

A Study on Employee Retention and its impact on Organizational Development

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Abstract:

Retention of productive employees is a major concern of HR professionals and business executives. It is more efficient to retain a quality employee than to recruit, train and orient a replacement employee of the same quality. Fairness and transparency are fundamental yet powerful concepts that can make a lasting impression on employees. Employee job satisfaction and engagement factors are key ingredients of employee retention programs. The importance of addressing these factors is obvious, but actually doing so takes time and these tasks are often left for another day. However, the payoff of focusing on employee retention, in terms of increased performance, productivity, employee morale and quality of work, plus a reduction in both turnover and employee-related problems, is well worth the time and financial investment. The bottom line is that by managing for employee retention, organizations will retain talented and motivated employees who truly want to be a part of the company and who are focused on contributing to the organization's overall success. . A critical issue that organizations face is how to retain the employees they want to keep. Companies must anticipate impending shortages of overall talent as well as a shortfall of employees with the specialized competencies needed to stay ahead of the competition. Employers that systematically manage employee retention, both in good times and in bad, will stand a greater chance of weathering such shortages. Turnover costs can have a significant negative impact on a company's performance; however, not all turnover is harmful.

Key words:Human Resource, employee retention, employee commitment, job satisfaction

Introduction:

Retention of productive employees is a major concern of HR professionals and business executives. It is more efficient to retain a quality employee than to recruit, train and orient a replacement employee of the same quality.

Fairness and transparency are fundamental yet powerful concepts that can make a lasting impression on employees. The following five factors are the leading contributors to job satisfaction:

1. Respectful treatment of all employees at all levels;
2. Compensation/pay;
3. Trust between employees and senior management;
4. Job security; and
5. Opportunities to use their skills and abilities at work.

Employee job satisfaction and engagement factors are key ingredients of employee retention programs. The importance of addressing these factors is obvious, but actually doing so takes time and these tasks are often left for another day. However, the payoff of focusing on employee retention—in terms of increased performance, productivity, employee morale and quality of work, plus a reduction in both turnover and employee-related problems—is well worth the time and financial investment. The bottom line is that by managing for employee retention, organizations will retain talented and motivated employees who truly want to be a part of the company and who are focused on contributing to the organization's overall success.

Theoretical Background of the Study :

Employees are the most important, valuable and productive asset of an organization and retaining them is one of the toughest challenges for the managers. As the replacement cost of key employees involves huge turnover, there is a need to develop a fully integrative retention policy to tackle such type of problems. A critical issue that organizations face is how to retain the employees they want to keep. Companies must anticipate impending shortages of overall talent as well as a shortfall of employees with the specialized competencies needed to stay ahead of the competition. Employers that systematically manage employee retention—both in good times and

in bad—will stand a greater chance of (Bidisha Lahkar DasDr. Mukulesh Baruah, 2013)weathering such shortages.

Business Case

A critical issue that organizations face is how to retain the employees they want to keep. Companies must anticipate impending shortages of overall talent as well as a shortfall of employees with the specialized competencies needed to stay ahead of the competition. Employers that systematically manage employee retention—both in good times and in bad—will stand a greater chance of weathering such shortages.

Retention/turnover was the top workforce management challenge Key reasons a focus on reducing turnover makes sense:

- Turnover is costly.
- Unwanted turnover affects the performance of an organization.
- As the availability of skilled employees continues to decrease, it may become increasingly difficult to retain sought after employees.

Turnover costs can have a significant negative impact on a company's performance; however, not all turnover is harmful. For example, a new replacement hire may turn out to be more productive or more skilled than his or her predecessor.

Drivers of Employee Retention and Turnover

Devising effective employee retention strategies requires organizations to understand both why employees leave organizations and why they stay.

Why employees leave:

Employees leave organizations for all sorts of reasons—Some find a different job, some go back to school, some follow a spouse who has been transferred to a different location, some retire, some get angry about a work-related or personal issue and quit on impulse, and some simply decide they no longer need a job (these categories of departure are referred to as "voluntary

turnover"). Still others get fired or laid off by the organization (referred to as "involuntary turnover").

