



ORIGINAL RESEARCH PAPER

Management

ATTRITION CONTROL AND RETENTION STRATEGIES IN BUSINESS ORGANISATIONS

KEY WORDS: Employee Attrition, Retention, Corporate Culture, Corporate Climate

K.S.Balaji

Part-Time Research Scholar (Management), Alagappa Institute of Management, Alagappa University, Karaikudi – 630 003.

Dr.G.Jayabal

Research Supervisor, Professor & Head, Dept. of Banking Management, Alagappa University, Karaikudi – 630 003.

ABSTRACT

In today's competitive business environment, success depends much on the retention of employees. In a knowledge driven economy, it is the people who are emerging as key competitive differentiators and retaining the talent has become a matter of paramount importance. Attrition is here to stay and is not a fringe concern for the companies anymore. The trick lies in having sound human resource practices in place that can effectively combat the scourge of attrition. This article would provide an insight into the various issues surrounding the problem of attrition and what major challenges are being faced in retaining the employees. Acquiring skilled workforce is not just enough in today's changing economy; instead a lot needs to be done to retain them. Losing knowledgeable and trained employees can cause serious damage to the company's progress and performance in the market.

INTRODUCTION

Companies in India as well as in other countries face a formidable challenge of recruiting and retaining talents while at the same time having to manage talent loss through attrition be that due to industry downturns or through voluntary individual turnover. Losing talents and employees result in performance losses which can have long term negative effect on companies especially if the departing talent leaves gaps in its execution capability and human resource functioning which not only includes lost productivity but also possibly loss of work team harmony and social goodwill. With attrition rates being a bane of every industry, companies are devising innovative business models for effective retention of talent. There are a lot of factors responsible for attrition and employers are getting increasingly conscious of the factors that can keep an employee committed.

As the leading electrical, IT and furniture retailer in Singapore, Courts consider human capital a vital and valued cog of its workforce. However, an increasingly competitive landscape, coupled with a multi-generational workforce, has necessitated structured HR processes and policies to attract, retain and reward the right talent through fair, responsible and progressive practices. Personalized development plans help retailer keep its high potential employees loyal in an industry typically associated with high attrition.

With employment opportunities still getting scarce these days, it may be easy to think that employees are no longer hopping from one job to another in UAE. But despite the job crunch, some workers are still quitting in pursuit of the proverbial greener pastures, leaving many organizations scrambling to hire replacements.

ATTRITION ISSUES

Attrition may be defined as gradual reduction in membership or personnel as through separation namely retirement, resignation and death. In other words, attrition can be defined as the number of employees leaving the organization which includes both voluntary and involuntary separation. The employee gradually reduces his/her ties with the company than crib about the underlying factors causing attrition. It is symptomatic of a much deeper unhappiness that cuts deeper into the innards of organizations. Attrition rates vary from sector to sector and industry to industry.

Apart from the unavoidable one like resignation, retirement, death or disability, the causes are found to be many and varied. They vary according to the nature of business, the level of the employees and the nature of the responsibility shouldered by them. The obvious, common and main reasons are the 'ergonomic discomfort' experienced by the employees and the 'functional incompatibility' between the corporate management and the employees. Very

often an employee finds himself among colleagues and superiors he is unable to cope up with. Or he finds himself totally out of tune in his functions with the employee's functional requirements, failing to rise to the employer's expectations. Another important reason is that the employee's remuneration is not voluminous enough to bear the impact and cushion the concussions of his family and social life.

Factors affecting Attrition

Some of the factors affecting attrition are:

1. 'Money' is the culprit

Companies are trying to win the best of the talents with mindboggling salary levels and attractive designations; therefore an employee leaves an organization for another for a few thousands of rupees.

2. Lack of Career Mobility and Challenges

Given the choice between money and a challenging job, many employees may still prefer the latter as it allows them an opportunity to broad base their domain expertise and also provides an opportunity to work with cutting-edge technology. If business organizations do not deliver on these expectations, employee exit cannot be contained.

3. Working Environment

An employee may leave an organization if the fairness of the system does not inspire his/her confidence.

4. High Levels of Stress and Lack of Work-Life Balance

Companies in the zeal to squeeze out every little ounce of productivity from the employees and further increase profitability. Sooner or later this makes employees stressed out and they rethink about their priorities and join an organization that promises a relaxed pace work and a breathing space.

