

# Exploring Factors that Cause Rt Mart's High Rate of Employee Turnover from the Perspective of Organizational Behavior

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**Abstract.** The competition in the retailing industry in China is fierce. Retail players compete for the limited market share based on cheaper but higher quality goods and services. Rt-Mart is a leading retailer in China, with wide distribution networks based on its online and offline networks. Depending on its extensive distribution networks in China, Rt-Mart can achieve an effect of scale in reducing suppliers' bargaining power and cost in inbound and outbound logistics. Just the economy of scale is not enough for Rt-Mart. Rt-Mart also tries to minimize the labor cost, although it has benefited from the pandemic purchase during the COVID-19 in China. The decrease in labor cost meant a low wage and an opportunity of no pay for overtime work or overloads. As a result, a high employee turnover rate is ordinary throughout China's retailing industry. This article then identifies the factors that cause the high employee turnover rate from the organizational behavior perspective. Three factors are founded in this article, namely: the organizational culture, the leadership style, and the motivation at Rt-Mart. Rt-Mart's organizational culture is authoritarian, which is harmful to smooth and open communication between the management and employees. Its leadership style is transactional, which emphasizes results rather than the actual needs of followers. Furthermore, Maslow's Need Hierarchy theory poorly motivates employees in the lower levels. Therefore, to reduce the high employee turnover rate, this article recommends that Rt-Mart consider the following three tips: self-management team, developing transformational leadership, and cultivating an organization that embraces teamwork, respect, fairness, and recognition.

**Keywords:** Rt-Mart; employee turnover; organizational behavior.

## 1. Introduction

Rt-Mart is a leading retailer in the retailing industry in China. Under COVID-19, the retailing industry is an exception that has not been harmed by the pandemic and has benefited from buying during this pandemic. There is fierce competition in the retailing industry because the retailing industry is in a red sea state where players compete for the limited market share based on cost and quality. Meanwhile, the large number of significant rivals and substitutes in the retailing industry has reduced current consumers' switching costs and increased their bargaining power over retailers in China. So, to maintain its current market share and expand further, Rt-Mart has also implemented a cost leadership strategy to reduce the costs incurred in the value chain. One of the cost drivers in the value chain is the human resource management part. Rt-Mart has tried to minimize the labor cost by paying a lower wage to current employees. However, the lower wage is not attractive to retain employees at Walmart. Therefore, Walmart has experienced the same problem as other rivals in the retailing industry, namely a high employee turnover rate. A high employee turnover rate might increase the cost of recruiting, selecting, and training new staff and negatively influence the left staff's job attitudes and performance. In the long term, the organizational performance of Rt-Mart would be negatively impacted. There are limited studies on systematically analyzing the impacts of organizational behavior on employee turnover for Rt-Mart. Therefore, to solve this problem, this article has analyzed the high employee turnover rate from the organizational behavior perspective, namely organizational culture, leadership style, and motivation. Based on the findings, this article also provides three tips for Rt-Mart's management to consider from the organizational behavior perspective.

## 2. Analysis General External Environment

For the Political environment, the Chinese government is implementing a strict zero-case policy when curbing the spread of COVID-19 in mainland China. Under the strict zero case policy, there might be a frequent lockdown policy in some cities, which might cause a consumption pandemic among local consumers. The pandemic among consumers increases the demand for daily commodities and thus increases the workloads and time of current staff at Rt-Mart. For the Economic environment, the enormous COVID-19 has strongly influenced China's economy. The retail GDP growth slowed sharply to 4.3% in 2020 [1]. Besides, the annual inflation rate of China has climbed to 2.5% in June 2022 from 2.1 % in May 2022 [2].

