

EMPLOYEE RETENTION

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Abstract : Retention of employees is an important function of the HRM. Unless there is a deliberate and serious effort from the management towards this direction, the competitors in the industry are likely to attract and snatch the talent already nurtured in the company over a period of time. Careful strategies for crafting and implementing employee retention strategies are a skill and should be given top priority by the management.

Employee retention refers to the ability of an organization to retain its employees. Employee retention can be represented by a simple statistic (for example, a retention rate of 80% usually indicates that an organization kept 80% of its employees in a given period). However, many consider employee retention as relating to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome.

This paper discusses the issues and solutions to address this problem . The results of the study indicate that retention strategies should be carefully worked out for different groups and levels.

INTRODUCTION

One of the greatest challenges in today's business world is to stay up to speed in a time of technological growth. Fundamental changes are taking place in the work force and the work place that promise to radically alter the way companies relate to their employees. As we hurl ahead at an increasing pace every field, employee retention becomes a concern for all companies at the present strong job market. There are a great number of employment opportunities for talented professionals. It has been found out that, higher the skills of the employees, the greater the demand for their services. Hiring and retaining good employees have become the chief concerns of nearly every company in every industry. Companies that understand what their employees want and need in the workplace and make strategic decisions to proactively fulfil those needs will become the dominant players in their respective markets. Hence employee retention is a very important issue that organisations must tackle.

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project.

Employee retention can also be considered as a business management term referring to efforts by employers to retain current employees in their workforce.

TALENT RETENTION IS CRITICALLY IMPORTANT FOR ALL ORGANIZATIONS FOR TWO MAIN REASONS:

1. Turnover is expensive.
2. Top performers drive business performance.

Although estimated financial impacts from turnover fluctuate depending on industry, position, and location, estimates range from 30 percent to 250 percent of annual salary. Turnover costs mount steeply,

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arising from the direct replacement costs of talent acquisition, the opportunity costs of vacant positions and time to productivity, and—more broadly—lost business performance. The impact of quality performers was crystallized in McKinsey’s seminal “War for Talent” study. It found that, in the opinion of senior managers, high performers outperform average performers by a wide margin. According to the study, high performers in operations roles are able to increase productivity by 40 percent, high performers in management roles increase profits by 49 percent, and, in sales positions, high performers are responsible for 67 percent greater revenue.

OBJECTIVES OF THE STUDY:

This paper would focus on the importance of employee retention, an organisation-wide issue. It would identify the retention strategies, their effectiveness and if they need to be modified.

1. Recruit the right people in the first place.
2. Improve the line manager’s ability to manage.
3. Give employee’s constant feedback about clear, meaningful goals.
4. Empower employees to manage their own careers.
5. Proactively drive talent mobility.
6. Continuously measure and improve retention strategies

LITERATURE SURVEY:

The term “employee retention” first began to appear with regularity on the business scene in the 1970s and early ‘80s. Until then, during the early and mid-1900s, the essence of the relationship between employer and employee had been (by and large) a statement of the status quo: you come work for me, do a good job, and, so long as economic conditions allow, I will continue to employ you. It was not unusual for people who entered the job market as late as the 1950s and ‘60s to remain with one employer for a very long time, sometimes for the duration of their entire work life. In the 1970s and later, as job mobility and voluntary job changes began to increase dramatically, the status-quo model began to fray substantially at the edges.

Employees found themselves with a new phenomenon to consider: employee turnover. As organisations began to feel the impact of employee turnover, so a matching management tool began to be developed- employee retention. (McKeown 2002) Parrott (2000) believes that today’s employees pose a complete new set of challenges, especially when businesses are forced to confront one of the tightest labour markets in decades. Therefore, it is getting more difficult to retain employees, as the pool of talent is becoming more-and more tapped-out.

During the last decade, employee retention has become a serious and perplexing problem for all types of organisations. Managing retention and keeping the turnover rate below target and industry norms is one of the most challenging issues facing businesses. Employee turnover continues to be one of the most unappreciated and undervalued issues facing 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 turnover are not adequately identified in most organisations.
- ◆ The solutions to reduce turnover are sometimes mismatched with the causes of turnover and do not generate the desired results.
- ◆ Many of the preventive measures for turnover are either overkill or they often miss the mark altogether.
- ◆ A process to measure the success of retention solutions and place a monetary value on managing retention does not exist in most of the organisations. (Phillips and Connell 2003)

RESEARCH METHODOLOGY:

In this paper, an attempt is made to understand the importance of Employee Retention as they are the ultimate assets for the company & with which the organization flourish without which the organization is not into existence .

The research is restricted to only secondary data such as references from journals, magazines, articles etc. & doesn’t considers any primary source .

