



AN EMPIRICAL STUDY: WHY DO EMPLOYEES' LEAVE ORGANIZATION? & HOW TO RETAIN THE EMPLOYEES'?

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ABSTRACT

Nowadays, businesses 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 pasture and it is agreed and analyzed it is due to one and only the organization's inability to formulate and implement strategies capable of recruiting competent employees and retaining them to achieve organizational goals.

This is the core issue in any organization and is a continuous ongoing effort in identifying to keep all the best performers irrespective of their age and encouraging employees to remain in the organization for a long period of time and it is termed as employee retention. It is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Therefore, for an organization to realize its goals, appropriate strategies for employee recruitment and retention are upshot for enhanced performance.

INTRODUCTION

Thus, it is stated and defined employee retention as "...a systematic effort to create and foster an environment that encourages employees to remain employed by having policies and practices in place that address their diverse needs."

DEFINITION AND MEANING

Firstly, let us know about Attrition and Retention:

ATTRITION: as “the process or state of being gradually worn down”.

RETENTION- MEANING

Retention is an art of managing people. An environment of trust and cooperation, and collaborative approach by the management, employees get the feel to connect. Retention is all about taking measures so as to encourage work force to remain in the organization for a maximum period of time.

WHY EMPLOYEES LEAVE?

Much research on talent retention has centered on understanding the varied reasons behind employees’ decisions to leave organizations, as well as the processes by which people make such choices. By understanding why people leave, organizations can also gain a better idea of why people stay and can learn how to influence these decisions.

Most employees leave their work for reasons other than money - and an organization can correct these reasons. Most leaving employees seek opportunities that allow them to use and develop their skills. Leaving employees want more *meaning* in their work. They often indicate that they want to use their qualities and skills in *challenging teamwork led by capable leaders*.

This report explores several major themes related to retention management:

How to develop an effective retention management plan:

To create a sound plan, you need to determine the extent to which turnover is a problem in your firm, diagnose turnover drivers, and formulate retention strategies.

Let’s start by exploring what turnover is and why it is important to manage it to retain the employees:

What Is Turnover, Exactly?

Employees leave organizations for all sorts of reasons. Some find a different job, some go back to school, and some follow a spouse who has been transferred out of town. Others retire, get angry about something and quit on impulse, or never intended to keep working after

earning a certain amount of money. Still others get fired or laid off, or they come into money (a lottery win, an inheritance) and decide they no longer need a job.

All of these examples represent turnover, but they don't all have the same organizational implications. To distinguish their implications, we need to define types of turnover.

TYPES OF TURNOVER

1. **Internal vs. External Turnover:** Internal turnover involves employees leaving their current positions and taking new positions within the same organization. On the other hand, external turnover refers to employees leaving the organization and joining another organization for better terms of employment or preferring non-employment status (not engaged in any work/job/employment). It is this form of turnover with which the employer is really concerned.
2. **Skilled vs. Unskilled Employee Turnover:** Unskilled positions often have high turnover, and employees can generally be replaced without the organization incurring any loss of performance. However, high turnover rates of skilled professionals may pose a risk to the business or organization, due to the human capital lost - skills, training, and knowledge lost. Therefore, turnover of these individuals incurs both replacement costs to the organization, as well as a competitive disadvantage to the business.
3. **Voluntary vs. Involuntary Turnover:** Voluntary turnover is initiated at the choice of the employee; it occurs when an employee leaves by his choice and can be caused by many factors. On the other hand, the involuntary turnover is at the initiative of the employer, meaning the employee has no choice for it is caused by factors such as long term sickness, death, and moving overseas or employer-initiated termination.
4. **Functional vs. Dysfunctional Turnover:** Turnover, from the organizational perspective, may be **functional** where the employee's departure produces a benefit for the organization especially when he is less productive and less committed to the job and the organization, or it could be **dysfunctional** where the departing employee is highly productive and committed and the management is very much interested in retaining him/her.
5. **Drag and Drive forms of Employee Turnover:** The reasons for leaving drag the employee out of his job and the organization. On the other hand, the turnover is labeled as Drive or Push form of Turnover when the employer takes the initiative to ask the employee to quit the job and the organization. This classification of employee

turnover does not make any distinction between the employees – anyone can be affected by the drag or drive factors.