Generally, an individual will stay with an organization if the pay, working conditions, developmental opportunities, etc., is equal to or greater than the contributions (e.g., time and effort) required of the employee. These judgments are affected by both the individual's desire to leave the organization and the ease with which he or she could depart. Studies have shown that employees typically follow four primary paths to turnover, each of which has different implications for an organization:

- Employee dissatisfaction. Attack this issue with traditional retention strategies such as monitoring workplace attitudes and addressing the drivers of turnover.
- Better alternatives. Retain employees by ensuring that the organization is competitive in terms of rewards, developmental opportunities and the quality of the work environment. Be prepared to deal with external offers for valued employees.
- A planned change. Some employees may have a predetermined plan to quit (e.g., if their spouse becomes pregnant, if they get a job advancement opportunity, if they are accepted into a degree program). However, increasing rewards tied to tenure or in response to employee needs may alter the plans of some employees. For example, if a company is seeing exits based on family-related plans, more generous parental leave and family-friendly policies may help reduce the impact.
- A negative experience. Employees sometimes leave on impulse, without any plan for the future. Generally, this is the result of a negative response to a specific action (e.g., being passed over for a promotion or experiencing difficulties with a supervisor). Analyze the types and frequencies of work-related issues that are driving employees to leave. Provide training to minimize prevalent negative interactions (e.g., harassment, bullying, or unfair and inconsistent treatment) and provide support mechanisms to deal with those problems (e.g., conflict resolution procedures, alternative work schedules or employee assistance programs).

Additional predictors of turnover that merit careful attention include:

- Organizational commitment and job satisfaction.
- Quality of the employee-supervisor relationship.
- Role clarity.
- Job design.
- Workgroup cohesion.

Why employees stay:

As important as it is to understand the reasons that drive employees to leave an organization, it is just as important to understand why valuable employees stay. Studies have suggested that employees become embedded in their jobs and their communities and as they participate in their professional and community life, they develop a web of connections and relationships, both on and off the job. Leaving a job would require severing or rearranging these social and value networks. Thus, the more embedded employees are in an organization, the more likely they are to stay. Companies can increase employee engagement by providing mentors, designing team-based projects, fostering team cohesiveness, encouraging employee referrals, and providing clear socialization and communication about the company's values and culture, as well as offering financial incentives based on tenure or unique incentives that may not be common elsewhere. Employees want to be recognized for their achievements. Employee benefits also play a role in retention. Offering a competitive benefits package, in addition to competitive pay, reduces the likelihood an employee will find the grass greener elsewhere

Key Retention Strategies and Best Practices:

Practices that contribute to retention arise in all areas of HR, and all roles within an organization will need to work together to develop and implement multifaceted retention strategies. Broad-based and targeted strategies, or a combination of both, may be appropriate depending on the circumstances.

Effective practices:

Effective practices in a number of areas can be especially powerful in enabling an organization to achieve its retention goals. These areas include:

- **Recruitment.** Recruitment practices can strongly influence turnover, and considerable research shows that presenting applicants with a realistic job preview during the recruitment process has a positive effect on retention of those new hires.
- **Socialization.** Turnover is often high among new employees. Socialization practices—delivered via a strategic onboarding and assimilation program—can help new hires become embedded in the company and thus more likely to stay. These practices include shared and individualized learning experiences, formal and informal activities that help people get to know one another, and the assignment of more-seasoned employees as role models for new hires.
- **Training and development.** If employees are not given opportunities to continually update their skills, they are more inclined to leave. .
- **Compensation and rewards.** Pay levels and satisfaction are only modest predictors of an employee's decision to leave the organization; however, a company has three possible

Strategies:

1. Lead the market with respect to compensation and rewards.
 2. Tailor rewards to individual needs in a person-based pay structure.
 3. Explicitly link rewards to retention (e.g., tie vacation hours to seniority, offer retention bonuses or stock options to longer-term employees, or link defined benefit plan payouts to years of services) supervision. Several studies have suggested that fair treatment by a supervisor is the most important determinant of retention. This would lead a company to focus on supervisory and management development and communication skill-building.
- **Employee engagement.** Engaged employees are satisfied with their jobs, enjoy their work and the organization, believe that their job is important, take pride in their company, and believe that their employer values their contributions. One study found that highly engaged employees were five times less likely to quit than employees who were not engaged.

