to explore the nature, significance and level of links between the global independent variable (corporate climate) and the dependant variable (employee turnover) on one hand and links between the four factors of corporate climate and the employee turnover on the other hand.

**Results and discussion**

The SPSS programme is used to analyze the collected data and to examine study hypotheses. The tests used are the descriptive statistics, reliability test, multivariate correlation test and the multiple regression test. Table I presents the description of the study sample. As can be seen from the table, 60 percent of the respondents were males, 52 percent were married and 56 percent were UAE nationals. One participant was holding a high school degree, 14 percent held college diploma (intermediate), 40 percent held university degree (Bachelor), 26 percent held higher diploma (post graduate), while 18 percent held Master’s degree and above.

The majority of the participants (56 percent) were between 25 and 35 years old, 22 percent were less than 25 years old, 16 percent were between 36 and 46, two participants were between 47 and 57 years old and only one was above 58 years old or above. Frequencies of organizational tenure show that most of the participants (56 percent) had been with the organization for at most seven years, 34 percent were there for less than one year, three participants stayed from 8 to 13 years and two of them spent 20 years or above in the same organization. Regarding job tenure 50 percent spent from two to seven years in the same job, 34 percent spent less than a year, 8 percent from eight to 13 years, one respondent spent from 14 to 19 years and one spent 20 years and above. In addition, the majority (50 percent) were at middle-level management, 34 percent lower level and 16 percent were at top-level management.

The reliability test is utilized in order to examine the internal consistency and psychometric properties of the scales used in this study. The inter-item consistency reliability is used to measure the internal consistency of the study questionnaire. All study measures except for the demographic scales were undergone the test. According to Sekaran (1992), the internal consistency of a given measure is indicative of the items’ homogeneity.

As can be seen from Table II the Cronbach’s $\alpha$ for the overall study instrument was found to be 0.95. With respect to the two global variables, it was 0.97 for corporate climate and 0.86 for employee turnover. Since reliability values over 0.60 are generally considered to be reliable (Sekaran, 1992) and that all of the $\alpha$-values are above 0.80 it can be concluded that the measures used in this study are highly reliable.
Table III shows the summary of findings obtained from the correlation tests. As the table presents the relationship ($r = -0.59$) between the global corporate climate and employee turnover is highly significant (sig. level $= 0.000$), yet it is a negative relationship. This means that corporate climate plays a significant role in predicting employee turnover and that the positive the perception of the overall corporate climate the lower the rate of employee turnover.
To further examine this relationship, the corporate climate was regressed against employee turnover. The summary of the findings are presented in Table IV. As can be seen from this table, the $F$-value of 10.65 is highly significant at 0.01 level (sig. level = 0.00), indicating that there is a statistical evidence that organizational climate can explain the variance in turnover. The adjusted $R^2$ value of 0.33 indicates that organizational climate has a strong relationship with employee turnover, and that it explains 33 percent of the variance in this construct.

Thus, it can be concluded that the null $H_1$ is rejected and that employees who incline to perceive their work climate more positively are likely to show less levels of intentions to quit. Similar results were also reported in the literature such as:

<table>
<thead>
<tr>
<th>The independent variables</th>
<th>Employee turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate climate</td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>0.59**</td>
</tr>
<tr>
<td>Sig. (two-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>$n$</td>
<td>50</td>
</tr>
<tr>
<td>Opportunities for innovation</td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>0.42**</td>
</tr>
<tr>
<td>Sig. (two-tailed)</td>
<td>0.003</td>
</tr>
<tr>
<td>$n$</td>
<td>50</td>
</tr>
<tr>
<td>Organizational justice</td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>0.61**</td>
</tr>
<tr>
<td>Sig. (two-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>$n$</td>
<td>50</td>
</tr>
<tr>
<td>DMP</td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>0.34*</td>
</tr>
<tr>
<td>Sig. (two-tailed)</td>
<td>0.016</td>
</tr>
<tr>
<td>$n$</td>
<td>50</td>
</tr>
<tr>
<td>Performance-reward link</td>
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<tr>
<td>Pearson correlation</td>
<td>0.16</td>
</tr>
<tr>
<td>Sig. (two-tailed)</td>
<td>0.275</td>
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<tr>
<td>$n$</td>
<td>50</td>
</tr>
</tbody>
</table>

**Note:** Correlation is significant at: *0.05 and **0.01 levels (two-tailed)

<table>
<thead>
<tr>
<th>Organizational climate</th>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>SE of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.59</td>
<td>0.345</td>
<td>0.33</td>
<td>2.41339</td>
</tr>
<tr>
<td>Opportunities for innovation</td>
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<td>0.173</td>
<td>0.17</td>
<td>2.71293</td>
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<tr>
<td>Organisational justice</td>
<td>0.61</td>
<td>0.372</td>
<td>0.36</td>
<td>2.36365</td>
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<tr>
<td>DMP</td>
<td>0.34</td>
<td>0.116</td>
<td>0.10</td>
<td>2.80529</td>
</tr>
<tr>
<td>Performance-reward link</td>
<td>0.16</td>
<td>0.025</td>
<td>0.00</td>
<td>2.94585</td>
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</tbody>
</table>