MODEL OF EMPLOYEE TURNOVER:

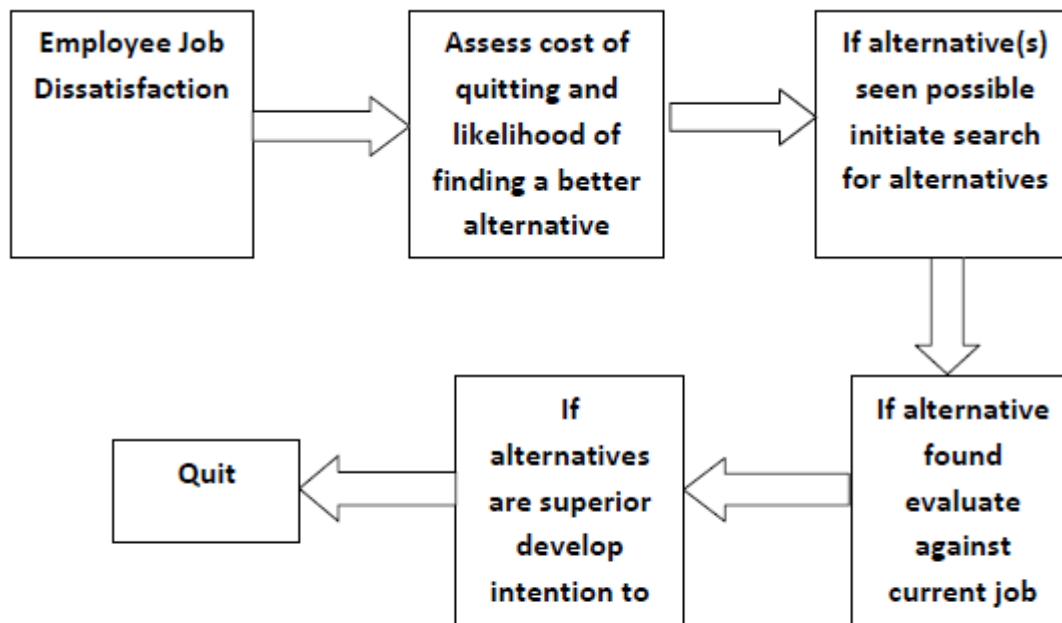


Figure 2.1: Traditional Model of Employee Turnover. Adopted from the book by Cynthia D. Fisher, et. Al. P. 756.

MEASURING EMPLOYEE TURNOVER RATE FORMULA:

$$\frac{\text{Number of Turnover incidents per period}}{\text{Average Workforce Size}} \times 100\%$$

MODIFIED VERSION OF THIS FORMULA IS AS FOLLOWS

$$\frac{\text{Number of employees leaving the organization over a defined period}}{\text{Average Number of Employees on Pay Rolls during that Period}} \times 100$$

THE FACTORS CAUSING EMPLOYEE TURNOVER:

The factors causing employee turnover have been studied by different researchers from time to time and have been classified into different groups. Thus for instance,

I. Low Job Satisfaction – Dislike the job itself, Work overload, Difficulties with supervisor or peers, Unfair HR practices, and Lack of flexible scheduling or telecommuting options.

II. Insufficient Incentives– Low compensation, little recognition, and Rewards Lack of career development opportunities, Slow advancements, Low employment security.

III. Poor Job Performance - Lack of skills and competencies, Low motivation, inappropriate performance, and Lack of resources.

IV. Labor Market Conditions - Low unemployment rates, Better opportunities available elsewhere, and Aggressive Recruitment by competitors.

V. Other Role Commitments - Family and Time Conflicts Leisure, and Community, Individually.

All these factors sometime jointly and sometimes separately cause low commitment in the employee leading to his withdrawal. He goes in search of new or alternate jobs, weighing the alternate job opportunities.

This is how turnover of employees all talks about attrition of employees and the reason for leaving the organization. But there some measures to manage attrition to overcome the turnover of employees which should be followed by the organization to maintain long term relationship with the employees and the market.

MANAGING ATTRITION

When companies hire the best people, new talent hired and veterans are enabled to reach company goals, maximizing the investment of each employee. Taking the time to listen to employees and making them feel involved will create loyalty, in turn reducing turnover while allowing for growth. It may also be noted that “the turnover of key employees can have a disproportionate impact on the business. The people organizations wish to retain are often the ones most likely to leave. It is also necessary to recognize the contribution from existing talented employees and to value them accordingly.

