

# IMPACT OF HUMAN RESOURCE ON EMPLOYEE RETENTION STRATEGIES

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**ABSTRACT:** Human resources are the livelihood of all types of an organization. Even though all types of the organizations are now a days, found to be technology driven, yet human resources are required to run the technology. With all round development in each and every area of the economy, there is stiff competition in the market. With this development and competition, there are lots and lots of avenues and opportunities available in the hands of the human resources. The biggest challenge that organizations are facing today is not only managing these resources but also retaining them. Securing and retaining skilled employees plays an important role in any organization, because employees' knowledge and skills are central to companies' ability to be economically competitive. Besides, continuously satisfying the employees is another challenge that the employers are facing today. Keeping into account the importance and sensitivity of the issue of retention to any organization, the present study tries to review the various available literature and research work on employee retention and the factors affecting employee retention and job satisfaction among the employees.

**Keywords:** employee, human resource, organization, retaining, satisfaction.

## I. INTRODUCTION

Organizations are facing the challenge of employee retention due to increased competition in the market. It is crucial for organizations to hire competent employees to gain a competitive advantage in the market. However, retaining competent employee is more important than hiring. Organizations are always searching for talented employees and spent time and

money on their employees for future return aspects. Factors like lack of skilled workforce, economic growth and employee turnover demand to devise policies to increase employee retention. It is hard to measure the exact cost associated with turnover for organizations. When an employee departs from an organization, he/she brings out with him all the information about the company, clients, projects and past history, very often to competitors. There are different human resource (HR) practices employed by the organization to increase the retention level (Khan et al., 2014). The current study is aimed to investigate the impact of these practices on employee retention. It is imperative for an organization to develop an environment within the organization to motivate employees to stay in the organization. The organizations are also concerned about the costs associated with employee turnover, which is usually 2.5 times greater than the salary of an individual. However, organization facing employee turnover may not bear the cost of this situation in monetary terms only. If we assume that the overall workload remains constant, the short time burden on the remaining employees will increase and will have a negative impact on their motivation. In long run the organization losses the long-time employees that possess specific knowledge, know-how and skills (Yamamoto, 2011). The cost is the shape of customer loss, productivity loss and business should also be considered (Self and Dewald, 2011). Moreover, the hiring of new employees is associated with additional expenses. These expenses are incurred in the form of advertising, screening, verifying credentials, interviewing and training of new employees etc. (Nair, 2009).

Long-term health and success of any organization depends upon the retention of key employees. To a great extent customer satisfaction, organizational performance in terms of increased sales, satisfied colleagues and reporting staff, effective succession planning etc., is dependent upon the ability to retain the best employees in any organization. Encouraging employees to remain in the organization for a long period of time can be 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. Maertz & Campion (1998)[1] stated “relatively less turnover research has focused specifically on how an employee decides to remain with an organization and what determines this attachment...retention processes should be studied along with quitting processes”. Zineldin, (2000) [2] has viewed retention as “an obligation to continue to do business or exchange with a particular company on an ongoing basis”. Denton (2000) [3] has clearly stated that employees who are happy and satisfied with their jobs are more dedicated towards their work and always put their effort to improve their organizational customer’s satisfaction.

Intelligent employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the Indian scenario; however, things have changed in recent years. In prominent Indian metros at least, there is no dearth of opportunities for the best in the business, or even for the second or the third best. Retention of key employees and treating attrition troubles has never been so important to companies. It is a fact that, retention of key employees is critical to the long-term health and success of any organization. The performance of employees is often linked directly to quality work, customer satisfaction, and increased product sales and even to the image of a company. Whereas the same is often indirectly linked to, satisfied colleagues and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning.

Employee retention matters, as, organizational issues such as training time and investment, costly candidate search etc., are involved. Hence, failing to retain a key employee is a costly proposition for any

organization. Various estimates suggest that losing a middle manager in most organizations, translates to a loss of up to five times his salary. Employee retention strategies help organizations provide effective employee communication to improve commitment and enhance workforce support for key corporate initiatives. The research paper is entitled on An Empirical Analysis of Employee Retention Strategies at Yacoo Pharma, which is located in Puducherry State. This paper helps to furnish supportive relationship between employees and management. And also the study helps to understand the level of motivation at Yacoo Pharma. The paper is absolutely denoted that what are the various factors influencing the employee for retaining them

## II . OBJECTIVES OF THE STUDY:

- To study employee turnover rate in the organization.
- To study facilitating factors of employee Retention.
- To study management role in satisfying the employee needs which in turn affects the Employee Retention
- To identify the factors that influences work life balance and employee engagement level.
- To analyze the employee retention rates among different departments.
- To find whether the job satisfaction and working condition leads to employee retention.

