EMPLOYEE TURNOVER VS. RETENTION

Ms. Smrutihara Biswal

Lecturer in HR & General Mgt

Academy Of Business Administration

Harida, Kuruda, Balasore

Odisha, India

Abstract

Employee turnover or Talent acquisition & Retention are now commonly used term in the competitive business world. Another way these terms create headache in the employers' head now. Control over employee turnover & successful retention are great challenge in today's phenomena. This paper represents some of the reasons of employee turnover, how it hampers organizational success, right approach towards retention & the literature review on this topic.

Keywords: Cost, Employee turnover, Implementation, Level, Need, Organization climate, Retention strategies, Success

Introduction

Do you remember the issues & reason for leaving the organization where you were? Of course most of us will answer as being fortune enough to be escaped. But when the same question will be in front of the employer then the reaction will be just opposite. In any organization loosing one best talent is more expensive then loosing one client or failure in any business deal. Really in the global phenomena it's a great problem which is called as attrition or employee turn over. So the solution Retention is a burning challenge in each & every company.

People are the real assets of an Organization. The existence, growth, success, development or consistency of the company depends on its efficient people and their expertise performance. Recruiting & selecting the right candidate is important. But keeping them on the success track for a long time in the same organization is more important. The dependence of Company's performance on the employee's performance is the truth. That's why employer invests on Training & Development like most expensive activity, Performance Appraisal like crucial task etc. But still retention is a major problem in most of the private organizations & some of the govt. organizations.

In this LPG era getting a job, leaving the job or changing the job are more preferable activity in comparison to remaining in the same job for a long time or the life time. If we will find the reason behind it, it's vast. Because it differs from employee to employee, employer to employer, job to job, area to area, sector to sector etc.

Then question arises whether 100% retention is possible? The right answer to this question is that 100% retention is impossible & also is not the need. If it can be solved up to 60-70%, then it is more then sufficient. And also it can be done with any obstacles. In this paper I tried to represent some views of research scholars & learned persons' towards the employee retention, its need, importance & some best way of doing it.

What the Organization lost because of employee turnover?

High attrition rate or employee turnover is a great loss towards any organization. It's true because a company invest a lot on employee with the expectation of some return. So, if the employee leaves the organization in the early stage or middle stage then the loss can't be fulfilled. Some good organizations are not even ready to leave their employees at their last stage of their professional career (after retirement). Organization keeps them in the advisory board with less work pressure. **Example**- In the organization where I am working currently has employed Mr. M.K. Chaudhary who was the ex-Dean of the college. He is 72 yrs. old. But he is in this college since last 14 yrs. So after the retirement the management requested him to be in the advisory board with less work pressure, time & working hour flexibility & little bit less package in comparison to the salary he was drawing before. Employee turnover hampers the working environment of the organization. De satisfaction among employees may cause turnover. But high attrition rate discourage the remaining employees to continue in the same organization. Unknowingly employee turnover creates gap in between the employer & the remaining employees. Misunderstanding & misbelieve will be developed among them. At the same time it distracts the talent from the market and can create a black spot on company's brand image. All these reasons either directly or indirectly bear some investment for the failure of the organization. Many organizations ignore it or respond it when it is getting out of hand. It's the biggest reason for increasing employee turnover & unsuccessful retention. If we note down some of the investment cost on people in the organization, those are….

1. Induction, Orientation & training cost
2. Craft cost & production cost
3. Time investment in the early stage
4. Performance appraisal cost ,welfare cost like other HR cost
5. Exit cost

Reasons for employee turnover

All good organizations always concentrate both on earning profit & preventing loss in a organization. There are many reasons behind any occurrence if any one of profit or loss occurs then also reasons must be studied for the maintenance of the success or prevention from loss. Retention or talent acquisition is a challenge in most

of the organizations. But if we will count down, then there will be a no. of reasons & it differs from organization to organization, sector to sector, location to location, job to job, person to person etc.
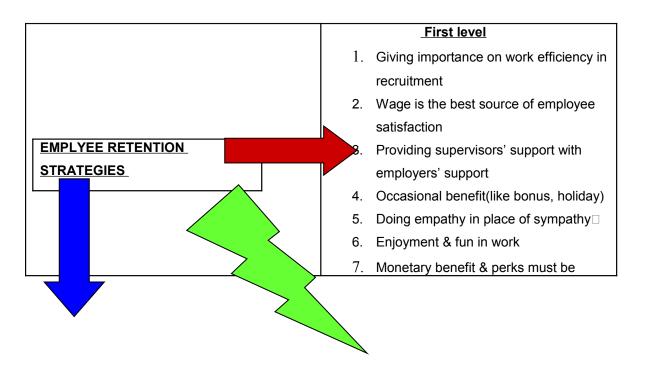
Following are some of the causes for increasing attrition rate or employee turnover………

- Personal reasons of he employee

- Getting a better opportunity

- Ego crash for any issue in the organization

- Unsatisfied Organizational climate or working environment.

