



A STUDY ON RETENTION MANAGEMENT: HOW TO KEEP YOUR TOP TALENT

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Abstract: *Human resources are the life-blood of any organization. Long-term health and success of any organization depends upon the retention of key employees. Even though most of the organizations are now a days, found to be technology driven, yet human resources are required to run the technology. They are the most vital and dynamic resources of any organization. The biggest challenge that organizations are facing today is not only managing these resources but also retaining them. Employee retention is more than just keeping employees on the job. It is also about sustaining employees, primarily by enhancing their job satisfaction. Keeping into account the importance and sensitivity of the issue of retention to any organization, the present study tries to review the various available literature and research work on employee retention, the factors affecting employee retention and job satisfaction among the employees and the strategies that can be employed to increase employee retention rate.*

Keywords: *Human resources, Long-term health, employee retention, job satisfaction, retention strategies.*

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1. INTRODUCTION

A great workplace culture is foundational to success. Intelligent employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the Indian scenario; however, things have changed in recent years. In prominent Indian metros at least, there is no dearth of opportunities for the best in the business, or even for the second or the third best. Every organization invests time and money to groom a new joiner, make him a corporate ready material and bring him at par with the existing employees. The organization is completely at loss when the employees leave their job once they are fully trained. Employees, who leave an organization, leave with knowledge concerning the organization, its customers, past history and even the organization's current projects.

Employee retention refers to the ability of an organization to retain its employees. Employee retention (employee turnover) 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. It takes into account the various measures taken so that an individual stays in an organization for the maximum period of time. Losing talented employees negatively affects an organization in terms of costs and performance.

Employees who are engaged in their work and committed to their organizations give companies crucial competitive advantages - including higher retention, productivity and lower employee turnover. Thus, it is not surprising that organizations of all sizes and types have invested substantially in policies and practices that foster engagement and commitment in their workforces. Figure 1 describes the personal characteristics and core job dimensions which are intrinsic in nature and how do they contribute to retention of employees.

