

EMPLOYEE RETENTION – A STRATEGIC TOOL FOR ORGANISATIONAL GROWTH AND SUSTAINING COMPETITIVENESS

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Abstract Earlier research studies indicate that employee retention is a challenging task for the organisations in today's scenario of competitive business environment. Manpower became a powerful tool for the growth of the organisation and sustainability. Proper human resource management initiatives should be adopted by the organisations in order to decrease the employee turnover. The importance and trouble faced by the organisations in attracting the skilled employees and efforts to retain the skilled are the same. This paper explains the importance of employee retention in the growth of the organisation and achieving the competitive advantage over the competing firms.

The retention strategies should be formulated in such a way that the organisations grow with greater efficiency and innovation and achieve long lasting strategic business objectives. When an organisation loses a talented employee there is a huge negative impact on innovation and services provided. The standard of the services provided by the organisation declines which in turn affects the organisation's growth and profitability. The impact of employee turnover affects the other HR functions like manpower planning, recruitment, selection training etc. It is observed from the past studies that when employees are satisfied with the organisation's retention strategies they are more dedicated in doing their jobs and work for the organisation's growth and sustain the advantage of competitiveness over the rivals.

Keywords: Employee Retention, Competitiveness, Employee Turnover, Organisational Growth

INTRODUCTION

Earlier research studies indicate that employee retention is a challenging task for the organisations in today's scenario of competitive business environment. With the greater increase in the technological growth, the skills of the work force need to be updated. The importance and trouble faced by the organisations in attracting the skilled employees and efforts to retain the skilled are the same. Employee retention is a great concern for companies in this strong competing business environment. This paper explains the importance of employee retention in the growth of the organisation and achieving the competitive advantage over the competing firms.

The retention strategies should be formulated in such a way that the organisations grow with greater efficiency and innovation and achieve long lasting strategic business objectives. Research studies indicate that when an organisation loses a talented employee there is a huge negative impact on innovation and services provided. The standard of the services provided by the organisation declines which in turn affects the organisation's growth and

profitability. It is observed from the past studies that when employees are satisfied with the organisation's retention strategies they are more dedicated in doing their jobs and work for the organisation's growth and sustain the advantage of competitiveness over the rivals.

EMPLOYEE RETENTION AND ITS SIGNIFICANCE

Retaining the employees for long duration of time is known as retention. Employee retention is also defined as a "systematic effort by employers to create and foster an environment that encourages current employees to remain with the organisation". Retention strategies of the organisation should strengthen the ability of business to attract and retain their workforce. The organisations that values the employees, place their employees and put into the best strategic policies and practices reflect effective retention practices which in turn, will benefit the organisation with commitment and productivity from the employees.

Creative strategies that go beyond pay and benefits should be

employed to attract and retain the employees. Recognition, communication, workplace diversity, employee engagement, health and safety, flexible work arrangements, work-life balance, formal wellness programs, inclusion and employee development are examples of approaches that become a part of the mix when evolving retention strategies.

The retention strategies framed by the business organisations attract the skilled employees and make their presence fruitful by working for the organisation's benefit. Achieving the heights is not a solution of today's business needs but, it is essential to sustain the competitive edge by obtaining the organisation's growth.

STUDY ON EMPLOYEE RETENTION

The higher the employee's education, the higher is the tendency to quit the present organisation and search for the better opportunity (Cotton *et al.*, 1989). If the level of education is more, the employees have more opportunities and they create a competitive environment for the other competing organisations. They easily decide to quit the present job and also they get a new job very quickly.

Huselid (1995) recommends that the retention rate should be high as it is related with the costs. The amount spent for satisfying the employee during the stay in the organisation goes unproductive. As turnover intentions in the employees cannot be totally eradicated, but it can just be reduced. The cost that includes recruiting and training of the new employee is the direct cost (Staw, 1980; Darmon, 1980) and the expenditure on routine works with loss of skilled employees or loss occurred due to amount spent as social capital for building employee relationship is the indirect cost (Staw, 1980; Mobley, 1979; Lena, 1999). The cost incurred in training the employee goes waste with the loss of the employee.

The employees in the organisation get demoralized (Stauss, 1980; Mobley, 1982) due to the loss of a respected colleague. In a study by Abelson and Baysinger (1984), it is said that the turnover rate is to be optimized as the organisations can be benefited with the innovative ideas or high motivation that the new employee may bring to the job along with him. But in turn the recruitment and the training costs spent by the organisations will be wasted and also effect the growth and productivity of the organisation.