Broad-based strategies

Broad-based strategies are directed at the entire organization or at large subsystems and are intended to address overall retention rates. Examples include providing across-the-board market-

based salary increases, changing the hiring process to incorporate retention-related criteria and improving the work environment.

The data needed to help a company determine which broad-based strategies to implement typically come from three places:

- Retention research can shed valuable light on the primary drivers of turnover. Attendance at conferences and membership in professional associations can provide access to the latest research on turnover and retention.
- Effective practices encompass the strategies that other organizations are using and are finding effective or ineffective.
- Benchmarking surveys can provide information about how a company compares to competitors on issues such as pay, benefits, bonus plans and the like.

Targeted strategies

Targeted strategies are based on data from several key sources, including organizational exit interviews, post-exit interviews, stay interviews, employee focus groups, predictive turnover studies and other qualitative studies. This information can lead an organization to determine more specifically where a problem exists and to develop highly relevant and linked strategies to address the issue. For example, if female professionals are departing the organization in significant numbers, a company could review common reasons that women give for leaving a company and develop strategies to specifically deal with this group of employees.

Implementation:

A company's HR department typically is the linchpin of effective and efficient administration of the employee retention strategy. Having an HR team that is educated about employee motivation, retention strategies, benchmarking and best-practices research is critical to the success of the program.

Laying the groundwork

HR is typically responsible for taking the following steps that together would yield the information that an organization needs to determine the extent of its problem and to help shape the retention strategies that are implemented in response.

- Determine whether turnover is a problem. This step can be accomplished through turnover analysis, benchmarking and a needs assessment (both external and internal).
- Establish a plan of action. After reviewing the turnover analysis, benchmarking data and needs assessment, create a plan to improve retention. Identify broad-based or targeted strategies (or a combination) for implementation.
- Implement a retention plan. Execute the strategies that have been identified as appropriate for the specific problem.
- Evaluate the results. After implementing the plan, evaluate the results to assess the impact relative to the cost.

Benchmarking

Establishing appropriate benchmarks—both external and internal—is a key first step in preparing to implement an employee retention strategy.

- External benchmarking. Is a 15 percent annual turnover rate too high? This question is impossible to answer in isolation. Benchmarking and needs assessment can provide valuable information for determining whether turnover is a problem for an organization. Through external benchmarking, a company compares its turnover rates against industry and competitor rates. These data represent annual and monthly quit rates as a percentage of total employment for all non-farm employment across the United States, broken down by industry, geographic location, sector, etc.

Dealing with common problems

As with all strategic initiatives, there are some common problems associated with employee retention programs. These include:

- Lack of top management support. If senior management does not send a message to managers and supervisors emphasizing that employees are critical to the company's long-

term success, supervisory employees are unlikely to focus on people-related issues. Unless senior management actively participates in the retention process and takes primary responsibility for it, managers and employees will remain unsure of the true value of employees, both to senior management and to the organization.

- Perception of the program as time-consuming "busywork." Similarly, without an organizational commitment to the initiative and a clear understanding of how it is strategically contributing to the organization's successful long-term performance, managers may view a focus on people as, at best, "nice" or "just busywork" and, at worst, a huge waste of time that takes them away from the more important demands of their "real job."

Costs and return on investment

Because there are so many different actions a company can take to improve its employee retention rate, it is not feasible to quantify the "typical" costs—hard and soft—of designing and implementing a program. However, an organization should still try to budget its own initiative carefully.

The payback in financial terms can be estimated by reviewing a number of HR metrics, including turnover data, promotions/transfers from within versus outside recruiting, number of grievances filed, absenteeism, discrimination complaints, etc. Auditing and evaluating

Any HR initiative or program—especially one designed to retain an organization's key talent—needs to be continuously evaluated to determine if it is effective and to identify opportunities for improving it. An effective way to determine whether the employee retention program is working is to conduct an independent audit of the way the program is affecting various groups of employees. For example, are certain types of employees (e.g., low-skilled, highly skilled, technical, professional, managerial, executive or those with varying degrees of tenure) leaving the organization at more significant levels than others? If so, that group can be targeted for specific interventions. HR must be responsible for monitoring the effectiveness of all people-related program outcomes.