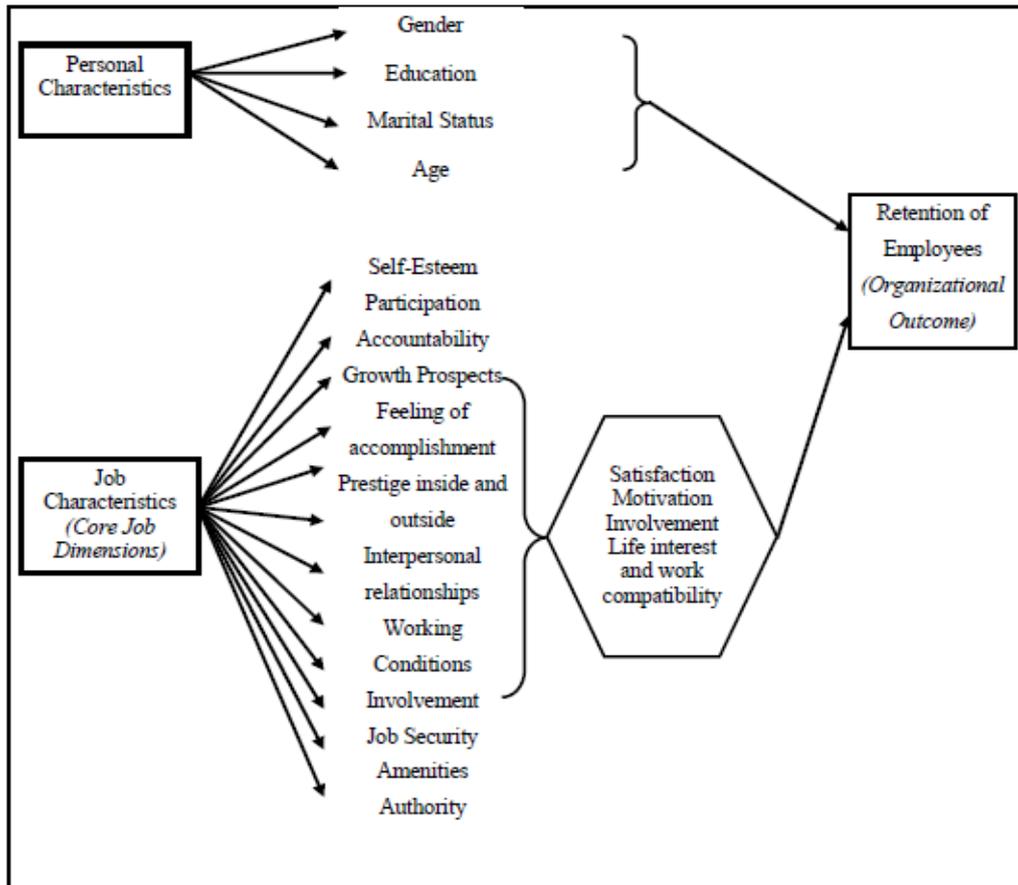


Figure 1: Contribution of personal and job characteristics in retention of employees

2. OBJECTIVES OF THE STUDY

1. To find out the various research works that have been done in the area of employee retention.
2. To study the importance of employee retention in the organisations.
3. To identify the reasons why employees leave an organisation.
4. To identify the various factors (personal and job related) which affect retention initiatives in an organization.
5. To study the various strategies that can be employed to increase employee retention rate.
6. The challenges faced by organisation for employee retention.

3. REVIEW OF EXISTING LITERATURE

Organisational survival is quite embedded in employees' satisfaction and commitment to organisational goals and aspirations which will inevitably bring about employees' decision whether to stay or not.



Oginni (2011): The weapon in the hand of employers to get employee's satisfaction and commitment to organisational goals and aspirations is retention strategy where it is the degree of practice that would determine the influence of retention strategy on the movement of employees.

Arik (2011): went further to divide retention factors into two i.e. pull and push factors where the factors within the organisation that make employees to leave are called push while those factors outside the organisation within external environment are called the pull factors.

McKeown (2009): The meaning of retention varies from the mechanical (reduce the employee turnover figure to an acceptable level) to the abstract (about the culture and value). He went further to say that the meaning can be couched in curt, wholly objective phase or in a flowery, vague corporate language by seeing it as a distinct, controllable element of labour management or viewed as a cross functional, pervasive and seemingly all-encompassing set of values or methodologies which centres on how to treat people.

Gary (2008): Retention means systematic effort by employer to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that addresses their divers' needs. It can then be deduced that employee retention strategies are policies and practices organisation adopts to prevent valuable employees from leaving their job while at the same time securing their trust and loyalty so as to have less of desire to leave in the future.

Akindede (2007): Employee retention is a process in which the employees are encouraged to remain with the organisation for maximum period of time or until the completion of the project.

Cynthia (2007) was of the opinion that for meaningful retention strategies, efforts should be made to understand the various reasons why employees leave their organisation. He identified this to include; job is not what the employee expected to be, no growth opportunities, job and person mismatch, lack of appreciation, lack of trust and support for co-workers, stress from over work, work life imbalance, poor compensation package and new job offer.

Allan (2004): highlighted the accrued benefits of retention strategies to include reduction in cost of labour turnover, keeps company knowledge, saves interruption of



service/production; improves organisational goodwill, enhances efficiency of business and operation.

Mitala (2003) identified the preliminary retention motive to include five major elements namely compensation (financial and non-financial incentives); environment (physical structure, surrounding and atmosphere of the workplace); growth (advancement prospect and development on the job vis-a vis organisation); relationship (mode of interactions existing between employer and employees, superior and subordinates, subordinates and subordinates, organisation and outside world) and support (assistance to needy employees). In his work on retention strategies and recruitment provided what should be the focus of any retention strategy in this part of the world – Africa which are job security, competitive pay, education and training or going education, recognition and reward, placement, job involvement and adequate facilitation work environment and leadership style.

Lincoln (1996) suggested the following basic practices which should be kept in mind in the course of developing strategies retention; hire the right categories of people, make employees realise that they are the most valuable asset of the organisation, avoid open confrontation but repose faith, trust and respect them, provide feedback, keep their morale high and vary bonus from position to position.

4. NEED FOR THE STUDY

Retaining a valuable employee is essential for an organization. The management must understand the difference between a valuable employee and an employee who doesn't contribute much to the organization. Sincere efforts must be made to encourage the employees so that they stay happy in the current organization and do not look for a change.

