

Employee Retention a Challenge to the Companies - Study in South Bangalore

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ABSTRACT

After an LPG policy, the entry of foreign companies was increased tremendously in to India which leads to a huge competition in the job market. Highly educated and talented employees in particular are able to compare a range of alternatives to their present jobs. The demand for skills and talented employees are exceeds the supply, especially for leadership positions. With an average of 28% of employees leaving and entering a new company per year, the Indian labor market is characterized by high employee turnover rates i.e.21.8%. This study analyzes the relationship between different strategic talent management practices and employees' intention to leave big companies like multinational corporations. The present study aims at closing these gaps and intends to answer the following research question: How are different STM practices related to employee retention in Indian Companies.?

1. Introduction

Average turnover rates are forecast to be higher in countries where market prospects are better – so employees in emerging markets will continue to have opportunities. The Asia-Pacific will experience its largest spike in employee turnover levels this year, as employment growth and wealth creation continue energizing an inspirational and mobile workforce. Organizations in the region will experience the highest increase in turnover rates worldwide, rising from 21.5 to 25.5 per cent over the period 2012- 2018 – growth of nearly a fifth. India is expected to lead the region in turnover rates at 26.9 per cent; this figure is expected to go up further in 2018 to stand at 27.5 per cent in 2013.

In the late 1990s, with new economic policy protectionism in India slowly reduced and the internationalization of the market began. This did not only lead to an increased internationalization firms, but also to an increasing amount of companies from other markets entering the Indian market. Furthermore, Indian multinational corporations (MNCs), for example, Infosys, Wipro, Reliance, TCS, MarutiUdyoggroup, CGI, Cognizant, ApotexPharmaetc., have become successful and renowned worldwide. Similarly, the investment company L & T Mutual Fund, Tata Investment Corporation, Bajaj Allianz Insurance Company limited recently for its leading role in the acquisition.

With this increase in competition and internationalization of the market, the opportunities for employment are steadily growing, and highly educated and talented employees in particular are able to compare a range of alternatives to their present jobs, the demand for skills and talented employees are exceeds the supply, especially for leadership positions. With an average of 28% of employees leaving and entering a new company per year, the Indian labor market is characterized by high employee turnover rates compare to 21.8% of US, 21.3% of China and 14.6% of UK. (Hay Group, 2013). According to a recent study the world wide labor turnover rate rising from 21% to 25.5 by 2018. The Indian employers indicate that talent shortages prevent them from hiring skilled people. Due to this

situation, India has emerged as one of the countries with the biggest difficulties in finding adequate skilled and educated talents as industry requirement.

Employee turnover leads to high costs in recruitment as well as in education and training of the new employees (Yamamoto, 2011). These costs are estimated to range from \$ 1,000 per learner on training senior leadership and this is to 25% to 80% of the average Indian employee's yearly salary of \$5,350 (PPP Basis).(Training Mgt. 2017). The average number of training

hours range from between 60-120. Although the costs of replacing an employee are clearly measurable, research suggests that these numbers do not depict the complete impact of turnover. Losing employees can lead to work disruptions, loss of organizational memory, loss of tacit knowledge, disrupted informal networks, and elimination of critical collaborations, losses in productivity and customer service, loss of mentors, diminished diversity, and the fact that other valuable employees follow the leavers. As a consequence, it is likely that the overall workload remains the same and that the burden on the remaining employees will increase, and this may have negative effects on their motivation, which in turn may lead to decreased performance and thus financial loss. Hence, it is crucial for the success of organizations to establish an efficient employee retention system to ensure that key employees or talents remain within the organization, since retention of talent leads to profitability of firms in emerging competitive markets like India. Existent literature has emphasized the strong relationship between employee perceptions of strategic talent management (STM) and outcomes on the individual (e.g., turnover intention) or organizational (e.g., retention rates) levels. Therefore, it is crucial to understand, analyze, and strengthen the links between STM practices and employee retention.

2. Literature Review

In the last few decades, several empirical studies about employee retention have been published

2.1 Panoch, (2001)

Forwarded the view that organizations today take great care in retaining its valuable employees and good employees as they are increasingly becoming more difficult to find.

2.2 Walker (2001)

Forwarded the view that managing and retaining promising employees' is an important fundamental mean of achieving competitive advantage among the organizations.

2.3 Cutler (2001)

Forwarded the view that one of the most important demands on management today in any organization is keeping the most vital and dynamic human resources motivated and dedicated. It is not important to see who the organization hires but what counts is that who are kept in the firm.

2.4 Steel, Griffeth, & Hom (2002)

Added to this view that "the fact is often overlooked, but the reasons people stay are not always the same as the reasons people leave".

2.5 Amadasu (2003) ; Taplin et al.(2003) ; Gbervbie(2008)

Have found that if appropriate employee retention strategies are adopted and implemented by organisations employees will surely remain and work for the successful achievement of organisational goal

2.6 Olowu and Adamolekun (2005),

Forwarded a view that it is becoming more essential to secure and manage competent human resource as the most valuable resource of any organization, Therefore, for an organization to realize its goals, appropriate strategies for employee recruitment and retention are sine-qua-non for enhanced performance.

