

RETENTION DEPICTS THE HEALTH OF THE ORGANISATION

SHELLY MOHANTY
Koustav Business School, India

Employee retention is arguably the biggest issue facing corporate leaders as a result of the shortage of skilled labor, economic growth and employee turnover. Hiring knowledgeable people for the job is essential for an employer, but retention is even more important than hiring. Employee retention involves taking measures to encourage them to remain in the organization for the maximum period of time. The key to retention is to understand the employees' expectations and achieve proper alignment of their expectations with those of the organization.

INTRODUCTION

During the last decade, Employee retention has become a serious and perplexing problem for all types of organization. Managing retention and keeping the turnover rate below target and industry norms is, one of the most challenging issues facing business. From all indications, the issue will compound in the future, even as economic condition changes. Employee retention will continue to be an important issue for most job groups in the first decade of the 21st century. Employee turnover continues to be one of the most unappreciated and undervalued issues faced by business leaders. This stems from several important assumptions and conclusions about turnover. All stakeholders involved in the issue, including human resource managers, underestimate the true cost of employee turnover. The causes of the turnover are not adequately identified in most organizations. The selection of tool to reduce turnover are sometimes mismatched with the cause of turnover and do not generate the desire results. Many of the preventive measures for turnover are either over killed or they often miss the mark al- to -gather.

Why Is Retention Important?

Is it just to reduce the turnover cost? well, the answer is definitely no. Not only the cost incurred by a company that emphasizes the need of retaining employees but also very much needed to withhold talented employees from getting poached (NaukriHub, 2008). So what makes employees leave the organization? Employees do not leave an organization without any significant reasons. There are certain circumstances that lead to their leaving the organization. The internal drivers that have a tremendous impact on turnover consist of job dissatisfaction, desire for challenging and useful work, need for

autonomy, flexibility and independence, need for performance based rewards, need for recognition for participation, desire for all types of other benefits, need to learn new skill, career growth and development in all direction, desire to be on the leading edge, desire for competitive compensation, need for caring and supportive environment, and need for work life balance

How to Retain Employees

Motivation is necessary for work performance because, if people do not feel inclined to engage themselves in work behavior, they will not put in necessary efforts to perform well. However, performance of individual in the organization depends on variety of factors besides motivation. It is therefore desirable to identify various factors. For instance, employees' knowledge and skills are important performance drivers. Another factor is the company's ability to retain its employees with attractive benefit packages. Motivation is a prominent tool to retain employees with greater compensation packages.

Companies have now realized the importance of retaining their qualitative workforce and retaining their quality performers, contributes to productivity of the organization and increase morale among employees. Middle and top management plays a vital role in the people dimensions of the organization. The organization culture in a long run converts to organizational ethics and people feel reluctant to leave by making it as a stepping stone when appreciation and rewards in form of compensation awaits them in comparisons to the market trend. In view of the description given it is necessary to examine the facts as how to retain them. There are four basic factors that play an important role in increasing employees' retention, include: salary and remuneration, providing recognition, benefits and opportunities for individual growth as presented in figure 1.1. But are they really positively contributing to the retention rates of the company? Salary these days hardly reduce turnover. Today's employees look beyond money factor. In order to ensure that organizations are behaving more customer-oriented, they need to be equally employee centric in order to match the intellectual property and their products and services (NaukriHub, 2008).

PRACTICES FOR INCREASING EMPLOYEE RETENTION

Open communication. A culture of open communication enforces loyalty among employees. Open communication tends to keep employees informed on key issues. Most importantly, they need to know that their opinions matter and that management is 100% interested in their input.

Employee reward program. A positive recognition for work boosts the motivational levels of employees. Recognition can be made explicit by providing awards like best employee of the month or punctuality award. Project based recognition also has great significance. The award can be in terms of gifts or money.

Career development program. Every individual is worried about his/her career. He is always keen to know his career path in the company. Organizations can offer various technical certification courses which will help employee in enhancing his knowledge.

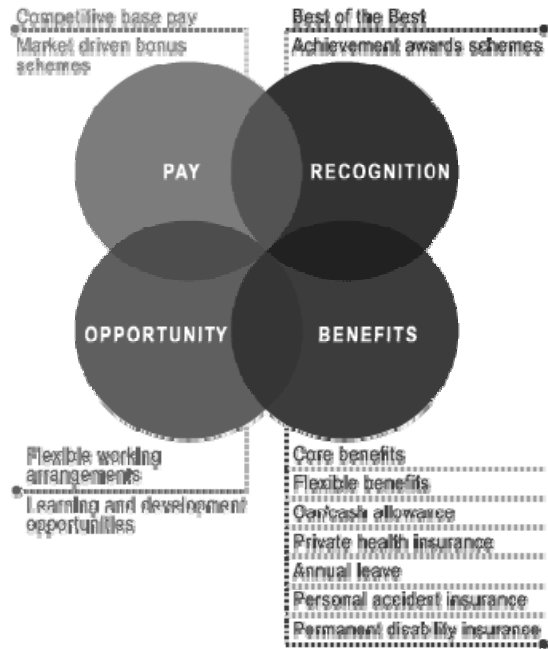


Figure 1-1. The four basic factors.

Performance based bonus. A provision of performance linked bonus can be made wherein an employee is able to relate his performance with the company profits and hence will work hard. This bonus should strictly be productivity based.

Recreation facilities. Recreational facilities help in keeping employees away from stress factors. Various recreational programs should be arranged. They may include taking employees to trips annually or bi-annually, celebrating anniversaries, sports activities, etc.