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>697.215</td>
<td>4</td>
<td>174.304</td>
<td>10.65</td>
<td>0.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>8,318.356</td>
<td>46</td>
<td>16375</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,015.571</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** *Predictors: (constant), organizational climate, opportunities for innovation, organisational justice, DMP and performance-reward link; **Dependent variable: turnover**
Stone et al. (2006) and Thatcher et al. (2003). In a conducive work environment; besides feeling valued, accepted and respected employees also have good opportunities to try new ways of doing things, exposed to fair policies and procedures, involved in decision making and fairly rewarded for their work outcomes. All this is likely to positively influence employees’ perception of the employer “Employer Branding” and bind them to stay which in turn is likely to reduce the rate of employee turnover.

To examine H2 both correlation and regression tests were applied. As Table III shows the relationship \( r = -0.42 \) between opportunities for innovation and turnover is highly significant (sig. level = 0.000). The negative sign of the correlation indicates that the more the availability of chances for employees to create and innovate the lower the rate of employee turnover.

The first factor of corporate climate (opportunities for innovation) was also regressed against the dependant variable (employee turnover) to examine H2. Since the adjusted \( R^2 \) value is 0.17 (Table IV) it can be concluded that opportunities for innovation plays a significant role in predicting employee turnover. It managed to explain, as a single factor, 17 percent of the variance in employee turnover. Given the findings of both the correlation and multiple regression tests it can be concluded that H2 is not established. This finding contradicts some results reported in the literature. For example, Joyce et al. (2009, p. 143) argued that certain conditions and mechanisms must first be in place to pave the way to innovation and that:

[...]

Chalkiti and Sigala (2010) studied staff turnover in the Greek tourism industry. They found that “[...] staff turnover negatively affects service quality levels, costs and time related to staff recruiting and training, while it enhances idea generation” (p. 335).

In this context, some scholars argue that organizations will continuously be in demand for new blood as new recruits are likely to bring fresh ideas and perhaps some business secrets from their previous employers. Accordingly, they may incline to perceive employee turnover as something normal that may even be encouraged to boost innovation. A case study – FCF, based in Virginia, USA, employs around 400 people – conducted by the Training Strategies for Tomorrow (MCB UP Ltd, 2002) argued that low employee turnover stifles innovation. They argued:

Most of the employees were hired after college graduation, with little professional experience.

As a result, they were quickly absorbed into the company culture, but they also brought fewer ideas from other companies from which FCF could learn (p. 16).

To conclude, it can be argued that organizations should not worry about staff turnover, but should be alert to talents turnover. Put differently, employees who are not contributing to the wellbeing/development of the organizations should be sacked right away and replaced, and here where the new blood will come in. Therefore, a certain level of employee turnover should be accepted and sometimes encouraged.

The correlation and multiple regression tests were applied in order to test \( \text{H3} \). Table III results reveal that organizational justice and employee turnover are significantly (sig. level = 0.000) and negatively related \( (r = 0.61) \) to each other. Provided that the sign of the relationship is negative it can debated that the positive the perception of the organizational justice by Alpha employees; the lower their inclination
to leave. To explore this relationship further, organizational justice was regressed against employee turnover. As Table IV exhibits, the $F$-value is significant, the adjusted $R^2$ value is 0.36. This means that organizational justice can significantly predicts employee turnover and that it can explain 36 percent of its variance. Given the results of both correlation and regression tests it can be suggested that $H3$ is also declined. Fair procedures and practices as well as the equity in distributing workloads, responsibilities, rewards, etc. are likely to be reflected positively on labour turnover. Similar results are also reported in the management literature. Fatt et al. (2010), for example, examined the impact of organizational justice on employee job satisfaction in the Malaysian companies. They found that both distributive and procedural justices were significantly and negatively related to employee turnover. Fatt et al. (2010, p. 56) concluded:

[...]

Similarly, Kuldeep and Gayatri (2009) studied perceived organizational justice, job satisfaction and turnover intentions in India. They reported significant negative correlation between perceived organizational justice and turnover intention.

On the contrary, Tekleab et al. (2005) tested the links between procedural justice and employee turnover in the USA and reported a positive relationship, i.e. the positive the perception of procedural justice; the higher the employee turnover. They tried to explain this finding by arguing that “one possible explanation for this positive correlation might be that it was spurious; as is shown below, this relationship disappears once intervening variables are included in the model” (p. 152).

To summarize, subordinates’ perception of justice and fairness in all practices and actions of organizations/superiors is like to create a good relationships between all members at all levels which leads to a healthy work atmosphere that employees admire, respect and maintain their membership in.