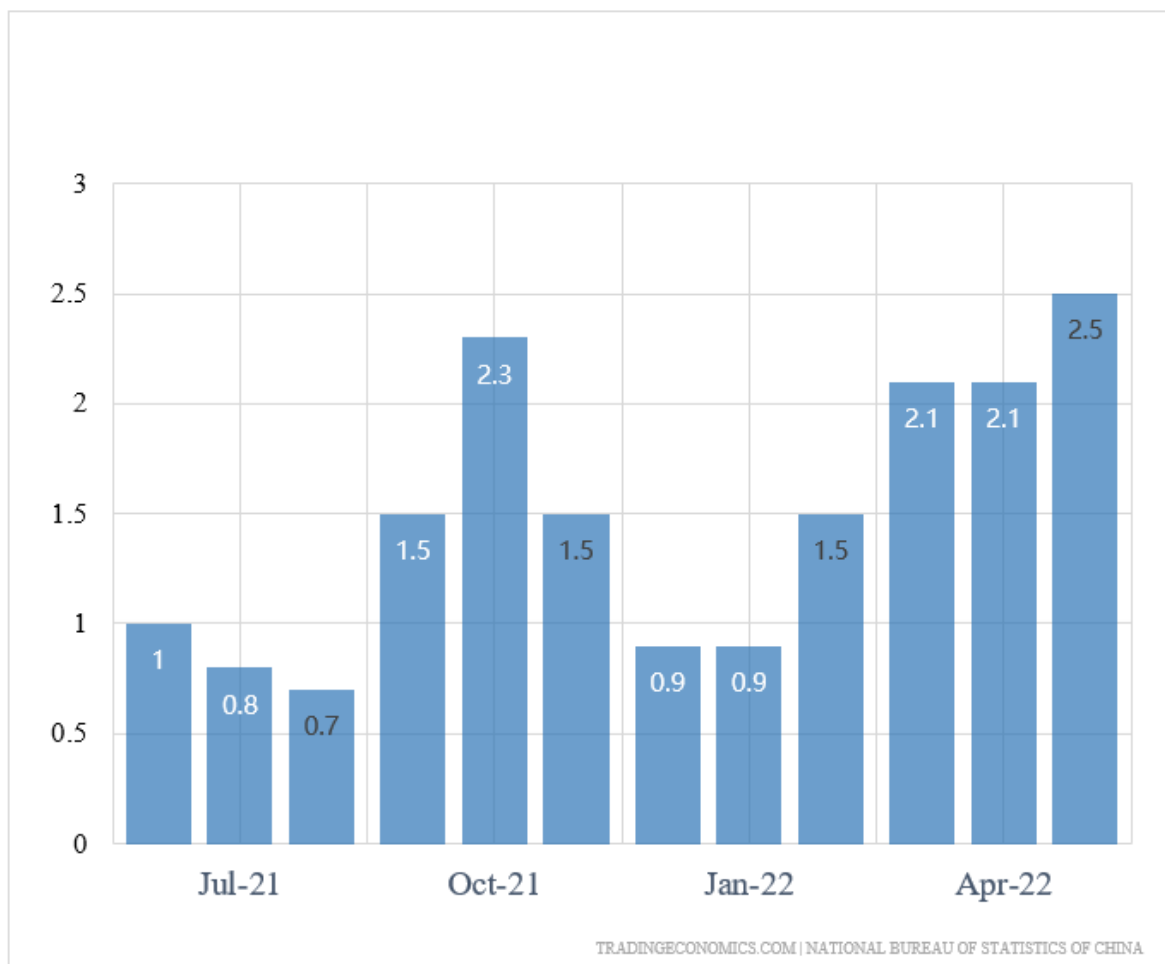


Fig 1. China Inflation Rate [3].

The high inflation rate under weak economic growth means an increasing living cost for local citizens and a growing cost of raw materials, transportation, and related business activities [3]. For the social environment, there is a growing trend toward corporate social responsibility among consumers in China. Consumers are more willing to select businesses that are corporate and socially responsible. Besides, there is a growing trend of online shopping among Chinese consumers, especially Generation Y and Z [4]. This online shopping trend drives the growing demand for retailing services and thus a growing workload for current employees at Rt-Mart. In the technological environment, E-commerce has become a trend in China, supported by the rapid development of information technologies and improved internet speed. Third-party payment services and online delivery services platforms have facilitated the growing demand for retailing services during the COVID-19 pandemic in China.

### **3. Analysis of External Specific Environment**

There is a high threat for Rt-Mart from existing rivals. Rt-Mart is facing a threat from Yonghui, China Resources Vanguard, Rt-Mart, Lianhua, Freshippo, and Wumart [5]. In addition to these large hypermarkets or supermarkets, there are also smaller supermarkets and grocery stores in the local market, competing for the limited market share with Rt-Mart depending on cheaper price. The threat of new entrants is moderate. The significant capital and human resource support mean that the threat from new entrants for Rt-Mart is moderate. It is challenging for those new entrants to compete with Rt-Mart regarding the goods categories, price, and scale in China. The bargaining power of consumers is high in China because there are many different-sized supermarkets in China. They have a low or no switching cost to switch between these supermarkets. The bargaining power of suppliers is low. Rt-Mart has about 14 % market share in China as the largest retail chain in China. Therefore, its scale effect means that suppliers of Rt-Mart have low bargaining power. The threat of substitutes is low. Although there are farming markets in different cities, these farming markets could not replace the unique shopping experience in a hypermarket in China.

### **4. Brief background of Rt-Mart in China**

As a hypermarket chain, Rt-Mart International Ltd was founded in Taiwan, China. Since 2010, Rt-Mart has entered the Chinese market as the leading hypermarket chain based abroad in continental China. In addition to Rt-Mart, there are other foreign hypermarkets in China like Walmart, Carrefour, and Tesco, and many local hypermarkets. According to Kang [5], Alibaba Group Holding Ltd. has gained a controlling stake in Sun Art Retail Group Ltd.'s largest hypermarket chain in China, depending on a 3.6 billion acquisition. Compared with its growing market share in China, Rt-Mart is also experiencing a high employee turnover rate like other retailers in China. This is supported by a study made by LinkedIn that Chinese staff would switch to other employers after 22-month works [6]. China's high employee turnover rate could firmly restrain the strong growth in the supermarket business for Rt-Mart.