One way to audit retention initiatives in addition to continuing to review turnover rates and exit interview results is to conduct stay interviews of current employees. Stay interviews help

employers ascertain why good employees stay and what might make them leave. It is highly recommended that managers themselves conduct these meetings, after proper training, as they have the most direct relationships with employees.

Global perspectives:

In an increasingly globalized economy, retention of quality employees is a global issue.

Increases in cultural differences within the workforce raise critical issues for HR practitioners. Employee retention efforts have proved very difficult to implement in some parts of the world due to differing expectations for pay, work assignments, benefits and the like. If a company is global in scope or simply has a highly diverse employee population, both cultural and national differences must be taken into account at the outset of the development of any new HR-related program, including employee retention strategies.

Employees on foreign assignments face a number of issues that domestic employees do not, and the retention of international assignees poses a significant challenge to employers. Poor repatriation planning by employers is often cited as a cause of high turnover of employees returning from foreign assignments. Employers must make efforts to keep in touch with expatriates to minimize employees' feelings of isolation and disconnectedness from the home organization. In addition, reverse culture shock can be an unexpected aspect of repatriation. Often, returning expats need a crash course on how to live in their homeland again, and employer support is critical for their retention.

Literature Review:

(Singh, 2019) Employees are the most important, valuable and productive asset of an organization and retaining them is one of the toughest challenges for the managers. As the replacement cost of key employees involves huge turnover, there is a need to develop a fully integrative retention policy to tackle such type of problems.

(M.S.Kamalaveni S. T., 2019) The need to retain the employee is that, as organization has incurred cost on recruitment and has invested huge money on each and every employee for giving training to develop them to fit for the organization and to improve the efficiency of the employees, so obviously it is the expectation of the organization to make use of the outcome of the training for its development. In order to confront the problem of attrition of employees,

organizations are making policies with respect to recruitment, selection, induction, training and development, compensation and benefits, designing job, evaluation of job and wage standards etc., which in turn helps to retain the employees in the long run.

(Shuana Zafar Nasir, 2018) Retention is considered as all-round element of human resource strategies and tactics. It begins with selecting right people and persists with implementing various programs to keep employees motivated and engaged in organization (Freyermuth, 2004) Tremendous studies have proved that there are many challenging issues emerged while developing competencies of organization. Out of these issues some are directly while others are indirectly related to human aspect of the organization. One of the challenges in today's era is employee retention. As the trend is heading towards more industrialization, opportunities for employment are also maintaining pace with this trend.

(Agarwal, 2017) The findings of the study like good training & development, compensation structures, autonomy, quality of work life, work polices and arrangements will lead the managers and management to a new dimension with holistic approach in the field of employee retention & engagement.

(Das, 2013) Human resources are the life-blood of any organization. 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. With all round development in each and every area of the economy, there is stiff competition in the market.

(Gilani & Cunningham, 2017) The main aim of this research is to explore the influence that employer branding has on employee retention. A detailed literature review of core and contemporary academic contributions on the subject areas was carried out and there were seven key themes identified within employer branding literature, which were: brand values, induction and training, internal brand communication, organisational culture, rewards and benefits, brand commitment, and employer brand management.

Objectives:

1. To know the reasons of turnover, which can help the organization in making the job attractive and encourage the employees to stay with the organization.
2. To realize the significance appended to representative maintenance in the present corporate world.
3. Strategies adopted by the company in retaining the employees.
4. General problems faced by the companies while practicing employee retention.

Methods of Data Collection :

Data collection is an indispensable component of the this research project. It plays a vital role in making the research successful. Both primary and secondary data are used in this research.

Primary data is the data which is collected for the first time. Here questionnaire and structured interview are used for the data collection.

Secondary data is the data which has been already collected. Here the secondary data has been collected from journals, magazines, text books and internet.

Sampling Method:

Complete enumeration method is used for the survey of this project.

Sample:

Sample is a portion of the population which is examined with a view to estimating the characteristic of the population. Employers are the sample taken.

Sample Size:

Sample size denotes the number of elements selected for the study. 60 employees are selected for the study.

Tools used for analysis of data:

1.Simple percentage analysis.

