EMPLOYEE RETENTION STRATEGIES FOR ORGANIZATIONAL PERFORMANCE: A DESCRIPTIVE STUDY

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ABSTRACT

The 21st century has posed serious concerns and issues before organization in how they will outperform competitors and overcome challenges. The success factor for any organization irrespective of its nature of doing business lies in how much its employees are satisfied and committed with the organization. It is of paramount importance that organizations must continuously focus in attracting and retaining talented and dynamic workforce. The organizations will perish sooner or later, if they can't realize the potential and significance of its employees. Skilled and talented workforce has got immense opportunities to explore in this competitive market, therefore organization's differentiating factor lie in how they tap their employees with better facilities and avenues. Employee retention acts as a driving force, since employee's knowledge, abilities, competencies and capabilities are central to companies' ability to be economically sound and competitive. The best way for organizations to remain relevant in their operations is by achieving competitive advantage that is sustainable which is only possible if organizations are able to retain their workforce. Keeping the above facts in view the present paper will throw light on the various HRM practices that are crucial in managing, motivating, developing and retaining the human resource and consequently would lead to better organizational performance.

Key Words: competitive advantage, employee commitment, employee retention, human resource.

1. Introduction

The success and survival of organizations depends upon the performance and satisfaction of their employees and hence organizations have to meet their demands in order to retain their talent. The unprecedented nature of business which is characterized by dynamic working environment, fast changing global economy, technology driven business, and cut-throat competition has resulted in creating more and more avenues and opportunities for employees and also at the same time has posed a challenge before the organizations in attracting, developing and retaining their employees. Akindele (2007) viewed employee retention as a process in which the employees are encouraged to remain with the organization for maximum period of time or until the completion of the project. In other words, employee retention is a process of techniques and strategies being employed by organization with the motive of inducing their employees to stay and remain in the organization for the longer period of time. Evidences from the past literature has shown that the organizations long term productivity and growth in terms of high sales, customer satisfaction, etc is attributed to the organizational ability in retaining their human capital. Nowadays, the demand for skilled employees is so high, that it becomes difficult for organizations to retain their valuable and competent workforce. Moreover, due to the complexity of business and the competitive nature of labour market it becomes very essential for an organization to take appropriate and ensure that the employees that are hired should be motivated and attracted towards the organization. Organizations cannot

achieve competitive advantage unless and until they are successful in retaining the competent and skilled workforce. Walker (2001) maintained organizations can only achieve competitive advantage if they are successful enough in managing and retaining promising employees. Therefore it all boils down to the functioning of organizations as to how and what suitable strategies they will adopt in retaining the pool of talented and capable workforce for gaining strategic edge over their competitors. Various past studies over the time have highlighted that employee retention strategies are aimed at encouraging and motivating employees to remain in the organization for longer period of time and also help in creating an atmosphere where they can effectively utilize their potential for the prosperity and growth of organization. Amadasu (2003) has maintained that if suitable and proper employee retention strategies are put in action and implemented by organizations then employees will strive hard and will put their best efforts in realizing the goals and objectives of organization through their performances. In other words employee retention strategies are policies and practices which the organization put in practice in order to reduce employee turnover and at the same time helps in securing the trust and loyalty of their employees for gaining competitive advantage.

2. Employee Retention

Human resource is considered as an indispensable factor for the survival and development of organizations. It plays a very crucial role in enhancing the growth and prosperity of organization. Human Resource is considered as a dual resource, a resource itself as well as manipulator of all other resources available to the organization. Every organization irrespective of its nature, size and control cannot undermine the significance of their human resources because they are highly contributing towards the success of organizations. Human resources are the life blood of organizations and every organization wants to have and retain a pool of talented and creative workforce in their armoury that can effectively and efficiently put their efforts in taking their organization to new heights. Therefore, organizations cannot dream of becoming successful unless and until they are effective in retaining their skilled and competent workforce which is only possible when they will recognize and value the presence and potential of their human capital. Organizations now believe that motivating and encouraging dynamic and competent human resources to stay in the organization is one of the most important challenges before the management today. Cascio (2003) Heneman and Judge (2003) and Gberevbie (2008) were on the same page that it is the failure on part of organization to devise strategies capable of hiring talented employees and retaining them to fulfill organizational objectives is one of the main challenge being faced by the management today. Employee retention is a planned effort by organizations to create and foster an environment where employees are motivated to stay in organizations by adopting policies and practices which would address their diverse needs. Mitchell (2002) and Rappaport, Bancroft, and Okum (2003) highlighted that organizations face shortage of highly-skilled employees who possess the requisite knowledge and skills to perform in a better way in meeting organizational goals and at high levels, has resulted in a failure on part of management to be competitive in this dynamic and turbulent environment. Therefore it is the challenge before the management to motivate and retain the competent staff in the face of ever increasing uncertainties. The present competitive labour environment where every organization strives hard to not only attract capable and competent workforce but also ensures that talented and skilled employees do not join other organizations but rather are stimulated and encouraged to remain with the organization by