2.7 Kaliprasad (2006)

He has confirmed that despite the fact that a company may try to bring all these factors into play to enhance employee retention, an employee can still choose to leave the workplace because of, for example, bad management.

2.8 Allen and Shanock (2013)

He argued that empirical research and conceptual understanding of the link between organizational socialization tactics and voluntary turnover is rare.

3. Need for the study

Furthermore, analyses on employee retention strategies are mainly carried out from a developed country perspective, while there is a lack of analyses of these strategies in the context of emerging markets. When examining the existent human resource management (HRM) and STM literature the author noticed that even though employee turnover and retention is a very important topic in the Indian economy, there is lack of study that solely analyzes intention to leave and turnover in India and suggests concrete strategies. The link between STM and retention in India in particular has not yet

been analyzed. It is therefore worthwhile to develop new STM strategies for the Indian context. The present study aims at closing these gaps and intends to answer the following research question: How are different STM practices related to employee retention in Indian Companies?

4. Objectives of the study

1. To find out the various research works that have been done in the area of employee retention.
2. To highlight the various STM Practices of a company which affect retention initiatives in an organization.
3. To explore the relation between various factors and job satisfaction.

5. Hypothesis

H0: There is no negative relationship between employee retention and STM (Strategic Talent Management) practices of a company.

H1: There is a negative relationship between employee retention and STM practices of a company.

6. Research Methodology

The study is descriptive in nature both primary and secondary data has been used in it.

6.1 Schedule Development

An interview schedule was used as a tool to data collection. Since many employees are unwilling to give truthful answers to the questions that invade their personal and professional life. Few employees were interviewed and their view about work life balance was enquired. On the basis of response and various review of literature a questionnaire was framed containing questions related to their profile, Realistic job preview, performance oriented compensation, work life balance, perceived organizational support, mentoring, training and development, perceived career opportunity.

6.2 Sampling Design & Sample Size

The primary data is collected by asking the employees to fill in an anonymous questionnaire comprising of 35 questions. The questionnaire was distributed online and Personal approach because these kinds of questionnaires can potentially reach a large sample of respondents, which is likely to increase the reliability of research

The secondary data consist of the books and various research journals and websites.

6.3 Data collection

The survey was conducted from November 2017 to January 2018. 100 questionnaires were issued, In total, 70 responses were collected. Out of these responses, 66 questionnaires were used for further analysis after excluding four questionnaires with missing data. No confidential information was asked; instead the questionnaire relied on subjective perceptions. It was furthermore assured that the data was treated highly confidentially and could not be traced back to the identity of the respondent. The sample is composed of 75.7575% male and 24.24% female participants. Most of the respondents are composed of 25-30 years old is 42.42% & 31-

40 years old (57.57%), and 48.4% of the total sample indicated they were in managerial positions. The results showed a slight concentration of employees in accounting (32.8%), and customer services (18%). The majority of employees (43.4%) had worked in their company for three to five years.

6.4 Measures

A structured questionnaire were used for present study and constructs were all measured using a 5- Point Likert Scale (1= strongly disagree; 5= strongly agree).

6.5 Methods of Data Processing and Data Analysis

On 7 Strategic Talent Management Practices of a company are considered in a questionnaire for the analysis of employee retention. It includes **RJP, Performance oriented Compensation, Work life balance, Perceived Organizational Support, Mentoring, Training and Development & Perceived Carrier Opportunity.**

Table 1: Showing Strategic Talent Management Practices& Employee Intention to Leave

Sl. No	Particulars	5	4	3	2	1
Realistic Job Preview						
1	Awareness of the job roles before accepting	36	20	6	2	2
2	Company system to provides complete information about the job	30	28	6	2	0
3	Any aspect of your position that you misunderstood	4	14	8	24	16
4	Prevailing work condition matches to your RJP.	16	28	10	10	2
5	Comfortable work conditions in your Organization	32	24	8	2	0
Performance oriented Compensation and Employee Intention to leave						
6	Satisfaction with the regular and systematic financial policies	18	24	18	6	4
7	Higher salary and pay raise on good performance	12	24	20	10	0
8	Satisfied with the bonus &reward in the organization	5	7	10	5	0
9	Satisfied with promotional opportunities	8	34	8	12	4
10	Satisfaction with recognition on good performance	22	20	16	6	2
Work life Balance &Employee Intention to Leave						
11	The demand of my work interfere with my home and family life	12	8	8	16	22
12	The amount of time my job takes up makes it difficult to fulfill family responsibilities	2	10	14	20	20
13	Flexibility in the company to manage the work from home	8	14	22	12	10
14	Organization encourage the involvement of your family members in work- achievement reward functions	10	16	20	12	8
15	If employees have good work-life balance the organization will be more effective and successful	38	14	10	4	0
Perceived Organizational Support & Employee Intention to Leave						
16	The company values my contribution to its well-being	16	22	18	10	0
17	The company strongly considers my goals and values	18	26	14	6	2
18	My career choice is a good occupational decision for me	14	24	24	4	0
19	I don't intend to change my careers	10	20	20	14	2
20	All the planning and thought I gave for pursuing this career is waste	6	10	8	22	20
Mentoring & Employee Intention to Leave						
21	Project leader encourages on good performance	22	32	10	2	0
22	Mentor treats subordinates with respect	20	38	8	0	0
23	Mentor encourages team members carrier growth	12	30	12	12	0
24	Team leader is supportive in getting the job done	12	40	6	6	2
25	Positive feedback on performance of employees by team leader without any bias	12	32	17	4	1
Training and Development & Employee Intention to Leave						
26	The company trains employees on skills that prepare for future jobs and career development	18	32	8	4	4
27	The company allows employees to have the time to learn new skills that prepare them for future job	20	30	4	10	2
28	The company provides adequate time to attend training	22	30	8	4	2
29	Supervisors tell employees whether they are doing their job as per the training imparted or not	10	40	10	6	0
30	My organization links training and development with our company business strategy	26	28	4	8	0
Perceived Carrier Opportunity & Employee Intention to Leave						
31	The company provides career counseling and planning assistance to employees	12	24	18	8	4
32	The company helps me to develop career plans	12	26	14	10	4
33	Individuals in this organization have clear career paths.	12	32	12	10	0
34	Our organization plans for the career and development of employees.	10	30	16	10	0
35	Each employee is aware of his/her career path in the organization.	16	28	16	6	0

