



## SWAYING WORLD BUSINESS CLIMATE AND THE INCREASING NEED FOR EFFECTIVE RETENTION STRATEGIES

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### ABSTRACT

Organizations all over the world operate in a hyper-turbulent change-intensive environment. The powerful forces—from demographic upheavals and the rise of digital technology to rapid business-model innovation, altering government policies and quivering global business, and socially driven evolution in the employer-employee relationship—are driving change for both HR functions and the organizations they serve; creating talent challenges. The fruitful endurance of a business/organisation depends on the employees to a great extent. The active changing and volatile demand-supply equation with such unpredictable attrition trends and cut throat competition in the international market has directed organisations to focus on divergent measures pertaining to attracting and retaining talent. Talent retention programs strive to develop and retain high potential employees, and thus equip organisations with talent source and competitive human resource advantage which will impact the organizational performance.

**KEYWORDS** : Business climate, changing role of HR, Retention strategies

### Introduction

Today, organizations all over the world operate in a hyper-turbulent change-intensive environment. The global scenario keeps changing putting the business in risk. May it be the technological, social, cultural, or any external and internal environment that affects the business. Some of the changes are reactive (natural disasters, terrorism, market crash, etc) and others can be proactive (like Mergers & Acquisitions, Downsizing, Outsourcing, etc). The biggest wild card in all of this, of course, is the political and legal environment which implements new policies as a bolt from the blue. Any disruption in the flow of money, verily the economy's lifeblood, impacts business cycles quickly. There is little that firms could do to consolidate their position in the face of such an uncertainty. Later 2016 and beginning of 2017 saw a significant disruption throughout the economy, threatening economic output. Its impact on international business and economy and the labour scenario is a vast and different perspective which do not fall within the walls of this article.

Organisational development through continuous change being the prime motto, organizations go for outsourcing, downsizing, reengineering etc to ensure the continued success of the firm. Another key determinant of today's business success is the human resource. The active changing and volatile demand-supply equation with such unpredictable attrition trends and cut throat competition in the international market has directed organisations to focus on divergent measures pertaining to attracting and retaining talent. It is a fact that turnover will happen and companies need to gear strategies to curb unprecedented turnover from affecting organisational success. So, reconstituting and reassuring the workforce through proper communications with a sense of security and stability is necessary for organizations.

### Rationale behind focus on talent retention

The rationale behind talent management and retention is bore by the fact that businesses are run by people. Processes, technology and capital are important but it is people who make the decisions. It is people who create value by availing these corporate assets to create products and services. This means that the better people an organisation has, the better it will perform.

Retaining talented employees has become one of the major priorities of organizations and the key differentiator for human capital management. People, intellectual capital and talent are ever more critical to organizational strategic success. The boom of business is reliant on the acquisition, development and retention of talented people. The need for talent and its expert management is always a challenge as it involves identifying tomorrows star today and ensuring they live up to expectations. IOMA (Institute of Management and Administration) survey indicates that nearly three

quarters of the respondents identified talent management as at the top of their HR critical issues. Business has identified talent as the major source of competitive advantage and scarcest resource in the knowledge based global marketplace.

The attrition of knowledge workers has been viewed as a major cause of concern for the management of organisations. In what has been termed "the war for talent", the job mobility of executives and knowledge workers is increasing. In the changing world of work, the psychological contract between employer and employee has changed fundamentally. Furthermore, the notion of a permanent job has become an oxymoron. As organisations become increasingly dependent on knowledge workers, paradoxically these workers' tenure seems to reduce. The issue of increasing retention and decreasing turnover has become paramount in organisational life, and that attracting and retaining key talent has become a critical organisational competency.

### Global Trends impacting the need for increased focus on talent management and retention

The reasons for organisation's increased attention on talent management and retention are many. Due to demographic shifts, organisations across the globe face an immense and potentially long term struggle to fill job vacancies with sufficiently skilled employees. Of paramount importance while discussing changing demographic patterns are the dwindling number of talented workforce due to the current aging trends and the shrinkage of the number of skilled employees. The impact of labour and talent shortages has been felt globally.

In addition to demographic changes, globalization and the increasing economic integration across nations, profoundly impacts labor supply and the talent war. Geographic based economic barriers started falling long back as national governments removed legal and regulatory hurdles to international interaction; capital markets are vast and global. Rapid advances in digital technology have slashed the cost of communications and computing.