5. Lack of Confidence in Supervision

Many employees leave an organization because of the immediate superior. If the supervisor lacks competence, empathy and trust in employees, they will fail to command the respect of the subordinates.

6. Lack of Employee-job Fit

Employee's innate talent & aptitude are given a short shrift. There is a widespread notion that the employee's natural flair per se is not as important as new skills and knowledge acquired on the job: that with the learning attitude and training employees can do wonders in any job, but it is not true and it creates immense frustration in employees, as employees demonstrate a good deal of commitment, job satisfaction, self motivation and productivity when they are assigned a job that is in tune with their natural talents.

7. People don't get integrated

Most organizations have an orientation program which is more of data-dump or focused on compliance training being completed. The focus should be more on enabling employees to form networks within themselves.

8. Goal setting unscientific & performance goals are unclear

Most organizations impose a normal curve fitment, but do not train managers to set realistic goals or goals that tie up with organizational or functional goals and rarely are performance goals thought through and employees told as to which resources to approach for help.

9. Lack of Role Clarity

Nothing can be more frustrating or discouraging for an employee than the lack of a clear understanding of what is expected of him on the job. In a performance driven workplace a lack of clarity regarding job duties and expectations can cause fear and anxiety among employees who are unclear of what is expected of them. Even worse outright anger can occur when a team member receives a negative performance evaluation based on expectations and job duties that he or she was unaware of or unclear about.

10. Lack of Proper Feedback

Most team members enjoy frequent feedback about how they performing. Shortening the feedback loop will help to keep performance level high and will reinforce positive behavior. But now-a-days firms fail to realize the importance of feedback mechanism, which in turn creates dissatisfaction among workforce.

ATTRITION SCENARIO IN INDIA

Almost all the sectors in India are facing attrition, but the reasons and effects are unique to each sector. IT Enabled services has the highest attrition rate, other sectors that are currently facing significantly high attrition are Telecom, Pharmaceuticals, Retail etc. As a result, every organization is now striving to put into practice several measures to counter attrition, right from identifying the root cause to making the right hires. Though there is no specific data available on the gender differences in attrition levels, it has been found that women employees are less likely to switch job, merely for a modest (10-15%) hike in salaries. If given the 'right environment', which implies work-life flexibility, women tend to stay longer than men in job.

IMPACT OF ATTRITION

The attrition of employees has a lasting impact on the firm's bottom line. When an employee quits, the need for replacement arises, the organization incurs some tangible costs. The impact ranges from costs of replacement to culture management issue with the new recruit.

1. Direct impact

A high attrition indicates the failure on the company's ability to set effective HR priorities. Clients and business get affected and the company's internal strengths and weaknesses get highlighted. New hires need to be constantly added, further costs in training them, getting them aligned to the company culture etc.,—all a challenge

2. Indirect impact

Typically, high attrition also leads to a chronic or systemic cycle—attrition brings decreased productivity, people leave causing others to work harder and this contributes to more attrition. All this has a significant impact on the company's strength in managing their business in a competitive environment

POSITIVE IMPACT OF ATTRITION

Attrition is not bad always if it happens in a controlled manner. Some attrition is always desirable and necessary for organizational growth and development. The only concern is how organizations differentiate "good attrition" from "bad attrition". The term "healthy attrition" or "good attrition" signifies the importance of less productive employees voluntarily leaving the organization. This means if the ones who have left fall in the category of low

performers, the attrition is considered being healthy. Attrition rates are considered to be beneficial in some ways.

If all employees stay in the same organization for a very long time, most of them will be at the top of their pay scale which will result in excessive manpower costs

When certain employees leave, whose continuation of service would have negatively impacted productivity and profitability of the company, the company is benefited.

New employees bring new ideas, approaches, abilities & attitudes which can keep the organization from becoming stagnant.

There are also some people in the organization who have a negative and demoralizing influence on the work culture and team spirit. This, in the long-term, is detrimental to organizational health.

Desirable attrition also includes termination of employees with whom the organization does not want to continue a relationship. It benefits the organization in the following ways:

- It removes bottleneck in the progress of the company
- It creates space for the entry of new talents
- It assists in evolving high performance teams

There are people who are not able to balance their performance as per expectations, lack potential for future or need disciplinary action. Furthermore, as the rewards are limited, business pressures do not allow the management to over-reward the performers, but when undesirable employees leave the company, the good employees can be given the share that they deserve.