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LIMITATIONS:

The limitations of this study results into the following;

- a. The retention strategy varies from organization to organization which is not standard throughout.
- b. The organization today considers hire & fire policy so there is no importance of retention strategy.
- c. Supply of employees are more than the demand, as a result of which retention strategy becomes sidelined

FINDINGS & DISCUSSIONS:



PRINCIPLES OF THE RETHINKING RETENTION MODEL:

a) Employees quit jobs because they can. Workplace demographics leave employees with too many job choices, even in down economies. Exit surveys and various studies indicate employees quit because of supervisors, pay, career development, and for “better opportunities,” While each of these exit reasons are true at one time or another, the main reason employees quit is because our economy and society make it easy for them to do so.

b) Employees stay for things they get uniquely from you. These things might be tangible, like being able to walk to work, a four- day/ten-hour schedule, or reduced prices for company products. Or they might be intangible things like learning new skills, working with a trusted supervisor, or performing a service that helps others. Some of these stay reasons may come via policies or programs, whereas others occur during the course of doing work. Retention happens when employees receive things they value that they believe they cannot get anywhere else and these things create reasons for them to stay.

c) Supervisors build unique relationships that drive retention...or turnover. Researchers Marcus Buckingham and Curt Coffman in their book, “First, Break all the rules” say: “the talented employee may join a company because of its charismatic leaders, its generous benefits, and its world-class training programs, but how long that employee stays and how productive he is while he is there is determined by his relationship with his immediate supervisor.”

Supervisory relationships are unique levers that deeply impact employees' stay/leave decisions. Some employees stay for supervisors, some leave because of them, and some just avoid them.

EXTERNAL DRIVERS OF THE RETENTION CRISIS:

Major changes have occurred in organisations, both internally and externally, making this issue more critical today than in previous years. Unfortunately these changes will only worsen the crisis in the future.

- a. Economic growth
- b. Slower growth of job seekers.

INTERNAL DRIVERS OF THE RETENTION CRISIS:

Internal changes in organisations operate in concert with the external influences to drive excessive turnover. Internal issues include structural changes within the organisation and changes in employees' attitude about work and their employers.

- a. Lack of company loyalty
- b. Desire for challenging and useful work
- c. Need for autonomy, flexibility and independence
- d. Need for performance based rewards.

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- e. Need for recognition for participation, accomplishments, and contributions
- f. Desire for different kind of benefits
- g. Need to learn new skills
- h. Career growth in all directions
- i. Desire to be on the leading edge
- j. Desire for competitive compensation
- k. Need for a caring, supportive environment
- l. Need for work/life balance

SUGGESTIONS & CONCLUSION:

Employees are an organisation's business. And those who manage businesses both large and small face stiffer competition domestically and abroad. In fact, retaining good workers is the tipping point between success and failure for many organizations. According to Gregory P. Smith, author of "Here today, Here tomorrow: Transforming your workforce from High Turnover to High Retention", the following attributes are essential to a high-retention organisation:

- ◆ Clearly defined organisational direction and purpose
- ◆ Caring management
- ◆ Flexibility in benefits
- ◆ Open, straight forward communication
- ◆ Energetic and enthusiastic work environment
- ◆ Effective performance appraisals
- ◆ Rewards and recognition
- ◆ Training and development
- ◆ Paying competitive wages
- ◆ Respecting employees
- ◆ Retention bonuses

Every organisation needs to work on the retention strategies by focusing mainly on the employee and his contribution to the organisation.

The following strategies will help organisations improve retention, productivity, and all other important metrics.

a) STRATEGIES FOR SUPERVISORS:

Hold supervisors accountable for achieving retention goals. Supervisors won't achieve any other goal you assign them if they lose their best performers, so make them accountable. This is the first strategy which should be implemented immediately. Telling supervisors on all levels that they now have retention goals moves your retention efforts from HR into the line management of your organisation, which is where nearly all retention activity occurs after hiring.

Develop supervisors to build trust with their teams. For every employee, communication, recognition, and development all fall behind trust. The type of trust being discussed here is personal trust: trusting a supervisor to provide feedback and tools for your success, assess your work objectively, tell you when you need to improve, and present your achievements objectively to others. This is an employee knowing that his supervisor "has his back" and really want him to succeed.

b) STRATEGIES FOR PEOPLE MANAGEMENT PROCESSES

Narrow the front door to close the back door. This focuses on how hiring techniques can greatly influence retention. These techniques must be used to check if the applicant can do the job, and if they will stay with the organisation. New hires must align with who you are—your jobs, values, and standards—and give clear indications they intend to stay. Script employees' first 90 days.

First impressions predict how long employees stay, so early activities must be scripted to present your company in ways that are both positive and truthful. The first 90 days is the glue-binding period, as employees stay for things they believe are uniquely available from the organisation. Having made the decision to join the organisation, they are now verifying if their decision was right based on their early daily experiences.

Challenge policies to ensure they drive retention. Blow the dust off last decade's thinking and drive your rules toward retention. Improve pay, healthcare, and work flexibilities for the employees. Organisations that understand the full cost of turnover are wise to offer benefits and benchmark themselves

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against other employers to ensure they are competitive or better.

c) STRATEGIES FOR TOP MANAGEMENT:

Calculate turnover's cost to galvanize retention as a business issue. Money speaks louder than numbers and percents. So in order to move the retention discussion into the boardroom and other important decision-making arenas, the cost of turnover must be translated into bucks.

Drive retention from the top, because executives have the greatest impact on achieving retention goals. Think about how your company manages sales, service, quality, and safety and then build those same methods for retention. Most of the organisations look to HR to design and implement retention solutions. As a result, retention initiatives are driven from the side of the organisation chart rather than from the top. Employee retention is a management team game; hence executives from all the departments in the organisation must be involved.

Having a good effective and manageable employee retention strategy in any organisation is absolutely necessity and at the same time is inevitable. The strategies discussed in this paper relate to supervisors, people management processes and the top management. Carving, crafting and implementing these strategies involves serious commitment from the management and especially executives at the corporate level. This would certainly yield rich dividends in productivity at the end in the long run

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