coming up to their needs and expectations. Therefore, the top management and human resource department has to lay down a strategy and action plan by which they can retain their skilled workforce for gaining strategic advantage in this competitive business era. They have to put in place proper and suitable policies and strategies for tapping the human capital and creating a culture of trust, collaboration and commitment towards organizational goals and objectives. Acton et al., (2003) believed that human resource department plays a significant role in retaining the staff by recognizing their talent which helps to motivate and encourage them to stay in the organization. Therefore, employee retention strategies if implemented in letter and spirit will go in a long way to achieve effectiveness and efficiency in their business decisions and operations, which would help organization to reduce labour turnover costs, and thereby not only improves organizational performance and company knowledge base but will also improve organizational goodwill and overall competitiveness.

3. Employee Retention Strategies

The present scenario of job market has resulted in the changing prolife of employees who are now becoming more aware and demanding due to the avenues and opportunities available before them. In such a scenario, the role of organizations must be to devise and implement appropriate retention strategies by which employees are motivated and encouraged to stay loyal with the organization and also work for achieving the objectives and goals of their organizations. Retaining top talent is the utmost priority for the organizations today and therefore proper retention strategies should be put in place where top performers are rewarded and under – performers are guided accordingly. Keeping this in view, the following are the strategies for employee retention which would enhance organizational performance and help in achieving strategic competence in the face of challenging business environment.

3.1 Induction and Orientation

It is important for an organization to hire and recruit those individuals whose values and perception matches with organizational values and norms. Management has to ensure that there is an organizational fit between prospective employees aspirations and organizations expectations. The knowledge, skills and competence that an individual possess must be in congruence with organizations standards. Organizations in order to gain strategic advantage over its competitors must hire and select those individuals who have got the potential to deliver and have the ability to excel in challenging and tough times. It must be the utmost priority of the management to socialize new recruits with organizational employees as this will create sense of belongingness and improve employee morale. Moreover, proper steps must be taken by the management in order to socialize newcomers with the existing employees as this will encourage mutual collaboration and trust with one another. Once new entrants are accustomed with the organizational culture, it would create a sense of belongingness among them and would help in increasing their loyalty towards the organization.

3.2 Training and Development

In the contemporary business environment organizations can achieve competitive edge over their competitors if they invest in employee training and development programs. Training and development imparted to the employees increases their knowledge and skills and also improves their job performance

and thereby helps in gaining their commitment towards the organization. Identification of training needs must be practiced in order to improve employee performance and enhance employee commitment. Pritchard (2007) pointed out that organization can only enhance performance of individuals and retain top talent if proper and effective training and development system is in place. The competence and productivity of employees can be achieved if organizations develop and design proper training and development programs and in return would help organizations to gain the loyalty of their workforce. Wetland (2003) believed that training is one of the most important factors which helps in reducing employee turnover and also enhances the performance of individuals. According to Bassi and Van Buren (1999) and Accenture (2001) in the present competitive economy, attracting and retaining capable staff is possible if organization provide proper training to its employees. Garg & Rastogi (2006) were of the view that due to complex and competitive business environment it has become crucial for organizations to enhance their employees knowledge base so that it will not only improve their performances but at the same time will help organization to face the global challenges of the market place. Therefore, in order to retain competent and skilled workforce organizations need to impart necessary training to their employees which would help them to gain competitive advantage.

3.3 Compensation

Past studies have quite often highlighted that sound compensation plan plays an effective role in attracting and retaining the top talent in the organization. Willis (2000) and Gardner et al., (2004) viewed that salary and pay are the best way to motivate and retain the skilled and capable staff. Milkovich and Newman (2004) believed that out of all rewards and benefits that an employee receives, compensation is the most and crucial motivator for arresting the commitment and loyalty of employees. Parker and Wright (2001) highlighted that compensation helps in persuading the behavior of individuals towards higher performance and keeps them to stay for the longer duration. Compensation plays a vital role in enhancing the performance of individuals and also helps in achieving job satisfaction and work commitment. Moncraz, Zhao and Kay (2009) were of the opinion that compensation is a critical factor in reducing employee turnover and increasing the commitment of manpower. Lockwood (2006) pointed out that the organizations which offered lucrative packages and higher levels of salary were able to keep low employee turnover rates and moreover it resulted in creating a culture of excellence at workplaces. Moreover Branham (2005) highlighted that sound compensation plan helps in enhancing employee commitment by reinforcing strong values that guide employee behavior at workplace, secondly it also helps in communicating employees about what results are valued and what performances are expected by the organization and lastly compensation helps in creating a sense of emotional ownership which increases the employee loyalty and improves overall performance.