The process of employee retention will benefit an organization in the following ways:

- **Hiring is not an easy process:** The HR Professional shortlists few individuals from a large pool of talent, conducts preliminary interviews and eventually forwards it to the respective line managers who further grill them to judge whether they are fit for the organization or not. Recruiting the right candidate is a time consuming process.
- **An organization invests time and money in grooming an individual and makes him ready to work and understand the corporate culture:** A new joiner is completely raw and the management really has to work hard to train him for his overall



development. Finding a right employee for an organization is a tedious job and all efforts simply go waste when the employee leaves.

- **When an individual resigns from his present organization, it is more likely that he would join the competitors:** In such cases, employees tend to take all the strategies, policies from the current organization to the new one and in some cases even leak the secrets of the previous organization. To avoid such cases, it is essential that the new joiner is made to sign a document which stops him from passing on any information even if he leaves the organization. Strict policy should be made which prevents the employees to join the competitors. This is an effective way to retain the employees.
- **The employees working for a longer period of time are more familiar with the company's policies, guidelines and thus they adjust better:** They perform better than individuals who change jobs frequently. Employees who spend a considerable time in an organization know the organization in and out and thus are in a position to contribute effectively.
- **Every individual needs time to adjust with others:** Organizations are always benefited when the employees are compatible with each other and discuss things among themselves to come out with something beneficial for all. When a new individual replaces an existing employee, adjustment problems crop up. It is a challenge for the employees to adjust with someone new and most importantly trust him. It is a human tendency to compare a new joiner with the previous employees and always find faults in him.
- **It has been observed that individuals sticking to an organization for a longer span are more loyal towards the management and the organization:** They enjoy all kinds of benefits from the organization and as a result are more attached to it. They hardly badmouth their organization and always think in favour of the management. For them the organization comes first and all other things later.
- **It is essential for the organization to retain the valuable employees showing potential:** Every organization needs hardworking and talented employees who can really come out with something creative and different. No organization can survive if all the top performers quit.



5. REASONS WHY EMPLOYEES LEAVE?

The management must try its level best to retain those employees who are really important for the system and are known to be effective contributors. It is the responsibility of the line managers as well as the management to ensure that the employees are satisfied with their roles and responsibilities and the job is offering them a new challenge and learning every day. Employees leave an organisation out of frustration and constant friction with their superiors or other team members. In some cases low salary, lack of growth prospects and motivation compel an employee to look for a change.

- **Job is not what the employee expected to be:** Sometimes the job responsibilities don't come out to be same as expected by the candidates. Unexpected job responsibilities lead to job dissatisfaction.
- **Job and person mismatch:** A candidate may be fit to do a certain type of job which matches his personality. If he is given a job which mismatches his personality, then he won't be able to perform it well and will try to find out reasons to leave the job.
- **No growth opportunities:** No or less learning and growth opportunities in the current job will make candidate's job and career stagnant.
- **Lack of appreciation:** If the work is not appreciated by the supervisor, the employee feels de-motivated and loses interest in job.
- **Lack of trust and support in co-workers, seniors and management:** Trust is the most important factor that is required for an individual to stay in the job. Non-supportive co-workers, seniors and management can make office environment unfriendly and difficult to work in.
- **Stress from overwork and work life imbalance:** Job stress can lead to work life imbalance which ultimately many times lead to employee leaving the organization.
- **Compensation:** Better compensation packages being offered by other companies may attract employees towards themselves.
- **New job offer:** An attractive job offer which an employee thinks is good for him with respect to job responsibility, compensation, growth and learning etc. can lead an employee to leave the organization.

6. STRATEGIES FOR EMPLOYEE RETENTION



A major challenge faced by the employees today is retaining the hired employees in its organization. In the age of cut throat competition every organization tries its level best to give the best facilities to its employees. Satisfying the human sources is one of the toughest tasks which majority of the organizations faces today. Understanding and knowing what is going on in the human mind is very difficult to understand. Besides there are so many opportunities available for the skilled as well as talented human resources that it is becoming very tough as well as difficult for the employers to satisfy and retain them. There is no single strategy or retention plan which may satisfy each and every employee in an organization. Employers are always determined to find out some of the reasons why employees leave or quit their jobs. The major reason is so that they can employ or find effective strategies to increase employee retention.