Some companies believe attrition in any form is bad for an organization for it means that a wrong choice was made at the beginning while recruiting. Even good attrition indicates loss as recruitment is a time consuming and costly affair. The only positive point is that the realization has initiated action that will lead to cutting loss.

RETENTION CHALLENGES

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problem that plague companies in the competitive marketplace. Not too long ago, companies accepted the "revolving door policy" as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, business often find that they spend considerable time, effort, and money to train an employee only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a desire to leave in the future.

Employees need to be retained because good, faithful, trained and hard working employees are required to run business. They have acquired good product knowledge over the long run and a trained employee can handle customers better and also solve problems of peers who are new to the organization. When an employee leaves he takes away with him all company information such as ongoing projects, etc. Goodwill of the company gets hampered due to more employee turnover rate and the competitors start recruiting best talents from them. Efficiency of work is hampered to a large extent. Let me give you an example – If an employee leaves in the middle of an ongoing project it is very difficult to fill that Vacuum and a new employee can never replace an old and experienced employee so this leads to delayed completion of projects and less work satisfaction among other team members.

RETENTION STRATEGIES

When we are aware of the facts leading to attrition of an employee we can take few measures to retain them.

They are –

1. Provide good working conditions and introduce positive work culture so that an employee is at ease and not stresses while working.
2. Appreciate all the good work and mentor him where he is wrong. He will feel at ease and will be delighted that the company cares for him.
3. The management should check that there is no miscommunication between the top management and employees because a wrong message is really dangerous.
4. Flexible working hours for those who really need to fulfill other important personal obligations.
5. Work life balance is very much necessary because if an employee has personal conflict, he will not concentrate in his work and finally leave.
6. Bonus should be given occasions and pay should be raised if an employee does good work.
7. Provide medical benefits.
8. If possible provide him with an insurance policy so that he feels that company cares for him.
9. Recruit right person for the right job because a mismatch will hamper the work and cost a lot to the company.
10. Train the employees from time to time so that their skills enhance and they serve the organization better.
11. Have faith in your employees and include them in important decision making so that they feel they are part and parcel of the company.

Each and every company has to understand the needs of its employees and work accordingly. One approach cannot fit all, so each and every company should devise its own methods of retaining employees apart from what is always practiced.

CHALLENGES AHEAD

Job Attrition is an ongoing phenomenon and has to be dealt with psychologically. Giving a hefty pay need not satisfy an employee totally. It is the responsibility of the HR Department of the company to look at factors beyond immediate pay and find out the motivational factors giving job satisfaction to the employees. The companies have to try to create a congenial work environment and offer a promising scope for career growth for the promising performers. The

HR Department should be made the part of the corporate strategy making team and a comprehensive HR Policy should be framed by experts, if necessary taking the advice of an outside consultant. Organizations should set a standard while deciding employee compensation levels and improve the reward structure year after year.

Involvement of employees in the decision-making process is the path to the feeling of emotionally engaged outcomes such as a feeling of being an important and integral part of the company. Psychometric tests should be included in the interview process to assess the behavior of the candidates.

An internal program to receive employees' feedback through a feedback form at the time of annual appraisal should be implemented. It offers to better rate the management performance and strategies can be carried out accordingly. Some organizations are employing handicapped people. This is profitable for organizations since they are known to be more loyal and accept a lesser pay than their physically able colleagues.

SOME RECOMMENDATIONS FOR EFFECTIVE RETENTION

1. Employee Stock Option Plans (ESOP):

The employee stock option plan is a good management tool for retention of human talent and guarding against poaching of staff of a running organization by a rival company. ESOP in India is regulated by Securities Exchange Board of India (SEBI). According to guidelines issued by SEBI "employee stock option" means the option given to the whole-time Directors, Officers or employees of a company which gives such Directors, Officers or employees, the benefit or right to purchase or subscribe at a future date, the

securities offered by the company at a predetermined price.

2. Stock Appreciation Rights (SARS)

Under an SARS, a certain number of shares are allotted to the employees. After the vesting period, the employee is free to exercise his option, and if the value of the shares has appreciated he is given shares or cash worth this appreciated value. If he is allotted shares equivalent to his appreciated value, he can sell them after a lock-in-period. The advantage of SARS is that it is a cashless transaction for the employees.