3.4 Reward and Recognition

Rewards are the offerings by the management to the employees based on their performance. Reward system is an effective and result oriented tool which keeps employee highly motivated and encourages him/her to improve performance. When open and transparent reward system is in place, it creates an environment of collaboration and high performance. So, it is essential for organization to link rewards with performance as such practice would enhance employee commitment and creates a sense of

belongingness towards the organization. Moreover, both monetary and non-monetary reward system should be in place to enhance employee commitment. Monetary rewards in terms of cash benefits, salary, bonus and other financial incentives must be given in accordance with the set performance standards and employee performance output. Organization must also provide non-monetary rewards like advancement opportunities, task responsibility, recognition and appreciation of work to their employees as these are considered as the most critical factors for employee retention. Organizations that recognize the performance of individuals and give them appreciation for their work will most likely help in enhancing employee satisfaction with the job. Employees should be given responsibility in performing the tasks Watson (1999) and Tower (2003) also believed that organizations must link rewards with employee performance which would help in retaining of top talent in the organization. Silbert (2005) viewed that rewards are very important for increasing the morale of employees as it has got lasting impression on them and moreover it also reflects that they are being recognized for their performances and as such are valued. Employee retention can therefore be achieved and employee turnover can be reduced if organization recognizes and rewards the employees for their performance.

3.5 Participation in Decision making

Employee participation in decision making plays a pivotal role in developing an atmosphere of creativity and rational thinking among the members of organizations. Davies (2001) and Gold (2001) viewed that employee participation in decision making is very important for enhancing their loyalty towards the organization. When the management takes everyone on board irrespective of the hierarchy then it leads to employee satisfaction and enhances their commitment with the organization. Noah (2008) believed that when employees are involved in the decision-making process it helps in creating a sense of belongingness improves the employee-employer relationship and most importantly reduces the employee turnover rates.

3.6 Performance Management

Performance Appraisal System (PAS) is a systematic process of evaluating the performance of individuals at work place and plays a critical role in retention of employees in the organization. Performance appraisal is considered as an effective tool in motivating the employee for higher performance. It helps in creating a culture of excellence where every individual in organization strives hard for meeting the expectations of organization. The success of performance appraisal system lies in the evaluating performances with fairness, openness and transparency which sends a strong message among employees and helps in increasing employee loyalty and commitment. Therefore, organizations must communicate the performance evaluation criteria to individuals in advance as this would enable to retain trust of employees and will result in low employee turnover.

3.7 Career Planning and Development

Career planning and development is one of the most critical tools in enhancing the job satisfaction and commitment of individuals in an organization. Career planning and development helps in addressing the individual career needs for their overall growth. Meyer et al (2003) believed that career development is very crucial factor in enhancing employee commitment in an organization. It plays a pivotal role in

attracting the competent and capable individuals to the organization. Career planning and development helps in retaining the top talent in the organization by helping them to meet future challenges. Prince (2005) maintained that organization cannot achieve competitive advantage if they are not able to retain the top talent and skilled workforce who want growth and advancement in their career. Moreover career planning and development is very significant in enhancing the morale and motivation of employees and thus helps in reducing employee turnover and dissatisfaction. Kyriakidou and Ozbilgin (2004) believed that career development is beneficial for both the employee and employer as this helps in giving results and outcomes in terms of career advancement and prosperity and growth respectively.

4. Conclusion

In today's competitive and dynamic business scenario, retaining the skilled and talented workforce is one of the most debated issues in the business world. Human resource is considered as a torch bearer for the survival and prosperity of organizations. Therefore, retaining the capable and competent individuals who could contribute in increasing the growth and goodwill of organizations is the top most priority for the organizations. But, due to the lucrative packages and other incentives being offered to talented and key employees by aggressive competitors has posed a major concern for the organizations in retaining them. In such a scenario it calls for the role of HR professionals, academicians, researchers and other policy makers to devise and implement retention strategies which would not only attract and retain talented and capable individuals but will also help organizations to improve their performances and increase their global competitiveness.

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