According to Right Management, employees are more likely to stay engaged in their jobs and committed to an organization that makes investments in them and their career development. Providing health insurance, life insurance and a retirement-savings plan is essential in retaining employees. But other perks, such as flexitime and the option of telecommuting, go a long way to show employees to accommodate their outside lives. Promotion from within too plays a greater role in retaining talented employees. Employees will become frustrated and may stop trying if they see no clear future for themselves at company. Recruiting new staff is expensive, stressful and time-consuming. Today employees are looking for a career package, including a comfortable company culture, career path, diversity of responsibilities, and a work/life balance (Griffiths, 2006). Some effective strategies employers can utilize in order to keep employees happy and part of their organization instead of looking for employment opportunities elsewhere are as follows:

- a. **Foster employee development.** This could be training to learn a new job skill or tuition reimbursement to help further your employee's education.
- b. **Mentoring.** A mentoring program integrated with a goal-oriented feedback system provides a structured mechanism for developing strong relationships within an organization and is a solid foundation for employee retention and growth
- c. **Create open communication between employees and management.** Hold regular meetings in which employees can offer ideas and ask questions. Have an open-door



policy that encourages employees to speak frankly with their managers without fear of repercussion.

- d. **Get managers involved.** It requires managers to spend time in coaching employees, helping good performers move to new positions and minimizing poor performance.
- e. **Communicate your organization's policy.** Feeling connected to the organization's goals is one way to keep employees mentally and emotionally tied to the company.
- f. **Offer financial rewards.** Offering financial awards for employees who meet performance goals and stay for a predetermined time period, say, three or five years. Also, provide meaningful annual raises. Nothing dashes employee enthusiasm more than a paltry raise. Give more to the top performers. The organisation can also create a bonus structure where employees can earn an annual bonus if they meet pre specified performance goals.
- g. **Make sure employees know what is expected of them.** It may seem basic, but often in small companies, employees have a wide breadth of responsibilities. If they don't know exactly what their jobs entail and what employers need from them, they can't perform up to standard, and morale can begin to dip.
- h. **Encourage referrals and recruit from within.** Having current employees offer referrals could help minimize confusion of job expectations. Current employees can realistically describe a position and the environment to the individual he/she is referring. Another way an employer can lessen the impact of turnover is to hire from within, since current employees have already discovered that they are a good fit in the organization (Branham, 2005).
- i. **Provide growth opportunities.** An organization should provide workshops, software, or other tools to help employees increase their understanding of themselves and what they want from their careers and enhance their goal-setting efforts.
- j. **Lower stress from overworking and create work/life balance.** It's important to match work/life benefits to the needs of employees. This could be in the form of offering non-traditional work schedules (such as a compressed work week, telecommuting, and flexitime) or extra holidays. When work-life balance is structured properly, both the employee and employer come out ahead. Encouraging employees to set work/life goals, such as spending more time with their children,

communicates that you really do want them to have a life outside of work and achieve a healthy work/life balance.

