



## Retention, it's Relevance and Management Strategy

\* Dr. Alok Kumar Singh

\* Deputy Registrar, NIMS University, Shobhanagar, Jaipur, Rajasthan-303121(India)

### ABSTRACT

*Employees are the most important and valuable asset of an organisation. Retaining is as important as hiring them in the first place. Managing retention and keeping the turnover rate below target and including norms is one of the most challenging issues facing business. The causes of turnover are not adequately identified and solutions are often not matched with. Preventive measures are either not in place or do not target the issue properly and therefore have little or no effect. Method for measuring progress and identifying a monetary value on retention does not exist in most organisations. Although, there is no standard framework for understanding the employees turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover. Therefore, there is need to develop a comprehensive understanding of the employee turnover vis-a-vis employee retention. The paper gives us insight how to manage & monitor retention and develop the ROI keeping talent using innovative retention program.*

**Keywords : Employee Retention, Employee Turnover, Management Strategy, Employee Engagement, Workforce Optimization, Job Involvement**

### What Does It Mean?

Employee retention is a process in which the employees are encouraged to remain with the organisation for the maximum period of time or until the completion of the project. It is beneficial for the organisation as well as the employee. In other words Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. However, the term "turnover" is defined as the ratio of the number of organisational members who have left to the average number of people in that organisation during that period. Organisations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organisation. Therefore, managers at all costs must minimize employee's turnover for the benefit of the organisation's success.

Now that so much is being done by organisations to retain its employees why is retention so important? Is it just to reduce the turnover costs? Well, the answer is a definite no. it's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of retention will benefit an organisation in the following ways:

**1. The Cost of Turnover:** The cost of employee turnover adds hundreds of thousands of money to a company's expenses. While it is difficult to fully calculate the cost of turnover, industry experts often quote 25% of the average employee salary as a conservative estimate.

**2. Loss of Company Knowledge:** When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history. Often much time and money has been spent on the employee in expectation of a future return.

**3. Potential customer loss:** Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

**4. Turnover leads to more turnovers:** When an employee is terminated, the effect is felt throughout the organisation. Co-workers are often required to pick up the slack and the negativity often intensifies for the remaining staff.

**5. Effects on Goodwill:** Higher retention rates motivate potential employees to join the organisation.

**6. Regaining momentum:** If an employee 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 you cannot assure of the same efficiency from the new employee.

### Why Employee Leaves?

A variety of work-related factors play into why an employee chooses to change jobs. Demographics, shifting markets, demands for specific skills, business conditions, lifestyle changes, technology issues and emerging trends are often symptoms of these issues. After pouring through a multitude of articles on these two major themes in the industrial/organisational literature; potential root cause was identified. These are certain circumstances that lead to employees leaving the organisation:

- Unexpected job responsibilities lead to job dissatisfaction.
- Lack of growth opportunities makes candidate's job and career stagnant.
- Due to lack of appreciation at work place employee feels de-motivated and loses interest in job.
- Non-supportive colleague, seniors and management can make office environment unfriendly and difficult to work in.
- Job stress can lead to work life imbalances.
- Lack of competitive compensation structure.
- Greener pastures: New job offer which an employee thinks is good for him with respect to job responsibility, compensation, growth and learning etc.

### Management Strategies

What should be the strategies to minimize employee turno-

ver? Management has several policy options viz. changing or improving existing policies towards recruitment, selection, induction, training, job design and wage payment. Extensive research has shown that the following categories of human capital management factors provide a core set of measures that senior management can use to increase the effectiveness of their investment in people and improve overall corporate performance of business:

**Employee engagement:** the organisation's capacity to engage, retain, and optimize the value of its employees hinges on how well jobs are designed, how employee's time is used, and the commitment and support that is shown to employees by the management would motivate them to stay in the organisation.

**Knowledge accessibility:** the extent of the organisation's collaborativeness and its capacity for making knowledge and ideas widely available to employees would make them to stay in the organisation. It will lead to strong performance from the employees and create corporate culture enabling them to feel that they are appreciated for their effort and chances of leaving would be minimal.

**Workforce optimization:** the organisation's success in optimizing the performance of the employees by establishing essential processes for getting work done, providing good working conditions, establishing accountability and making good hiring choices would retain employees in their organisation.

**Job involvement:** describes an individual's ego involvement with work and indicates the extent to which an individual identifies psychologically with his/her job. Employees who are more involved in their jobs are more satisfied with their jobs and more committed to their organization. Job involvement has also been found to be negatively related to turnover intentions. Job satisfaction, career satisfaction, and organisational commitment reflect a positive attitude towards the organization, thus having a direct influence on employee turnover intentions.

**Empowerment of employees:** Empowered employees where managers supervise more people than in a traditional hierarchy and delegate more decisions to their subordinates could help to enhance the continuity of employees in organisations.