TIPS TO MANAGE ATTRITION

- 1. Compensation and Management:** Compensation and Management must be managed based on the KSAEs (Knowledge, Skills, Attitude and Experience) of the employees.
- 2. Create Opportunities for Employees:** The Company has to create growth opportunities for employees to enhance their learning experience and earning abilities.
- 3. Engaging Employees:** Employees must be engaged on continuous basis and they should not get bored with their work, which can be managed through internal transfers and training from time to time.
- 4. Review Recruiting Practices:** Selection and Recruitment policies must be reviewed to suit the growing needs of the organization.
- 5. Technology Opportunities:** Leveraging technology to manage the organization and enhancing the technical expertise of the employees will help organization grow without much problem of attrition.
- 6. Career Path for Employees:** Employee career path must be declared during the recruitment process and should be explained to the recruited people.
- 7. Feel Valued in Organization:** Non-financial rewards, a pat on the back in time and celebrating small achievements with great fan-fare will help employees feel valued in the organization.
- 8. Contact with Senior Management:** Senior Management should address employees periodically and should make them feel like a family.
- 9. Feel Part of the Company's Mission:** The Company's mission must be reiterated from time to time to reinforce the learning and experience of the people.
- 10. Attendance:** Policies with regard to attendance must be creative and flexible.
- 11. Educate Employees on their Impact:** Educate employees regularly on what kind of impact they are creating on organization through their contribution.
- 12. Flexibility:** Immediate bosses and middle level managers must be flexible and act as Chief Happiness Officers to avoid triggers of attrition.

EMPLOYEE RETENTION

Employee retention as a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that addresses their diverse needs. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time.

There is broad agreement in the Human Resource literature about the general features of any potential Human Resource programme that contributes to good retention. Most of these are directly related to creating a satisfactory work environment for employees and thus, in turn, to good retention. These features or 'motivators' include:

- A stimulating work environment that makes effective use of people's skills and knowledge, allows them a degree of autonomy on the job, provides an avenue for them to contribute ideas, and allows them to see how their own contribution influence the company's well-being.
- Opportunities for learning and skills development and consequent advancements in job responsibilities.
- Effective communications, including channels for open, two-way communication, employee participation in decisions that affect them, an understanding of what is happening in the organization and an understanding of the employer's main business concerns.
- Good compensation and adequate, flexible benefit plans.
- Recognition on the part of the employer that employees need to strike a good balance between their lives at work and outside of work.
- Respect and support from peers and supervisors.

Why is Retention so Important?

Is it just to reduce the turnover costs? It's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of employee retention will benefit an organization in the following ways:

1. **The Cost of Turnover:** The cost of employee turnover adds hundreds of thousands of rupees to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.
2. **Loss of Company Knowledge:** When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment on him is not realized.

3. **Interruption of Customer Service:** Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that he built for the company are severed leading to potential customer loss.
4. **Turnover leads to More Turnovers:** When an employee terminates his employment relations, the effect is felt throughout the organization. Coworkers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.
5. **Goodwill of the Company:** The goodwill of a company is maintained when the attrition rates are low. Lower retention rates motivate potential employees to join the organization.
6. **Regaining Efficiency:** If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this adds to the loss of the company directly which many a times goes unnoticed. And even after this one cannot assure us of the same efficiency from the new employee.

EMPLOYEE RETENTION TOOLS

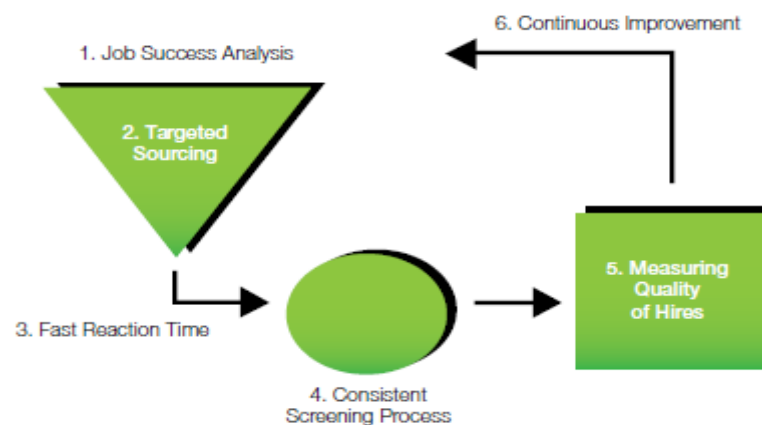
- Communication
- Include E in Decision-Making:
- Allow Team Members to Share their Knowledge with Others
- Shorten the Feedback Loop
- Balance Work and Personal Life
- Provide Opportunities for Growth and Development
- Recognize Team Members for Their Hard Work and Let Them Know They Are Appreciated
- Clearly Define what is expected of Team Members
- The Quality of Supervision and Mentorship
- Fair and Equitable Treatment of all Employees
- Best Employee Reward Programs
- Career Development Program
- Performance Based Bonus
- Employee Referral Plan
- Loyalty Bonus.
- Giving Voice to the Knowledge Banks
- Employee Recreation
- Gifts on some Occasions
- Accountability
- Surveys
- Fun and Laughter at Workplace