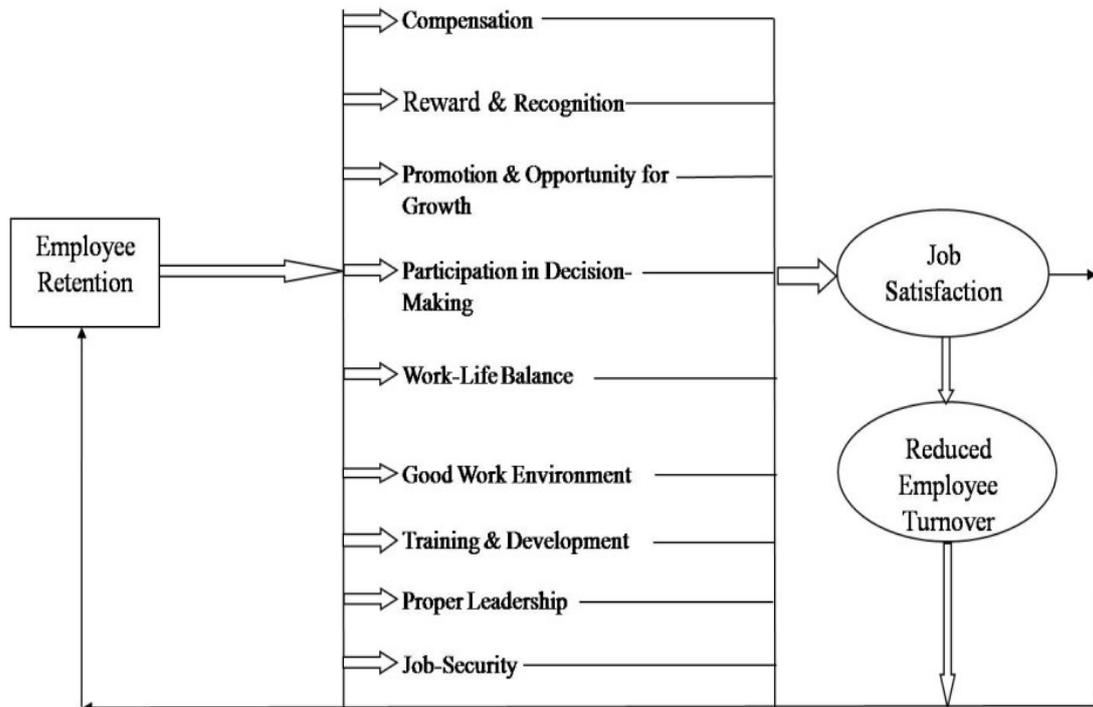


Figure 2: The Employee Retention Strategies and Job Satisfaction

- k. **Foster trust and confidence in senior leaders.** Develop strong relationships with employees from the start to build trust. Employees have to believe that upper management is competent and that the organization will be successful. An employer has to be able to inspire this confidence and make decisions that reinforce it. Employers need to engage and inspire employees by enacting policies that show they trust them, such as getting rid of authoritarian style of management.

Figure 2 clearly depicts that employee retention factors have a direct relationship with job satisfaction. If these factors exist in the organization then the tendency to leave the job or switch over to some other job gets reduced. Thus job satisfaction as well as employee turnover are always negatively correlated to one another. The figure clearly shows that if the above mentioned factors exist in the organization it will not only help to attract new employees into the organization but will also lead to the retention of the existing employees into the organization. Lee and Mowday (1987) and Tett and Meyer (1993) in their studies have concluded that high job satisfaction leads to lower turnover, while low satisfaction leads to higher turnover.



7. MODELS ON EMPLOYEE RETENTION

1. Zinger Model: Employee retention is the art and science of engaging people in authentic and recognized connections to strategy, roles, performance, organization, community, relationship, customers, development, energy, and well-being as companies leverage, sustain, and transform their work connections into results. According to the Zinger Model, employee retention is directed towards achieving results of the organization that the department, team, or individual wants to achieve. A central key of employee retention is connection. In some cases connection is synonymous with engagement. Employee retention must be authentic and retention of competent employee requires powerful recognitions. This model emphasizes that employee retention can contribute to effective performance management and performance demonstrates company's engagement while engagement and retention can help companies excel at performance. Good employee retention should foster star performers. The employee should also align with the organization so as to build up the esteem of the organization. Effective employee retention helps to serve customers a lot. The model comments that employees should experience both personal and professional development through work ranging from courses and learning to develop their own strengths, value, visibility, and engagement. Powerful retention involves mastery of physical, mental, emotional, spiritual, and organizational energy. Work should contribute to employee well-being. Employees need to both engage in and experience healthy well-being. An organization's results are dependent upon the health and productivity of individual employees.

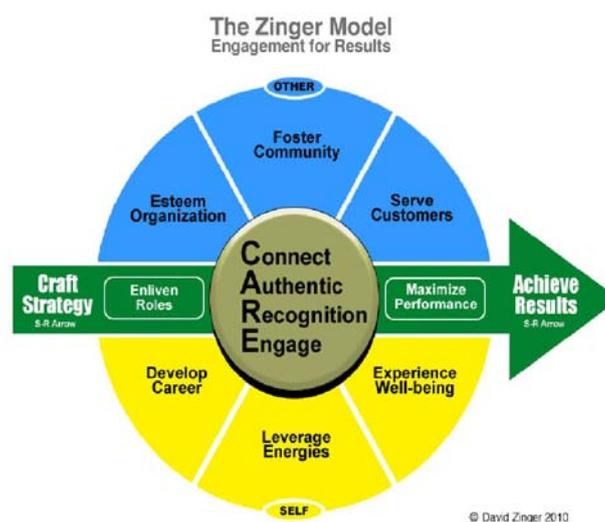


Figure 3: Zinger Model



2. ERC's Retention Model

Employee Retention Connection's model concentrates on applied organizational experience indicating three primary drivers of employee retention. *Work* can be made stimulating by giving variety of assignments, autonomy to make decisions, resources and support provided to do good work, opportunity to learn, feedback on result and understanding the significance of one's personal contributions. Motivational *Leadership* also helps retain employees; therefore, leaders should champion change and must be open to new ideas. They should inspire a shared vision of organization direction, develop the capabilities of others and become a model for behaviours that reflects organization values. Companies should *recognize and reward* a job that is done well and should reinforce desired behaviours and create an emphasis and focus on recognition. They should celebrate successes in order to build self-esteem and enhance camaraderie and team work.