Gifts at some occasions. Giving out some gifts at the time of one or two festivals to the employees making them feel good and understand that the management is concerned about them.

OTHER PRACTICES IN FACILITATING RETENTION

Opportunities for training, new learning, growth, and promotion also have positive impacts on retention. Similarly, liberal transfer policies tend to reduce employee turnover. When employees can transfer, they have the opportunity to leave problem situations and are less likely to leave the organization. In addition, effective management of diversity and prevention of sexual harassment tend to increase retention. Marriott International, another of Fortune's top 100 employers, has a workforce consisting of more than 50 percent minorities. The company has an excellent reputation for training and advancement opportunities and has a voluntary turnover rate of 37 percent even though the company operates in a low-wage industry. Enterprise Rent-A-Car also provides excellent opportunities for advancement as it moves new college graduates

quickly into management jobs. A summary of these positive influences on employee retention is presented in Table 1-1.

CRITICAL ANALYSIS

However although retention of employee is a perplexing problem, it distributes rays of indirect cost that can be said and shall add to the bottom line in terms of recruiting cost, training cost, socialization and disruption etc.

Negative Impact of Turnover

High financial cost. The cost of employee turnover includes hiring cost, training costs and productivity loss. This adds thousand of money to a company's expenses.

Survival is an issue. In a tight labor market where the success of company depends on the employees with critical skills, recruiting and retaining the appropriate talent can determine the success or failure of the organization.

Exit problem and issues. With increased litigation at the work place, many organization spend significant time and resources addressing the issues of departing employees.

Productivity losses and welfare interruption. In most turnover situation, a person who exist abruptly leave a productivity gap. This void not only causes problems for in the same team and within the flow of work.

Service Quality. With a much emphasis on providing excellent service to external and internal customers, high turnover has a tremendous negative impact on the quality of customer service. Turnover of frontline employees is often regarded as the most serious threat for proving excellent external customer service.

Regaining Efficiency. When an employees resigns, then good amount of time is lost in hiring a new employee and then training him/her, and this goes to the loss of the company directly which many a times goes unnoticed. And even after this one cannot assure of the same efficiency from the new employee (NaukriHub, 2008).

Good will of the company. The good will of the company is maintained when the attrition rates are low. A higher retention rate motivates potential employees to join the organization (NaukriHub, 2008).

Before we start introspection, we need to realize that clever industries undertake environmental research in context with their employees. The following myths are available in the minds of employees and it needs to be borne in the mind of the managers, predicting a keen look to further retention programs.

TABLE 1-1
Investment Opportunities for Improving Employee Retention

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Organizational Culture Emphasizing Interpersonal Relationship Values <ul style="list-style-type: none"> ▪ Team Orientation ▪ Respect for people
Effective Selection Procedures <ul style="list-style-type: none"> ▪ Use of Realistic Job Previews (RJPs) ▪ Use of Biodata
Compensation and Benefits <ul style="list-style-type: none"> ▪ Equitable Compensation <ul style="list-style-type: none"> - Fair Appraisal Reviews - Equitable Input-to-Output Ratios - Exclusion of Political Factors - Fair Compensation Structures - Communication ▪ Performance-Based Compensation ▪ Pay Incentives ▪ Valued Benefits
Job Enrichment and Job Satisfaction Practices Providing Work Life Balance <ul style="list-style-type: none"> ▪ Alternative Work Schedules ▪ Family Leave ▪ Child Care Services
Training and Opportunities for Personal Growth
Opportunities for Promotion
Organizational Direction Creating Confidence in the Future
Liberal Internal Transfer Policies
Effective Management of Diversity
Prevention of Sexual Harassment

Source: Strategic Human Resource Management (Greer, 2000).

People Leave an Organization for More Pay

Most of the time people say they are leaving for more pay or money, because it is the easiest reason to show. But the factors more important than money are job satisfaction, job responsibilities and individual skill development.

Typical issues that cause dissatisfaction are company policies and procedures, quality of supervision, working conditions, relationship with the immediate boss and also salary.

Money may be motivating factor for some, but for many it is not the important factor. Research shows most people don't actually leave a job for more money, there are two important facts: Very-low-income workers will leave for more money, because it's a survival issue. For the rest of workers, issue of money actually is all about fairness. People became dissatisfied when then feel it is not fair within the company, within the industry or when it doesn't match with the work load .When people leave management tries to retain them by offering more money. But instead they should try to figure out the main reason behind it (NaukriHub, 2008).

Incentives Can Increase Productivity and Morale

Incentives are very helpful for increasing productivity but may not be in the long run basis. However incentives such as gifts and cash bonuses, speed awards and volume goals don't affect employee commitment, they are the old management beliefs. Incentives have been over used mainly in the past decade, but actually it doesn't pay off in long term company profitability or employee satisfaction or retention. Rather speed can hamper the quality of work produced.

People Hesitate to Carry More Responsibilities

It is a fact that people run away from responsibilities. They don't want more work if they are already overloaded. But they do have a keen interest to learn and grow. People want to try new things to feel skillful and to experience the personal satisfaction of higher level of achievement. People do not need a promotion to gain more responsibility. The same work can be broaden to include more variety, better contact with different parts of the organization and greater control over decision on accomplishing work tasks.

Taking Steps to Increase Employee Satisfaction Will be Expensive for the Organization

The things which are actually required for satisfying employees are career growth, meaningful work, respect and appreciation can't be bought. So an employer or management should react, listens and respond well to the employees' ideas and suggestion. This ultimately helps for retaining them in the organization.

REFERENCES

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