For every company, workforce is an intellectual capital which is the source of its competitive advantage and helps achieve the bottom line. Hence, retaining a well trained, skilled and contented workforce can lead a company to dizzy heights while the lack of it can hamper its growth badly. So, every resignation saved is every rupee earned.

SIX KEY FACTORS TO RETAIN EMPLOYEES FOR GENERATION NEXT

This study focuses on six key practices that organizations can implement with technology that support to retain the employees:

1. **Recruit the right people in the first place:** The recruiting process connects to and should be tightly integrated with the overall organizational talent management strategy. Organizations realize key benefits when they can access unified data in a single talent system of record, getting all the information an organization needs to hire right and create the best fit that increases the likelihood of the new hire to stay.



2. **Improve the line manager's ability to manage:** To manage people well requires easy access to good information, facts, and data; it takes more than good people skills and intuition. A single system of record that can be used in the daily course of business provides the foundation. For example, the progress of projects that align to goals should be readily tracked along with the quality of the activities performed. To facilitate everyday talent management activities, talent tools should seamlessly integrate with ubiquitous business applications.
3. **Give employee's constant feedback about clear, meaningful goals:** Goals define the results that people aim to achieve; they are the touchstones for performance planning, appraisal, and rewards. Talent management includes performance management and goals alignment; goals are inextricably linked with best-practice performance management processes.



4. **Empower employees to manage their own careers:** Many employees, even top performers, do not contemplate career planning until they are dissatisfied with their current job situation. That dissatisfaction can lead directly to voluntary turnover if the employee has had no access to information about ongoing career paths within the organization.
5. **Proactively drive talent mobility:** The counterpart to empowering employees through career management tools is for the organization to embrace employee mobility through lateral redeployment as well as internal promotions. A growing number of organizations recognize and are now also focused on succession planning as a way to provide career progression and reduce employee turnover.
6. **Continuously measure and improve retention strategies:** companies need the ability to track information from all labor pools (professional and hourly) with combined data on talent management practices including talent acquisition activities, performance and succession management, internal moves, compensation levels, alignment of the workforce to corporate goals, turnover, and more. Often, with multiple learning management, applicant tracking, performance, or human resource systems, organizations are greatly challenged to create metric rollups that make sense.

Overall, in a nutshell, by following the tools and measures of reducing attrition in an organization will pave the way for its success in the marketplace. Such a company is sure to emerge as an 'employer of choice'.

CONCLUSION

TOOLS AND TECHNOLOGY-BASED BEST PRACTICES DRIVE FOR RETENTION



Despite the vast literature on employee turnover, which is aimed at identifying factors that cause employees to quit much less is known about the factors that compel employees to stay.

From Fortune 100 global enterprises to small and medium businesses, leading companies invest in talent management to select and retain the best person for each job because they know that business success is powered by the total talent quality of their workforce. From recruiting to performance, talent management applications can support specific retention strategies aimed at first identifying top candidates and then nurturing and valuing the performers.

Retention is a critical element of an organization's more general approach to talent management, which is defined as "the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining, and utilizing people with the required skills and aptitude to meet current and future business needs".

Advanced technology offers integrated systems that close the loop between performance data and the recruiting process, enable recruiters to better recognize a best-fit performer, and facilitate hiring more of the same type using success templates built from success profiles of performers. Employees with a skill who work in positions they enjoy are more productive, more engaged, and will remain with the organization.

An integrated talent management process gives organizations the ability to capture, analyze, and report on talent information. Talented employees need the visibility to clearly understand how their work connects to and serves both the short- and long-term goals of the business.

This approach empowers talent by providing tools that can be used across the entire employment lifecycle—from a compelling and engaging candidate portal that provides candidates with up-to-the-minute information on their status—to innovative career planning capabilities.

Talent management information and processes with easy-to-use collaboration and communication tools. Empowering talent through technology can put effective retention strategies into real practice.

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