Figure 4: ERC's Retention Model

The Employee Retention Connection concentrates on designing high-involvement job and work assignments and trains supervisors and managers in proven methods of motivational leadership.

Life Work Solutions, a provider of staff retention and consulting services, provides the following turnover facts and rates:

- Over 50 % of people recruited in to an organization leave within 2 years.
- One in four of new hires leave within 6 months.
- Nearly 70% of organizations report that staff turnover has a negative financial impact due to the cost of recruiting, hiring, and training a replacement employee and the overtime work of current employees that's required until the organization can fill the vacant position.
- Nearly 70 % of organizations report having difficulties in replacing staff.



- Approximately 50% of organizations experience regular problems with employee retention.

From these statistics it's clear that it's important to develop a retention plan/ model to retain employees and keep turnover low.

8. THE CHALLENGES TO EMPLOYEE RETENTION

1. Monetary dissatisfaction is one of the major reasons for an employee to look for a change. Retention becomes a problem when an employee quotes an exceptionally high figure beyond the budget of the organization and is just not willing to compromise. The organization needs to take care of the interests of the other employees as well. A high potential employee is always the centre of attention at every workplace. One should understand the limitation of the management and quote something which matches the budget of the organization. An individual should not be adamant on a particular figure, otherwise it becomes difficult for the organization to retain him. Remember there is a room for negotiation everywhere.
2. In the current scenario, where there is no dearth of opportunities, stopping people to look for a change is a big challenge. Every organization tries its level best to hire employees from the competitors and thus provide lucrative opportunities to attract them. Employees become greedy for money and position and thus look forward to changing the present job and join the competitors. No amount of counselling helps in such cases and retaining employees becomes a nightmare.
3. Individuals speak all kind of lies during interviews to get a job. Problems arise whenever a right person is into a wrong profile. An individual loses interest in work whenever he does something out of compulsion. The human resource department should be very careful while recruiting new employees. It is really important to get the reference check done for better reliability and avoid confusions later.
4. Some individuals have a tendency to get bored in a short span of time. They might find a job really interesting in the beginning but soon find it monotonous and look for a change. The management finds it difficult to convince the employees in such cases. It becomes really difficult for the HR Department to find out what exactly is going on in the minds of the individual. An individual should voice his opinions clearly to make things easier for the management.



5. Unrealistic expectations from the job also lead to employees looking for a change. An individual must be mature enough to understand that one can't get all the comforts at the workplace just like his home. Individuals from different backgrounds come together in an organization and must not look for a change due to small issues. One needs time to make his presence feel at the organization and must try his level best to stick to it for a good amount of time and ignore petty issues.

9. CONCLUSION

“Pleasure in the job puts perfection in the work”

--- **Aristotle**

In today's environment the organizations should treat their employees as the most valuable assets and have to take care of them in order to achieve the organisational goals. Effective human resource management must be practiced at both strategic and day-to-day levels. HR management practices must reflect company policy as to how it will manage and relate to its employees. Organizations have to provide their employees with the best career growth opportunities, working environment, rewards, supervisor support and work-life balance and should work on them. In this way, it will help the employees to put their best in the organisation. Some of the causes of employee retention include pull factors such as better alternatives, push factors such as job dissatisfaction, unavoidable factors such as retirements and factors that are beyond organizational control. It is essential for employers to identify the root causes of employee departure so that they can effectively address them. The common strategies used to reduced turnover include increasing employee motivation by providing them with incentives and organizing team activities. Increasing employee retention can go a long way in increasing organizational performance, productivity and profitability. Employees need to feel valued and appreciated, be given feedback, provided with growth opportunities, be given work-life balance options, and have trust and confidence in their leaders. All of these retention strategies are beneficial when an employer wants to keep employees within an organization and keep costs of turnover (retention) low.

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