### **5. Business level strategy: cost leadership strategy**

The supermarket industry in China is a red sea state. In order to compete and survive in the red sea, Rt-Mart is implementing a red sea strategy, namely a cost leadership strategy, in China. Cost leadership is one strategy of Porter's Generic Strategy. According to Kharub, Mor, and Sharma [7], a company could achieve competitive advantage via delivering cheaper goods and services and deliver better performance accordingly. One way is to build economy of scale and gain the cost advantage. The other way is to focus on those aspects of the value chain and to externalize the functions which could be more efficiently [8]. Rt-Mart has followed the two ways to implement the cost leadership strategy to achieve competitive advantage and better organizational performance. Rt-Mart had a 14.1 % market share with an extended distribution network. The large store networks enable Rt-Mart to achieve a scale of effects, which helps it reduce the price of acquiring goods from suppliers. In addition, Rt-Mart focuses on hiring casual time or part-time workers compared with full-time employees, which could help Rt-Mart significantly reduce the human resource cost. By minimizing the cost drivers from the labor and logistics, Rt-Mart can maximize the values delivered to consumers and the business [9]. For example, consumers can enjoy the cheaper and fresh goods at Rt-Marts, while shareholders of Rt-Mart could maximize the return on investments.

### **6. Human resource problem: high turnover rate**

One of the outcomes of implementing a cost leadership strategy at Rt-Mart is the high turnover of personnel. The above background discussion has if there is a high employee turnover rate in China. Rt-Mart has focused on reducing the labor cost to facilitate its implementation of the cost leadership

strategy. As a result, although there is a growing demand and a growing market share and profits for the retailing services in China under the COVID-19 pandemic purchase and the growing trend for online shopping, employees receive a growing workload and extended working hours at Rt-Mart. Compared with their overload tasks and long working hours, employees are not paid for overtime work at Rt-Mart. Therefore, the long-time and overloaded tasks have caused imbalanced work and life for many Rt-Mart employees, damaging their physical and mental health [10]. Many employees are experiencing fatigue, stress, anxiety, and a conflicting family relationship [11]. The increasing mental and physical health problems have caused a high rate of absenteeism and a growth rate of employee turnover at Rt-Mart when the management effectively addresses employees' mental and physical health problems at RT-Mart.

## **6.1 Factors causing the high rate of employee turnover from Organizational Behavior Perspective**

### **6.1.1 Organizational culture**

Organizational culture is a moderator of employee rotation. Organizational culture could strongly influence employee engagement, organizational performance, and the ultimate success of an organization. An authoritarian organizational culture focuses on a top-down communication style and is toxic because it has been found to increase the rate of employee turnover [12]. The organizational culture at Rt-Mart is authoritarian, which means that the communication is top-down. Employees can follow the directions of their line or general managers without the opportunity to engage in organizational decision-making [13]. Under this circumstance, current employees' overload tasks and extended working hours have caused an imbalanced work and life due to the growing demand for retail commodities in China. The top management could not identify the changing needs of the current staff at Rt-Mart. When the top management does not hear employees' voices, they would resign or engage in unionized behaviors. In China, the standard way for employees to express their dissatisfaction with employers is to resign. Therefore, when the authoritarian organizational culture causes employees to fail to express their unmet needs to be heard by the top management, they would resign from Rt-Mart. In this situation, there is a growing employee turnover rate at Rt-Mart.

### **6.1.2 Leadership style**

The leadership style at Rt-Mart is transactional. Transactional leaders play a role of an agent of change, and achieve improvements in productivity through exchange with employees [14]. The critical feature of transactional leadership is that they rely on rewards and punishments to achieve the expected job performances from followers. At Rt-Mart, the leaders also implement a transactional leadership style. This means that their general managers set each sales staff at Rt-Mart with a monthly sales target. When they achieve the monthly sales target, they would be rewarded with a bonus. Employees would be punished with a base wage for that month if they failed to achieve the monthly sales target. To some degree, the monthly sales targets are too high for employees to achieve, which has increased the stress and anxiety of the current staff at Rt-Mart. The failure to meet their sales target means they just received a base pay for their work which failed to motivate them to retain at Rt-Mart. Moreover, the failure to pay attention to employees' personal unmet needs via individualized consideration or care also reduces employees' belonging to the leader and their organization at Rt-Mart [15]. Therefore, the current transactional leadership style is a factor causing the high employee turnover rate.