Findings:

Demographic Factors:

The demographic analysis revealed that majority of the employees was between the age of 35-50 years 26% with only 4% of the respondents above 65 years. Gender wise distribution indicated that majority were male (48%) and in response to marital status, 59% were married. 46% of the respondents had done bachelors degree. In response to working experience with current organization, 70.6% responded that they were with the organization for 5 years or less.

Employee Retention Strategies:

Variables	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied
Job Securities	16.66%	36.66%	30%	6.66%	10%
Helps in career development	8.33%	20%	46.67%	10%	15%
Management supports for higher education	43.33%	23.33%	6.67%	13.33%	13.33%
Rewards and recognition	23.33%	31.67%	16.67%	11.67%	16.66%
Promotion opportunities	46.67%	23.33%	13.33%	16.67%	10%

Given job securities as employee retention strategies majority of the respondents are satisfied. Around 46.67% of the respondents believe that the organization helps in career development of the employees. Most of the employees are highly satisfied, saying, management supports for the higher education. Majority of the respondents are satisfied with the rewards and recognition provided by the organization. Majority of the respondents are highly satisfied with the promotion opportunities given to the employees.

It is important to involve the employees in various activities within the organization, It may be the job related activities or other cultural activities. The job related activities like assigning the

task, reaching the targets, submitting the assignments, involving in decision making, participating group discussions, attending the meetings. Other activities are like celebrating birthdays, flash mobs, sports competitions, fests, team lunch, pot locks. It is the responsibility of the employer to create the interest in the employee to participate in several activities so that they can retain in the same organization.

Working Conditions:

Variables	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied
Employees are treated with due respect	23.33%	20%	25%	18.33%	13.33%
Good work done is appreciated	40%	23.33%	10%	16.66%	10%
Employees suggestions and grievances	30%	25%	20%	16.67%	8.33%
Ventilation facilities are maintained well	46.67%	23.33%	16.67%	6.67%	6.66%

In the case of employee retention, Socialization basically refers to the interactions among employee and their employer within the organization. It is very important for the organization to maintain a good employee-employer relations. The organization has to provide the intranet and direct communication channels to make the employees expressing their views, ideas and other informal discussions. Basically the organization has to provide an interactive environment for the employees which enhances their relationships and to explore themselves.

Rewards and Recognition

Variables	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied
Performance based incentives	30%	18.33%	20%	15%	16.67%
Compensation paid for workers during layoffs	16.67%	15%	23.33%	30%	15%
Over time salary	13.33%	11.67%	30%	25%	20%
Yearly bonus	36.67%	26.67%	30%	3.33%	3.33%
Fringe benefits and incentives	25%	33.33%	13.33%	11.67%	16.67%

Majority of the employees are highly satisfied with the performance based incentives provided by the organization. Where in, only 23.33% of the employees are neither satisfied nor dissatisfied with the compensation paid for the employees during layoffs. Most of the employees are neutral with the overtime salary. When it comes to yearly bonus, majority of the employees are highly satisfied. Most of the employees are satisfied with the fringe benefits and incentives provided by the organization. Hence it is clear from the study that, giving rewards can motivate the employees to retain in the organization.

Compensation and rewards are the most important factors which can hold the employees or they may lead to leave the organization. The organization has to pay the appropriate salaries to the people for their employment. Various financial and non- financial benefits are to be provided to the employees. These compensation and benefits indirectly motivates the employee to work efficiently.

Financial benefits	Non-financial benefits
Bonus	Job Enrichment
Profit sharing	Gym membership discounts
Shares	Sabbatical leave
LTC	Flex-time
Incentives	Employee Empowerment
Stock option	Awards

Other Findings:

- Around 68% of the employees believe that employee retention leads to the development of the organization.
- Employee engagement in the organization and involving employees in several aspects of the organization can increase the interest of the employees.
- Salary is the most preferred factor that influence the employees to remain in the organization.
- Supervisors negative behavior is what influences the employees to leave the organization.

Suggestions

- Compensation and rewards can retain the existing employee and attract new talents which indirectly improves the organization goodwill.
- For holding representatives, great pay and rewards are to be accommodated the workers by the association.
- The organization has to increase the interest of the employees by engaging them in several activities of organization.
- The organization has to help the employees to utilize their career opportunities by providing training and development programs.

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