Traditionally employees rotated through a set of jobs or positions with an occupation or a company, lateral and/or horizontal movement was within the organization, and the employer invested considerable resources in training and developing employees. In return, the employees displayed loyalty to their employer and expected continued job security. The picture now is very different. Employees are frequently changing jobs or moving across employers and occupations, are taking major responsibility to manage their own careers, and assume little or no job security, regardless of performance.

Talented employees play a dominating role in the labour market and are more able to choose employers based on issues such as career development, compensation, work life balance, etc. They then become 'volunteers' for organisations, and view themselves more as investors in their organisations, rather than assets. The work life cycle is also changing. Rather than a linear pattern; education, work, and retirement, there is a move to "cyclic life plans" with periods of education, work and recreation overlapped and interspersed across a lifetime.

The move from product based to knowledge based economies is a fundamental business transformation impacting the global war for talent. Companies are hiring more workers for more complex occupations requiring higher cognitive ability. As technology infiltrates nearly every facet of the workplace, the implications for talent management are profound. In general, the increasing impact of technology in the workplace has changed the face of HRM and made the boundaries between organisations more permeable.

Globalization changes the mobility of people across permeable geographic and cultural boundaries. Inter country and regional economic and demographic differences also stimulate labor flows such as comparative gaps in real wage rates and differences in labor force age profiles.

As a result of these macro trends, organisations face an increasingly complex and ever changing landscape in their efforts to acquire, retain, motivate and develop the talent needed to keep the organisation operating efficiently and competitively so as to create long term organizational success. Due to the diverse range of specialties that personnel may possess in today's business function; understanding the key talent gaps, and recruiting, developing, rewarding and retaining key talent sources, may help improve the organisation's performance capacity.

#### **Talent retention: The key to organization success**

To manage retention most effectively, organisation need to engage in an ongoing diagnosis of the nature and causes of turnover, as well as develop the right mix of retention initiatives. That calls for thinking about retention before employees are hired, while they're working in a company, and after they leave. An HR professional have a critical role to play in this process. Indeed, many organizations are integrating their retention efforts into a broader talent management strategy.

Talent management is the key to talent retention. This is explained by the rule that effective talent management leads to effective retention. Talent management comprises of workforce planning, hiring, development, and retention to ensure that organization has access to the quality and quantity of talent it needs to compete now and in the future.

Effective talent management requires that business goals and strategies drive the quality and quantity of the talent an organisation need. Talent managers need to own parts of the process and serve as partners, guides, and trusted advisors when it comes time to talk talent. Numerous studies show that companies with better financial performance are more likely to use competencies as the basis for succession management, external hiring, and inside promotions.

The question of who is leaving is crucial for assessing the extent to which turnover is functional or dysfunctional, because not every employee is of equal value to your organization. Furthermore, some employees may leave for different reasons than others. For example, an SHRM survey found that women are more likely than men to report that flexible work schedules are an effective retention strategy, and are more likely to cite a relocating spouse, child care issues, conflict with co-workers, and difficulty balancing work and personal life as reasons for leaving organizations. Owing to these and other differences, the organisation should track breakout data on the performance levels, skills (especially high-demand or hard-

to-replace skills), tenure, and membership in underrepresented groups (e.g., minorities, females) of individuals who leave. This information will give a more complete picture of the extent to which turnover is a problem in a company, and will help to develop more effective retention strategies.

Most retention strategies require investments of time, money, or other resources. To design strategies that yield acceptable returns on those investments, there need to have a clear idea of how much the costs associated with turnover in a company outweigh the benefits associated with turnover. Using this information, total turnover costs as well as costs per incident of turnover can be calculated. The formulae used may vary based on factors such as job type or level, employee type, or employee performance level.

Benchmarking and needs assessment can give additional information for determining whether turnover is a problem in an organization. Through external benchmarking, organization's turnover rates against industry and competitor can be compared. Through internal benchmarking, an organization can track its turnover rates over time. If the rate is increasing, overall or among particular groups or locations, that could be a red flag.

Through need assessment, the implications of turnover for an organization in the context of future labor demand and availability can be evaluated. External needs assessment is used to consider trends in the industry and larger labor market that may affect supply and demand of human capital. Some trends (such as industry growth) may increase demand for employees valued by the organization. Others (such as retirements of baby boomers) may worsen already shrinking supplies of labor.