### **6.1.3 Motivation**

Employees are poorly motivated at Rt-Mart. According to Maslow's Need Hierarchy theory, there are five levels of needs: physiological need, safety, love or belongingness, esteem, and self-actualization [16]. People are motivated when their lower levels of needs are met. The hierarchy of needs means that the emergence of a need usually depends on the past satisfaction of another larger need of the sponsor. At Rt-Mart, the high employee turnover rate is caused by the imbalanced work and life and the low pay for overtime work. This means that the lower levels of needs, namely the

psychological needs for higher wages and the safety needs for mental and physical, are not satisfied at Rt-Mart. When the organization does not meet employees' lower needs, they will not be motivated to pursue higher needs in the need hierarchy. Rt-Mart has a top-down communication style which means that employees do not have the opportunity to express their unmet needs to the management at the top levels. In this situation, one way to express their dissatisfaction with Rt-Mart due to the unmet needs is to resign from Rt-Mart in the form of a high rate of employee turnover and absenteeism [17].

## **7. Recommendations based on Organizational Behavior**

### **7.1 Self-management team**

A self-management team is practical for Rt-Mart to meet employees' lower levels of needs for mental and physical health. Self-management team means that Rt-Mart could permit current employees from different departments or units to form self-management teams. In self-management teams, employees are empowered to take on different job responsibilities. The general manager would play the role of mentor to support, motivate and direct employees' work in their self-management teams. This way, employees would be empowered to engage in their team's decision-making process. Increasing employees' engagement in their team's decision-making process meet their needs for love, belonging, and recognition, and thus they would have a higher level of satisfaction and be motivated to work harder. A high level of job satisfaction increases their job retention to Rt-Mart Accordingly.

In addition, employees would have a more flexible working arrangement by coordinating job tasks with their peers in the self-management team. This is because employees can take on different job responsibilities in a self-management team. A more flexible working arrangement enables employees to balance their work and life and avoid experiencing conflicts between work and life. In this way, they would be more satisfied with their organization and loyal to it.

### **7.2 Transformational leadership**

Transformational leadership is recommended for Rt-Mart's leaders to reduce the current high employee turnover rate. Transformational leadership refers to a leadership style which the leader articulates a shared strategic vision and shared with followers to work towards the realization of this strategic goals with individualized consideration and motivation [18]. These activities are based on practicing the four Is: idealized influence, intellectual stimulation, individualized consideration, and inspirational motivation. Rt-Mart leaders could not offer personalised consideration and inspiring motivation to identify the unmet needs of their followers and take appropriate steps to meet their needs. Therefore, using the four Is of transformational leadership could enable Rt-Mart leaders to sufficiently motivating current employees to work towards the realization of the organizational goal and increase their loyalty to Rt-Mart by meeting their unmet needs.

### **7.3 Develop an organizational culture embracing teamwork, respect, fairness, and recognition**

Rt-Mart Should develop an organizational culture to support teamwork, respect, fairness, recognition, and open communication. Such as organizational culture enables team members to share tasks with each other. This way, team members could be more flexible in arranging their job responsibilities. In addition, team members could gain a sense of belonging to their team and Rt-Mart and be more loyal to Rt-Mart. What is more, the organizational culture should value open communication. Open communication enables employees to engage in the organizational decision-making process and express their unmet needs to be heard by the top management in Rt-Mart. This way, when the top management heads their unmet needs, they would take responsive actions to meet employees' unmet needs. Doing this would make employees more satisfied with their managers and the organization.

## 8. Conclusion

Rt-Mart is a leading retailer in China. Although the pandemic from COVID-19 has benefited the retailing industry, the competition in the retailing industry is fierce. In order to maintain its competitive advantage, Rt-Mart has implemented a cost leadership strategy by reducing the labor cost in the value chain. While the cost leadership helps Rt-Mart keep on serving consumers with cheaper goods and services, Rt-Mart has ignored a growing turnover rate among existing employees in the retail industry. Through analyzing the causes of the employee turnover rate from the organizational behavior perspective, this paper found that the authoritarian organizational culture has led to a top-down communication style. This caused current employees to fail to express their unmet needs to be heard by top management. In the long term, they would resign to express their voice of unmet needs with the management at Rt-Mart, which is worsened by the transactional leadership style, which focuses on the results rather than the actual needs of followers. Furthermore, employees are poorly motivated at Rt-Mart because of overload, overtime, low wages, and imbalanced work and life. In this situation, a high employee turnover rate negatively influences Rt-Mart's organizational performance. This is because a high employee turnover rate increases the costs of recruiting, selecting, and training new staff, which is not value added for Rt-Mart. In order to reduce the rate of turnover, Rt-Mart should take the following tips: building self-management teams, using transformational leadership, and cultivating an organizational culture embracing teamwork, respect, fairness, and recognition.

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