## III. FACTORS AFFECTING EMPLOYEES RETENTION

There are various ways and means to minimize employee turnover. Management is strongly required to point out the factors why employees quit organization so that the proper treatment can be adopted by the management because of increase in direct and indirect expenses incurred on the employees’ turnover (Ongori, 2007). Failing to pay attention to retain committed employees could prove fatal as far as survival of the organizations is concerned. A number of organizations are conducting research to find out the effect of different HR practices on employee retention. This research helps

the organizations to create a positive climate promoting employee retention. Some of these practices include providing equitable remuneration (apart from salary and fixed bonuses) to employees that reflect performance, recognizing and appreciating efforts and contributions made by the employees, making the work of employees sufficiently challenging and interesting, and providing opportunities for training and bright career. These HR practices can help the employee in deciding the intentions of an employee whether to stay in the organization or not (Chew and Chan, 2008).

### **Compensation**

The remuneration, which an organization gives to its employee, is the primary factor, which reveals the commitment and intention towards the employee and is one of the compelling reasons for an employee to stay in that organization. However, only the pay is not sufficient to motivate employees to stay in the organization. An employee may decide to leave the organization for better monetary considerations, but it is always not necessary that high pay will make the employees stick with an organization. There can be different other factors as well that affect the employees' decision to stay in the organization. These factors play a vital role in affecting employee commitment with the organization. The management must pay attention to these factors along with compensation. Remuneration is the foundation on which the employee-employer relationship is determined and also shows the indication of expression of appreciation from an employee (Roberts et al., 1999).

The increasing competition among the organization demands to retain more and more competent employees who can ensure the sustainability of the organization. The organizations are now also competing for key employees to take the competitive edge in the market. The organizational development may become at stake if its employees lack experience and skills required for growth. Employee retention can be achieved by the organizations by paying higher salaries to their employees (Lewis et al., 2001). According to Zingheim et al. (2009), a competitive pay and benefit package is an important

element to affect employee retention, but this cannot be referred as a whole picture.

### **Organizational Culture**

Researchers have a varied comprehension of culture. It can be defined as a set of beliefs, values and behaviours that leaders invent or discover to solve problems in the external and internal environment, which is taught to new entrants as the correct way of solving problems (Schein, 1990). The culture varies across the organization. It is a combination of norms and values of members of an organization, passed along to new entrants to organizations. It is a normal way to guide people of what is expected of them at the work place. However, culture does not remain stagnant. It is a dynamic element, which takes the effect of the changes occurring in the environment and resultantly, new thoughts, beliefs and feelings get in it with the passage of time (Vlachos, 2009).

The organizational culture is an important element which directs the employees to leave the organization. Managers must evaluate the organizational culture, its different elements and try to find out the ways in which culture can be improved to retain more employees (Mulligan, 2001). Practitioners and researchers are inclined to evaluate the different dimension of organizational culture. Organizational culture is an important tool for managers to manage the change in organization. They comprehend that strategic or structural realignment is hard to perform without the support of organizational values and behavioural norms. However, culture is a subtle and intangible phenomenon. The culture is difficult to manage and manipulate directly (Kerr and Slocum, 1987).

### **TRAINING AND DEVELOPMENT AND EMPLOYEE RETENTION**

Messmer (2000) [47] found that one of the important factors in employee retention is investment on employee training and career development. Organization always invests in the form of training and development on those workers from whom they expect to return and give output on its investment. Tomlinson (2002) [48] forwarded the view that organizations can keep the leading edge in this competitive world by having their employees well

trained in the latest technologies. Garg & Rastogi (2006) [49], explained that in today's competitive environment feedback is very essential for organizations from employees and the more knowledge the employee learn, the more he or she will perform and meet the global challenges of the market place. Handy (2008) [50] has mentioned that proper innovation, and assimilation of new knowledge is essential for survival in any work environment. Thus knowledge is the most expensive asset of any firm.