3. 'Golden Hello' and 'Golden Handcuffs'

The golden hello, as the name suggests, is an incentive offered to a select set of new recruits, mostly middle and senior-level executives poached from rivals who are well known in industry or are skilled in a niche area. The bonus could be in the form of ESOPs, cash incentives, non-cash incentives or a combination of all three. Golden Handcuffs: Any terms or restrictions that make it prohibitively expensive for the executive to leave employment, usually because he or she would be forfeiting significant stock options, restricted stock or other type of bonus or equity.

4. Corporate Culture & Climate

Corporate Culture and climate plays vital role in retaining employees in an organization. Corporate culture intend to provide good policies, procedures and systems, working environment which will lead to good Corporate climate and long term association of employees with the Organization. Motivation and Counseling by functional managers to their subordinates as and when required will also enable employees to think of safety and secured working environment. This will avoid attrition and enable employers to pay attention on their business strategy and growth rather than retention. Employers also implement technological changes in business process from time to time, which will attract employees and also motivating factor to them and in turn the employees are loyal to the company.

CONCLUSION

Organizations planning for the future should be giving close attention to why attrition is occurring in the preset. To ignore why people are leaving the organization is to ignore the organization's greatest asset – its people. People are needed to accomplish the task, but people are more than just tasks they perform. They are dreams, hopes, ambitions, creativity and innovation. To recognize and cultivate these valuable assets is one of the surest ways to build an organization that leads rather than follows in domestic and global markets. Thus, Organizations should create an environment that fosters ample growth opportunities, appreciation for the work accomplished and a friendly cooperative atmosphere that makes an employee feel connected in every respect to the organization. Retention plans are an inexpensive way of enhancing workplace productivity and engaging employees emotionally. Proficient employees keep the quality up and business operations run smoothly along with the cost saving in the longer run.

REFERENCES

1. Revisiting Empowerment as a Retention Strategy: A Snapshot – Radha Mohan Chebolu, HRM Review, March 2008 Issue, Pg. no. 53-58, ICFAI University Press, Hyderabad.
2. Employee Attrition: An Overview of the causes and remedies – K. Mallikarjunan, HRM Review March 2008 Issue, Pg. no. 39-42, ICFAI University Press, Hyderabad.
3. Attrition is Indian firms' new worry – Vivek Sinha, Hindustan Times, (March 10, 2011) Lucknow Edition.
4. Attrition Control – Kiran Kumar, HRM Review, March 2008 Issue, Pg no. 43- 46, ICFAI University Press, Hyderabad.
5. Employee Attrition and Retention: Exploring the Dimensions in the urban centric BPO Industry – Santoshi Sengupta, Jaypee Institute of Information & Technology, Noida.
6. Combating Attrition: An emerging Challenge in the IT Sector – Dr. Rashmi Joshi, HRM Review, March 2008, Pg. no. 47-51, ICFAI University Press, Hyderabad.
7. A Study on Employee Attrition and Retention in BPO Sector – Jnana Ranjan Pati (2009), (Project report of IILM Institute of Higher education), Gurgoan.
8. Employee Retention: An art of keeping the people who keep you in business – Priyanka Rawal, HRM Review, April 2011 Issue, Pg no. 10-17, ICFAI University Press, Hyderabad.
9. Attrition: From Corporate Nightmare to Competitive Advantage – Indranil Banerjee, HRM Review, March 2008 Issue, Pg. no. 68-72, ICFAI University Press, Hyderabad.
10. 'Firms tempt talents with Golden Hellos' - Writankar Mukherjee, Economic times. (May 23, 2010).

11. Attrition's a Blessing for ITeS Companies – Devina Sengupta, Economic times. (August 9, 2011)
12. Attrition: A Global Problem- Sabitha Niketh, HRM Review, March 2008 Issue, Pg. no. 64-67, ICFAI University Press, Hyderabad
13. Raon V.S.P. - Human Resource Management, Second Edition, Excel Books, NewDelhi.
14. Sharma A.M., Understanding Wage & Compensation System, Tenth Revised Edition (2010), Himalaya Publishing House, Mumbai.
15. <http://retention.naukarhub//retention-strategies>