- The unchallenging job profile (repetition of the same work, boring work profile)

- Salary problem(less amount of gross salary or irregularity payment or less in take home etc.)

- Promotion & transfer issues (absence or compulsion or partiality)

- Lack of flexibility

- Lack of abroad going facility

- Miss communication & miss understanding in between employee & any body else

- Change in commitment by the employer

- Extreme work pressure & stress

- Lack of job security

- Not satisfied with Company's welfare & other facilities

- Absence in the carrier growth of employees

It is not mandatory that all these reasons or most of the reasons are responsible for the employee turnover in an organization. Some of the points may be responsible. Reasons also differs from organization to organization. Likewise to retain the different employees in different organization different approaches are there.

Successful Retention

Before discussing the current scenario I want us to remember the time when employee turnover was a source of organization's success. At that time the attrition rate was law. Attrition was playing the major role in bringing new blood into both Organization & the employee's life. But in this modern era attrition rate is in the extreme position as discussed earlier. And retention is the need now, both for employees & employer to exist, grow & for the achievement of success. If you are finding any common retention approach which will be fruitful for every organization, it's quite impossible because it's the issue with human being not with machine. **Example** (for better understanding) - In a Family if there are 5 members then their choice, behavior etc. are different. If there will be twins then also upto50-60% characteristics will be same not the 100%.So parents know everybody very carefully, accordingly they treat. Here I am not considering or expecting the personal relationship in professional life. But this example represents the difference in personalities. The secret to employee retention is job satisfaction. There is a specific structure & culture in each & every organization. Both are very co related and basically culture depends on structure. General structure of any organization represents employees in 3 levels-1st Level (now it is not lower level, because the implementation part starts from them), middle level & higher level. Here the retention strategies should be implemented differently in different level. Let's check in the following diagram.

Fig: Employee Retention Strategies in different levels

EMPLYEE RETENTION STRATEGIES

First level

1. Giving importance on work efficiency in recruitment
2. Wage is the best source of employee satisfaction
3. Providing supervisors' support with employers' support
4. Occasional benefit(like bonus, holiday)
5. Doing empathy in place of sympathy
6. Enjoyment & fun in work
7. Monetary benefit & perks must be

	according to the competency
Middle level	**Higher level**
1. Giving importance on expertise with multi skill achievement in recruitment 2. Enjoyment with challenging work 3. Providing perks with good salary 4. Great support from employer towards employee a7 his family 5. Job security is needed but not for fresher 6. Facilities for career growth (training, development, succession planning etc.) 7. Recognition is more preferable then reward	1. Giving importance on experience, & past record in recruitment 2. Job profile with less work pressure 3. Job stability 4. Less physical mobility 5. Emphasizing self respect & esteem of employees 6. Maintaining a trust worthy environment 7. Optimum delegation of authority & power to the employees

In the current business world a new type of structure like "Flat organization" is developing which is beyond the level or hierarchy. And also the infrastructure of the office is different. There is no special cabin, only the separation is by glass. For **example** a software company where I was working before was the same. There is the rule not to call any one Sir or madam; we can talk to our seniors, even the director by name. And the office structure was as I discussed. In this type of organization retention is not so difficult but not very easy also. Here time can be saved in spite of   wasting in communication, maintenance of hierarchy etc. The strategies

explained in the above diagram can be applicable in flat organization also with some modification. Here it would be easy because of the absence in hierarchy. Except this, now there are different techniques or method are developed for increasing the retention rate in the organization. Treatment of different level differently is not the only method. Like this treatment should differ according to different job profile, age group, personality, attitude, choices, organizational strength, weakness, private or government organization etc. To retain the employees proper planning must be there. With that implementation part is very important. But its not as mathematics formula (once you put in the right place answer will be their), it's the dealing with the people, so deep observation towards their response is the need.