The role of DMP in predicting employee turnover is also examined using the correlation test. Though it is a negative relationship, the SPSS outcomes showed that the link ($r = -0.34$) between the two variables is highly significant (sig. level $= 0.000$). This indicates that the more the involvement of employee in organizational decision-making processes the less the chances of employee turnover. This result was further tested using multiple regression test. The outcomes of this test reveal that when regressing DMP against employee turnover the adjusted $R^2$ value derived is 0.10. This means that DMP can significantly explain 10 percent of the variance in employee turnover. Considering these findings from both correlation and regression tests, it can concluded that $H4$ is not supported. And that, the more efforts that organizations put to involve employees and empower them to decide about their work-related matters, the better the chances of their retention. In this context, Udo et al. (1997) investigated the antecedents of turnover intention for manufacturing plant managers. Findings showed indirect effects on intention to stay for job involvement.
The findings (Tables III and IV) of testing the last hypothesis reveal that there is no relationship of statistical evidence between PRR and employee turnover ($r = -0.16$, sig. level = 0.275) and that PRR explains zero variance in employee turnover (adjusted $R^2 = 0.00$). Given these results, it can be suggested that $H5$ is established and that PRR in Islamic banks has no significant influence on employee turnover.

Conclusions and recommendations

This paper examined the role of corporate climate and its four factors—organizational justice, opportunities for innovation, DMP and PRR—in predicting employee turnover. The study was conducted in one of the Middle Eastern countries (UAE). The co-opted sample (70 employees) was selected randomly from one of the Islamic banks who requested to be anonymous.

The findings uncover that except for one component, corporate climate and all its facets have significantly predicted the variance in employee turnover. Meanwhile, organizational justice showed the highest link ($r = 0.61$) and managed to explain individually 36 percent of the variance in employee turnover. In the light of these findings and considering the previous discussion, some theoretical and managerial implications can be highlighted. First, IFI like other organizations need to create a conducive work environment that nurtures satisfaction, loyalty and reduces labour turnover. Organizations and/or managers/practitioners should be aware that employees leave managers NOT organizations. Therefore, they need to understand that having the right and fair policies in place will not shield them from the labour turnover. Organizations must make sure that these policies are there and that all supervisors are practicing/applying them fairly. In this context, Fernandes and Awamleh (2006) investigated the impact of organizational justice in an expatriate work environment (UAE). They found that both procedural and distributive justice significantly predict satisfaction, they concluded (p. 701):

> Given the large expatriate workforce in the UAE, the study highlights the need for companies to train and educate their managers as to the impact of the perceived lack of justice on the motivation and commitment of their employees.

Further, managers, especially in IFI, need to know that employees are no longer considering the salary only as a base to evaluate jobs, but they also look for developmental opportunities. The old psychological contract that implicates “give me good salary and I will do a good job” is now outdated. Nowadays, employee expect from their employers to invest in them and keep them technically up to date and at the market standards, i.e. to remain marketable. This means that organizations must create innovative workplace, empower employees to decide about their job-related issues and encourage them to question the habits of doing work. Last but not least organizations/practitioners, especially in IFI, need to understand the importance and the real role of HRM department. This unit of the organization (HRM) is the only one that is in charge of the human side of the work, whereas all other line managers and their departments are in charge of the technical side of the job. IFI need to rightly balance the both sides (human-technical) to recruit and retain talents. Hence, it is not a luxury to have such a department, rather it is essential. One of the consequences of lacking HRM department – or not functioning well – is the high employee turnover. Bono et al. (2009) conducted a case study in Dubai, UAE. They found that one of the
companies had no HRM department and that all arguments in favor of it were rejected on the ground that line managers can carry out the majority of the HR function.

Second, the secondary data collection for this study uncovers the shortage of studies in the areas of work climate and turnover in the UAE and other Arabic countries. Hence, it is recommended that future studies examine the relationship between them using different approaches and/or instruments in order to reach more general understanding of the reasons behind the high turnover in Islamic banks in the UAE. Since the current study focused only on the banking sector future research may attempt to explore climate-turnover link in other sectors such as the service and governmental sectors. The current study has conceptualized employee turnover as a uni-dimensional variable, future research may attempt to examine it as a multifaceted construct.

Nonetheless, the findings of the current study cannot be generalized to all contexts and organizations due to the following reasons. The sample size is small, only 70 employees were surveyed. The study has focused only on one economic sector (banking) and this makes the applicability of the results to the other economic sectors, such as the service sector, somewhat limited. Since there are no previous studies conducted in the area of climate-turnover links in UAE, the comparison of the current study results was only limited to non-UAE, mostly western, studies. Given that 90 percent of the labour force in the UAE is expatriates, future studies may also attempt to explore the differences, if any, between locals and expats in the perceptions of corporate climate and readiness to quit.

To summarize, the current study attempted to explore climate-turnover links in the banking sector in the UAE. Three factors of climate, justice, innovation and decision making, explained 62 percent of the variance in employee turnover, future studies need to explore other variables and/or other factors of climate that count for the remaining 38 percent, e.g. employee motivation and supervisory style.

References


Gulfnews (2008), UAE Firms Grapple with High Staff Turnover Cost, Al Nisr, Dubai, 13 December.


Further reading


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