Through internal needs assessment, the firm can evaluate their future strategic direction and that direction's implications for labor requirements. Some strategies (such as expansion of a business) will increase demand and may make turnover more problematic than strategies likely to decrease demand (including outsourcing or contraction).

Everyone wants to be paid for what they do, but good employees want to be part of an organization that stands for something and gives them personal fulfillment and meaning. When an organization has a clear sense of direction and purpose, people are willing to give more. Many organizations allow their employees to donate time to non-profit organizations, or spend their off-work hours building houses for Habitat for Humanity.

Interpersonal skills are an essential element of the high-retention culture. People want to feel management cares and is concerned for them as individuals. Yet, poor "soft skills" are one of the biggest factors that drive people away.

In today's workplace, flexibility rule. One-size-fits-all approaches to benefits have long since lost their effectiveness. Workers will migrate to a company whose benefit packages and schedules help them meet the demands of their lives, whether they are single parents, adults who care for aging parents, older workers, younger workers, part-time workers, or telecommuters.

People have a large appetite for information, and they want it instantly. High retention workplaces place high priority on delivering the right information to the right people at the right time using the right methodology. Companies that leave employees in the dark risk are damaging morale and motivation—not to mention compromising their ability to make a quick course change in the marketplace.

People want to enjoy their work. They shun boring, bureaucratic, lifeless work environments. That is why high performance workplaces do not bother with the traditional ways of doing things. They find new ways to make work mentally engaging and physically energizing. They also ask for, listen to, and implement the ideas and

suggestions of those who work for them.

It is becoming increasingly more difficult to find competent, motivated workers who have good attitudes and work ethics. Because of this, knowing how to manage performance is important. Performance management includes a new set of skills, tools, techniques, and processes to align an individual and his or her behavior with the goals of the business enterprise.

All humans need to feel appreciated. Reward and recognition programs help meet that need. A workplace that rewards and recognizes people builds higher productivity and loyalty, and can create consequences for desired behavior that leads to organizational success.

Many employees just want a paycheck, but the best workers want opportunity. They want to develop their skills and potential and enhance their ability to contribute and succeed. Training and development gives people greater control and ownership over their jobs, making them capable of taking care of customers and creating better management-employee relationships.

Organizations have to adopt core competency model (i.e. skills and activities that are essential to an organization's success) and must do well to formulate a competitive strategy. Organizations will focus on hiring employees only for their core activities and will be purchasing non-core products and services externally. This trend is continuing.

Concentrating on performance related reward systems to meet expectations of employees who have their own core competencies (knowledge workforce) and provide them work-life balance programs. Employer has to attract high caliber individuals and keep such individuals who can perform the organization's 'mission-critical' (core-competencies) tasks. Employer has to offer different 'retention stimuli' in winning potential employee and not allowing him to go elsewhere. This is also referred as 'employee value proposition' approach, which emphasizes the benchmarking activities and involving organizations in adopting the employee retention best practices of similar organizations. An EVP should articulate what is unique and compelling about an organization that would make people want to join and stay. It therefore partly formalizes and articulates the psychological contract between the individual and the organization. However, to have a strategic impact, the organization's EVP needs to be aligned to people within the talent pools, rather than to all employees.

Employee retention concept of becoming an 'employer of choice' lays emphasis as under: Process of becoming an employer of choice begins before hiring highlighting in recruitment literature i.e. advertisement, product branding, company image, management reputation and other releases for public. The object is, to attract right employees. It is important what management says and does after hiring, Process continues aspect for retention (beyond the hire stage) to include, treatment with employees, their development efforts and they feel at home etc.

Another aspect is to develop retention mindset in the leadership for building a welcome environment when people want to stay. It is developing a retention culture. It is about creating a genuinely welcoming place, where employee love to work based on credibility, respect, fairness, pride and camaraderie. It is good performance management process, which can help improve retention such as use of role clarity and annual review of goal achievement, use of performance appraisal mechanism to measure those goals.

## Conclusion

Quivering global economy has made the market extremely competitive. The capacity of every department to improve organizational performance is under scrutiny. Organisations search for unique and exceptional means of achieving competitive

advantage. Talent development programs strive to reduce the work force issues and thus provide organisations with talent source and competitive human resource advantage which will impact the organizational performance.

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