The employees leave the organisation for various reasons which may be caused due to the external factors like financial policies affecting the business and have an impact on the employees (Pettman *et al.*, 1975; Mobley, 1975; Schervish, 1984; Terborg *et al.*, 1984; Abelson *et al.*, 1984). The factors like size of the organisation, nature of job, nature of the business, supervision levels, location of the area, prevailing

work environment, incentives etc. also have an impact on the turnover.

Whatever might be the reason for the employees to leave the organisation, the turnover ratio affects the organisation's productivity. The organisations enjoy the overall cost leadership over the competitors' need. To sustain the same, the growing organisations need to adopt flexible strategies to retain the employees, so that the employees will in turn show the efficiency that improves the organisation's productivity.

Charles *et al.* (1994) in their studies have found that to retain the employees for a longer period of time in the organisation there are some factors which affect them. The factors like culture of the organisation, pay compensation, growth in the organisation are the factors contributing to (Fitz-enz, 1997) reduce the turnover. Losing the employees results in unnecessary expenditure for recruiting and training for the employer. The present job scenario represents high instability (Eskildesen *et al.*, 2000; Hammer 2000).

Shaw *et al.* (2005) in their study reveal that the organisational micro-behaviour and the macro-strategies gap can be reduced with strategies to retain the employees for the organisational sustainability. This is so as it increases the stability of the organisation and also enhances the experiences of individuals on a regular basis.

The focus of the organisations should be on the organisation's turnover occurring voluntarily but not on the turnover occurring involuntarily. Trevor (2001) concludes that the individuals having high skills have good opportunities outside the organisation compared to those with the average skills. Increased rate of turnover occurring voluntarily in the highly skilled employees is not good for the organisation (Glebbeck *et al.*, 2004). This type of turnover disturbs the morale and commitment of existing employees.

Rappaport *et al.* (2003) conclude that organisations that fail to retain the employees who perform will not be able to compete and sustain competitive edge in the market.

SIGNIFICANCE OF JOB SATISFACTION IN EMPLOYEE RETENTION

Eskildesen *et al.* (2000) in their study concluded that for having a successful business the organisations have to struggle so as to retain the employees. A straight line relation exists between customer satisfaction and employee's job satisfaction (Anderson *et al.*, 1993; Mark Parrot, 2000). Thus higher rate of satisfaction helps in retaining the customers as well as employees. The studies by Hammer (2000), Marini (2000) and Denton *et al.* (2002) on retaining employee reveal that the employees who are satisfied with their jobs are more devoted towards their work and are

eager to improve the customers' satisfaction which in turn sustains the organisation's productivity. Rust *et al.* (1993) are of the opinion that there is relationship between quality and customer satisfaction. This relationship has an effect in retaining the customer and thus holding a share in the market. Opolous (2005) concludes that the satisfaction precedes the retention of the customer.

CONSEQUENCES OF POOR RETENTION STRATEGIES

Several research studies have concluded that the employee retention is a good method than losing the skilled employee and again start with a new process of recruitment, training etc. Cascico (2000) is of the opinion that the cost of replacing the employee is very high.

According to the Hay Group, the cost of losing just one key employee exceeds 60% of the departed employee's annual compensation due to factors like training time, lost productivity, and other factors (Heyman 1997). Other sources estimate the cost of turnover as 30 to 50% of the annual salary for the entry level employees, 150% for employees at mid level and increasing to 400% for specialized employees (Blake, 2006). Despite the wide availability of analysis on the cost associated with turnover, many organisations do not have processes in place to measure the cost of turnover as a combination of recruiting/advertising, interviewing, hiring, orientation, training, compensation during training, lost productivity, customer/client dissatisfaction, lost business, administrative costs, lost expertise, temporary workers, and exit costs (Blake, 2006; Abbasi *et al.*, 2000)

CONCLUSIONS

The objective of any strategic business unit is to prosper and compete in the competitive world. The need of achieving the organisational growth and sustaining competitiveness can be solved with the entire setup of the organisation. The structure of the organisation, the culture, the business strategies, the customer relationships, the employee's etc, are most influencing factors among which retention of employees plays a major role. The organisations should ensure the growth of the employees and create them a secured stay in the organisation. The employees, if satisfied with the retention strategies of the organisation, will work better for the welfare of the organisation. The commitment, high morale, involvement and satisfaction of the employees increase the organisational productivity and also sustain competitiveness of the business over the competitors. The organisations must adopt the strategic retention techniques according to the changing needs of the business and society.

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