Literature Review

Turnover may also be able to reduce cost by eliminating or merging vacant positions as high-priced talent may be traded for lower-priced talent with equal capabilities (Roseman, 1981).Staw (1980) says "turnover may be the ultimate solution to conflict in order for the organization to function effectively" .But now time has changed Employee Turnover is a crucial problem now a days in the organization.. "The same employers who in the past welcomed turnover as a way to infuse new blood and thinking into the organization are now planning to develop retention strategies for keeping the best talent. Also, turnover is now contributing to less profit because of increased costs of recruitment, training, and lost productivity" (Adele B. Lynn, 2001). "Turnover is both costly & destructive to organizations, . Every time an employee quits, a replacement must be recruited, selected, trained and permitted time on the job to perform good. Apart from the costs that are directly associated with recruiting and training a new employee, other indirect costs exist."(Michael O. Samuel and Crispen Chipunza, 2009). "Turnover may de motivate & badly affect the attitudes and morale of the employees who remain in the same organization" (Liew Chai Hong and Sharan Kaur,2008). So in the current scenario companies are in search of different ways or methods to retain employees for a long run. Retention is a voluntary move by an organization to create an environment which engages employees for long term (Chaminade, 2007). "The first step to solving the employee turnover problem is to recognize that the organization indeed have a turnover problem," said Bill Pollock "(CEO of Drake International, a global provider of business consulting and implementation solutions, in his article "People are everything").Really many Organizations fail in it. According to Mary Hladio (in the topic Employee Retention: Fantasy or Reality) "retaining the best employees ensures great customer satisfaction, increased product sales, satisfied coworkers, effective succession planning, and deeply embedded

organizational knowledge sharing". Job satisfaction will be there if an employee will be satisfied both physically & mentally. Managers or seniors play a major role in the retention process (recruiting, training, satisfying, motivating etc.) in the organization. "To effectively motivate and retain employees, a manager needs to deal with each person one at a time—asking questions of, listening to, and working together one-on-one."(K. Sandhya1 and D. Pradeep Kumar, 2011) A" good manager" therefore, is one who will help talented people find satisfaction in their work, and "satisfaction" is key to an employee's decision to stay or leave an organization (Buckingham and Coffman, 1999; Kreisman, 2002; Kaye and Jordan-Evans, 1999).Recruitment of the right candidate & selecting him or her to the right job is the beginning of Retention. "By representing the organization realistically, a department will attract those who will be content working within the culture" (Marx, 1995). Denton (1992, p.47) follows this up by stating that, "the better the match between recruits and the organization the more likely you are to retain them." Lynn (1997) believes that you must take time during the hiring process to make wise decisions. After the recruitment of the right candidate for the right job, training part is very important. The department makes an investment on the employee by offering training.. "Good training can de-emphasize salaries and benefits, in part by building a positive work environment and by giving employees advancement opportunities" (Lynn, 1997). Training helps strengthen employee loyalty. Lack of training and development of employees' skills was the largest determinant of turnover in organizations (Hay, 1999). Like recruitment & training compensation system of an organization is also an element. But compensation is not only the key source to retain employees. Best HRM practices in compensation, reward & recognition sharing can lead to reduced turnover; improve the quality work, and better financial performance (Arthur 1994; Delaney and Huselid 1996; Huselid 1995 and MacDuffie 1995; Meyer and Allan 1991). Although traditional benefits such as vacation and health are more important, till today's workers are also looking for more non-traditional benefits. Benefits such as flexible work hours, availability of childcare programs and discounts on services now at the top of the desired benefits list(Denton,1992).compensation and benefits may be a key factor in the final decision-making process, a money shortage is usually not what causes people to look in the first place (Mendonsa, 1998). Money may be the reason they give when they resign, but it's like "white noise". They are conscious of it for a while but if they are bored on the job, money alone is not going to keep them in the organization (Branch, 1998).According to the Harvard Management Update (June, 1988) nine of ten managers think people stay or go because of money. But in many cases it is not the fact. So Kaye and Evans (2000) conclude that "money and perks matter, but with these employees are interested in challenging and meaningful work, good bosses, and

opportunities for learning and development". "Companies known for their ability to retain top performers use a 'more than money' approach". (Joan Brannick,, 2001) ."Enjoyment and positive emotions in work decrease the attrition rate."(Sherman,1989; Connolly & Viswesvaran, 2000). In the competitive job markets, there is always a demand for the best and the brightest workers. Therefore, keeping those employees must remain a very high priority regardless of where we are in the cycle of economic growth. Findings from the EQW National Employer Survey show that a 10% increase in employee development resulted in about 8.6% gain in productivity on an average. At the same time, a 10% addition in equipment value increased productivity only by 3.4%. Wayne Nemeroff, Psymax Solutions, LLC