#### IV. RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. Research is an art of scientific investigation. The advanced learner's dictionaries of current English lay are down the meaning of research as, "a careful investigation (or) inquiry, especially through the search for new facts in any branch of knowledge". For this project in the research initially the researcher used descriptive research to report the factor as such happen. Later on he used exploratory research to find the cause and effect. The primary data are those which are collected a fresh and for the first time and thus happen to be in original character. For this project, Primary data were collected with the help of a questionnaire and informal interview was also conducted to get the direct responses of the employees regarding critical factors. Secondary data are those data available already in the books of records. Secondary data was collected from company records and annual reports. The statistical tools used for analyzing the data collected Percentage method, Mean and standard deviation, Correlation, Chi-square, Weighted average

#### V. EMPLOYEE RETENTION, EMPLOYEE SATISFACTION AND EMPLOYEE TURNOVER MODEL

A major challenge faced by the employees today is retaining the hired employees in its organization. In the age of cut throat competition every organization tries its level best to give the best facilities to its employees. Satisfying the human sources is one of the toughest tasks which majority of the organizations faces today. Understanding and knowing what is going on in the human mind is very difficult to understand. Besides there are so many

opportunities available for the skilled as well as talented human resources that it is becoming very tough as well as difficult for the employers to satisfy and retain them. There is no single strategy or retention plan which may satisfy each and every employee in an organization. As we have different personalities as such we have different demands and expectations from the organization. Many researchers such as Arnold and Feldman, (1982) [84]; Wotruba and Tyagi, (1991) [85]; Brodie, (1995) [86] have found and concluded in their study that age, job satisfaction, tenure, job image, met expectations, organizational commitment are consistently related to turnover intentions and the actual turnover. Research findings by Jewell and Segall, (1990) [87] and Locke (1976) [88] have clearly stated that people, who are satisfied with their jobs, tend to stay in them longer, i.e. lower turnover, and be less absent. Researchers such as Carsten and Spector (1987) [89] conducted a metaanalysis to find the relationship between job satisfaction and turnover and found a negative correlation between both the variables. Harrington et al. (2001) [90] examined the various predictors of intentions to leave a job and observed that emotional exhaustion; lower levels of intrinsic job satisfaction and dissatisfaction with salary and promotional opportunities were the main predictors. Gurpreet Randhawa (2007) [91] concluded in her study that a significant correlation between job satisfaction and turnover intentions suggesting thereby that higher the job satisfaction, lower is the individual's intention to quit the job

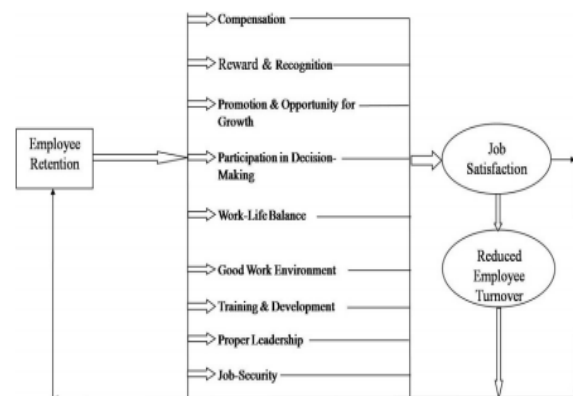


Figure 1: The Employee Retention & Job Satisfaction Model

The above model clearly depicts that employee retention factors have a direct relationship with job satisfaction. If these factors exist in the organization then the tendency to leave the job or switch over to some other job gets reduced. Thus job satisfaction as well as employee turnover are always negatively correlated to one another. The model clearly shows that if the above mentioned factors exist in the organization it will not only help to attract new employees into the organization but will also lead to the retention of the existing employees into the organization. Lee and Mowday (1987) [92] and Tett and Meyer (1993)[93] in their studies have concluded that high job satisfaction leads to lower turnover, while low satisfaction leads to higher turnover.

## VI. CONCLUSION

Attracting and retaining key employees is always a challenge, but it has become more difficult due to the competition for skilled employees. The employees feel that effective HR practices have a direct and positive relationship with employee retention. The companies that successfully attract and retain key employees offer high compensation packages and dynamic environment. The compensation and benefits given by Telecom sector to its employees is a vital policy that helps organizational nourishment. The employees hold the opinion that compensation/rewards contribute to improving an employee's loyalty and retention toward organization. The results indicate that Telecom sector is very capable and successful in employee retention. It is also providing a culture that is helping in retaining the employees at all levels. Training and development is a process of developing expertise in employees for the purpose of better performance. Training and development is important in improving the effectiveness and in retaining the key employees.

Given the growing needs for organizations to retain its best employees in the face of competition, the findings of the study suggest that certain variables are crucial in influencing the employees' decision to either leave or remain in an organization. Such variables include training and Development, recognition/reward for good performance, a competitive salary package and job security. Nonetheless, the importance of other variables should

not be Under-estimated when formulating a retention policy. It is only a comprehensive blend of intrinsic and extrinsic motivational variables that can enhance retention and reduce the high rate of employee turnover in our various organizations.

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