7. Results

The collected survey questionnaire was analyzed using table which indicate that there is no significant difference in

the age, the male and female employees and their intention to leave the company.

7.1 Hypothesis proposed that RJP is negatively related to employees' intention to leave. The tables indicate that employees in Indian companies know about the job responsibility before accepting the job as company conducts induction programme. Thus the hypothesis is negatively relates to STM practice RJP is negatively relates to employee retention.

7.2 Assumed that performance-oriented compensation is negatively related to employees' intention to leave. The analysis clearly indicates that the majority employees are satisfied from the financial policy and reward based promotion and thus provides no support for the hypothesis. This may lead to the conclusion that financial rewards are not the main priority for employee's intention to leave.

7.3 Assumed that WLB is negatively related to employees' intention to leave. The table and chart indicates that the major employees are feel that the work life disturbs their family life and few employees feel the flexibility to work from home. Thus, the hypothesis is not supported. An explanation for the fact that WLB is not negatively related to voluntary employee turnover may be that there was no distinction between employees with and without families, which would make a crucial difference for the importance of WLB.

7.4 The organizational support is negatively related to employees' intention to leave. The graph indicates that the employees get organizational support so, the hypothesis is not supported.

7.5 Mentoring is negatively related to employees' intention to leave. The study, however, support this hypothesis as employees are getting good support from mentors

7.6 Training and development is positively related to employees' intention to leave Indian MNCs. The employees are getting proper training for job which updates them with knowledge and think to leave the job. The hypothesis is supported.

7.7 PCO is negatively related to employees' intention to leave. The study provides support to the assumption that the lower employees perceive their career opportunities to be within the company, the higher their willingness is to leave the company. The hypothesis is supported

8. Conclusion

This study extends RBV by conceptualizing STM practices as an important tool to embed employees within the company (imitability) in order to achieve a sustainable competitive advantage. The study further shows that the relationship between STM and employee retention is partially moderated by Perceived Career Opportunity. Additionally, the findings reveal

that when dealing with employee retention in Indian MNCs, both STM practices and human capital pool need to be taken into consideration.

9. Suggestions

8.1 The companies need to recognize and increase the pay scale and promote the employees based on their performance without any bias.

8.2 Organization will be more effective and successful when it provides flexibility to the employees to manage the work and personal life.

8.3 An organization has to provide the job which suits to the employees skill set. Then they will work with satisfaction and less chances to quit the job.

8.4 The mentor or a team leader in the organization need to motivate employees with positive feedback without showing any bias.

8.5 The employees should always trained on specific job requirement to retain them in the organization

8.6 As an employee's expectation the organization should provide future career growth ladder.

The results of the study suggest that companies must have both the human assets and the STM practices to manage them. Each element may be necessary, but neither by itself may be sufficient to bring about a sustainable advantage (Coff, 1997).

In the case of the present study, employees' intention to leave was the focus area of the analysis. Based on RBV, it was argued that reduced employee turnover leads to decreased imitability of human assets. According to the results of this study, organizational support by the company is crucial for Indian employees' willingness to stay with the company. The study also reveals that a high degree of PCO within the company can amplify the relationship between organizational support and employee turnover. Thus, Indian MNCs should aim at further developing their career opportunities and communicating them openly. The results indicate that the more a Indian MNC trains and develops its employees with regards to general skills, as opposed to highly company-specific skill, the higher the chances are that they find other, potentially better paying jobs in different companies due to their qualifications. As studies show, a change of company can bring higher compensation than job changes within a company (Keng, 2014). Hence, it can be assumed that it is imperative for Indian MNCs to modify their training and development programs in such a way that employees will not leave the company afterwards. SO, Companies should thus adopt a more holistic perspective and also take into consideration positive outcomes of employee mobility.

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