Conclusion

Once *Andrew Carnegle ,the renowned industrialist in 19th century in US viewed* "Take away my factories, my plants, take away my rail roads, my ships, my transportation, take away my money, strip me off all of these but leave me, my key people and in 2 or 3 yrs ,I will have them all again. Best people were in need, are in need & will be in need for the success in the organization. But in today's phenomenon 'Talent acquisition' or Retention is the best way to face the competitive business world. So retention is the need of the hour. Retention must be well addressed to achieve the goal of the organization. Positive organizational climate is the best source for retention. Even in this competitive globalize era increasing attrition rate creates question for both the existence & growth of the organization. Recruiting best employees is a technique but keeping them for a long time is an art. Each organization should realize the essence of the old employees' .The attrition rate also affects the image of the company. First step of retention is proper planning or strategy. Then the participants must be keen on implementing the strategy. Knowingly or unknowingly Attrition creates many problems in any organization. Just opposite is also true-Retention, knowingly or unknowingly solve many problems in every organization. Now different organizations are there which will make your retention strategies operate efficiently and effectively by innovative line of proprietary technologies and Best Practices Consulting Services. But the foremost thing as I've explained earlier is to identification & acceptance of the attrition problem .Then the positive response towards the retention strategies.

Reference

1. Arthur, J. (1994), 'Effects of human resource systems on manufacturing performance and turnover.' In Academy of Management Journal, v37, pp.670-87.

2. Branch, Shelly (1998, November). The new economy: You hire 'em. But can you keep 'em? Fortune, 247.

3. Chaminade B (2007). A retention checklist: how do you rate?, www.humanresourcesmagazine.co.au. Accessed, 28 November,2007.

4. Connolly, J.J. and Viswesvaran, C. 2000, 'The Role of Affectivity in Job Satisfaction: A Meta Analysis', Personality and Individual Differences, vol. 29, pp. 265-281.

5. Delaney, J. and Huselid, M. (1996). 'The impact of HRM practices on perceptions of organizational performance.' In Academy of ManagementJournal, v39, pp. 949-69.

6. Denton, D. Keith (1992). Recruitment, retention, and employee relations. West Westport,CT: Quorum

7. Douglas McGregor (1985) The human side of enterprise. McGraw-Hill/Irwin; 1 edition.

8. Hays S (1999). Generation X & Y and the art of the reward. Workforce.78(11): 44-48

9. Huselid, M. A. (1995). 'The impact of human resource management practices on turnover, productivity, and corporate financial performance.'In Academy of Management Journal, v38, pp. 635-72.

10. Joan Brannick,(2001), Seven strategies for retaining top talent. journal Business Strategy (July-August, 2001)

11. Kay, Beverly and Jordan-Evans. (1999). Love 'em or lose 'em—getting good people to stay.San Francisco: Berrett-Koehler Publishers, Inc.

12. Kreisman, Barbara J. (2002). Identification of the drivers of employee   dissatisfaction and turnover. Unpublished Doctoral Dissertation. Austin, TX: University of Texas

13. Liew Chai Hong and Sharan Kaur, A Relationship between Organizational Climate, Employee Personality and Intention to Leave, International Review of Business Research Papers Vol. 4 No.3 June 2008 Pp.1-10

14. Lynn, Jacquelyn (1997). Hard to hold: Conquer the tight labor market by retaining valuable workers. Entrepreneur, 34.

15. MacDuffie, J. (1995). 'Human resource bundles and manufacturing performance: organizational logic and flexible production systems in the world auto industry.' In Industrial and Labor Relations Review, v48, pp. 197-221.

16. Marx, Mary (1995, December). Keeping your best employees. Journal of PropertyManagement, 26-29.

17. Mendonsa, Robert (1998, January). Keeping who you want to keep: Retaining the best people. Supervision, 10-12

18. Meyer, J.P. and Allen, N.J. (1991). 'A three component conceptualization of organizational commitment.' In Human Resource Management Review,v1, pp. 89-93.

19. Michael O. Samuel* and Crispen Chipunza, Employee retention and turnover: Using motivational variables as a panacea, African Journal of Business Management Vol.3 (8), pp. 410-415, September, 2009,Available online at http://www.academicjournals.org/AJBM

20. Roseman, E. 1981, Managing Employee Turnover: a Positive Approach, AMACOM, New York.

21. Sherman, J.D. 1989, 'Technical Supervision and Turnover Among Engineers and Technicians: Influencing Factors in the Work Environment', Group and Organization Studies, vol. 14, no. 4, pp. 411-421.

22. Staw, B.M. 1980, 'The Consequences of Turnover', Journal of Occupational Behavior, vol. 1, pp. 253 – 273. Retrieved from Mobley, William H. 1982, Employee Turnover: Causes, Consequences and Control, pp.23 – 24.

23. http://www.venturestreer.com

24. http://www.amanet.org

25. http://atavas.com/