In the light of above strategies the following basic practices should be kept in mind in order to retain the talent:

1. **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 the following:
  - Organisational History and Vision
  - Company's Objectives, Mission and past performance
  - Department's Targets and Goals
  - Goal Congruence of the organisation and the new joinee
  - Reporting Hierarchy
  - Job Clarity i.e. Job Description and Key Responsibility Areas
  - Remuneration breakup (CTC Plan) and Incentives
  - Performance measures used by the organisation
  - What importance does the new joinee's contribution hold to the organisation and how it fits into the processes?
2. **Creating a Motivating Environment:** Team leaders who create motivating environment are likely to keep their members together for a longer period.
3. **Standing up for the Team:** Team leaders are closest to their team members. When they see the team leader standing up for them, they will have one more reason to stay in the team.
4. **Delegation:** Delegation is a great way to develop compe-

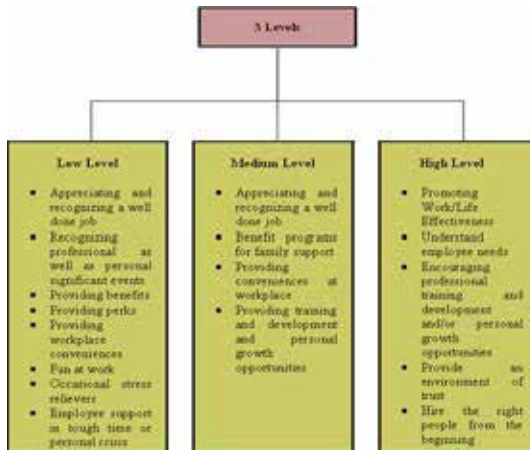
tencies. Giving extra responsibility to employees is another way to get them engaged with the company.

5. **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 re recognition also has great significance.
6. **Career Development Program:** Every individual is worried about his/her career. If an employee sees that current job offers a path towards their future career he is likely to stay longer in the company.
7. **Providing coaching:** Coaching is intended to improve the performance of employees which should be followed by monitoring performance and providing feedback on the same.
8. **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.
9. **Recreation facilities:** Recreation facilities which can help in rejuvenating employees should be arranged. They may include taking employees to trips annually or bi-annually, celebrating anniversaries, sports activities, etc.
10. **Gifts at Some Occasions:** giving out some gifts at the time of one or Two festivals to the employees make them feel good.

### Manager's role in retention

When asked about why employees leave, low salary comes out to be a common excuse. However, research shows that people join companies, but leave because of what their manager's do or don't do. It is seen that managers who respect and value employees' competency, pay attention to their aspirations, assure challenging work, value the quality of work life and provide chances for learning have loyal and engaged employees. Therefore, managers and team leader play an active and vital role in employee retention.

Managers and team leaders can reduce the attrition levels considerably by creating a motivating team culture and improving the relationships with team members. This can be done in the following categorized way:



### Conclusion

It is obvious that key employee retention is critical to the long term health and success of business. Employees are the backbone of any business success and therefore, they need to be motivated and maintained in organisation at all cost in order to make it globally competitive. Management should encourage job redesign, task autonomy, task significance, task identity and empowerment of employees. Recruitment and selection must be done scientifically with the objective of retaining employees. Employees in their organisations must be treated as the most liquid assets and to be monitored with due care, otherwise their organisations would cease to exist. Management must compensate employees adequately too.

They should pay employees based on their performance and in addition they should be given incentives like individual bonus, lump sum bonus, sharing of profits and other benefits.

Therefore, if the above strategies are taken into account the business would be able to survive in a dynamic global environment.

## REFERENCES

1. Abassi SM, Hollman KW (2000). "Turnover: the real bottom line", Public Personnel Management, Vol 29 No.3. | 2. Blau G, Boal K (1989). "Using job involvement and organizational commitment interactively to predict turnover", J. Manage. | 3. Catherine M Gustafson (2002). "Staff turnover: Retention". | 4. DeMicco FJ, Giridharan J (1987). "Managing employee turnover in the hospitality industry". | 5. Firth L, David J Mellor, Kathleen A Moore, Claude Loquet (2007). How can managers reduce employee intention to quit? | 6. Henry Ongori (2007). "A review of the literature on employee turnover" African Journal of Business Management. | 7. Jack J. Phillips & Adele O. Conelle (2003): Managing Retention: A Strategic Accountability Approach. | 8. Kanungo R (1982). "Measurement of job and work involvement". J. Appl. Psychol. | 9. K. Aswathappa (2005): Human Resource and Personnel Management, Tata McGraw Hill-Education. | 10. Keller T, Dansereau F (1995). "Leadership and empowerment: a social exchange perspective". Hum. Rel. | 11. Kevin MM, Joan LC, Adrian JW (2004). "Organisational change and employee turnover" Personnel Rev. | 12. Locke E (1976). "The nature and causes of job satisfaction", in Dunnette. MD (Eds). Handbook of Industrial and Organisational Psychology, Rand McNally, Chicago. | 13. P. Subba Rao (2011): Essentials of HRM and Industrial Relations, Himalaya Publishing House. |