

AN EMPIRICAL STUDY ON THE IMPLICATIONS OF RETENTION STRATEGIES ON EMPLOYEE ENGAGEMENT

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ABSTRACT

Today, employee commitment and retention has become an important strategic aspect for the organization. It is not only important to have the best and the most talented employees but it is equally necessary to be able to retain them for long term benefits to both the organization and its people. The demand for talent in the country like India has increased to a great extent due to globalization. Globalization has changed not only the business world but also the minds of the individuals. Every organization is interested to grab the fittest from such a competitive environment. The retention of human resources has been shown to be momentous to the development and the accomplishment of the organization's goals and objectives. In this paper, an attempt has been made to analyze the impact of HRM practices Performance Compensation System, Work-life balance, Training and Development, Supervisor Support and Job Satisfaction on employee retention in the organizations. In this research, survey of extant related studies was conducted and their findings were synthesized into a reference model called The Employee Retention Strategies & Job Satisfaction Model to explain HR practices adopted by the organizations which help employee retention and foster employee commitment in the organization.

Keywords: Retention, commitment, Motivation, Rewards, Job Satisfaction, Compensation

I. INTRODUCTION

Employees are assets of any organization and organization always try to avoid losing the key performers. Employee retention can be defined differently as per the context of its usage. It can be represented to the ability of an organization to retain its employees. In this case the employee retention is considered as a strategy, based on the effort by which the organization attempts to retain the employees. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period. Whereas retention management has become major source of competitive advantage in the modern rapidly globalizing business world (Vaiman,2008). Randenbush, S.W. &Bryk, A.S. (2002) argue that the employee turnover affects family, organization and society. For organization it may lead to disruption of service to clients and dissatisfaction of employees due to extra workload. With retention, a growing concern for organizations, understanding the factors that drive commitment and loyalty among employees is essential for managing increasing turnover risk in the months and years ahead,(Mark Royal, Hay Group News release,2011).

A Major challenge faced by the employers today is retaining the hired potential 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. Organization tries to attract the employees with new technology and advancement and retain them through many ways, like giving them good compensation, growth facilities, good working environment and Training and Development. If the organization is not able to retain its employees, it will not be able to capitalize on human assets developed within the organization (Shekshnia, 1994). The study is aimed at HR practices adopted by the organizations which help employee retention and foster employee commitment in the organization.

The study adapted here was the survey method with the questionnaire acting as a tool (collecting of primary data). The sampling method adopted was simple random sampling method. The sample taken for the study is 50. The analysis and interpretation of primary data collected is shown in SPSS. Few determinants have been taken such as Performance Compensation System, Work-life balance, Training and Development, Supervisor Support and Job Satisfaction to study the impact of HRM practices on retention of employees. In this study, Employee retention is dependent variable and other factors are independent variables.

II. LITERATURE REVIEW

The exploration of literature regarding retention yielded several dimension of work by researchers. Kaliprasad (2006) pointed out that an organizations ability to retain its employees completely depends upon its ability to manage them. He found out four interlinked processes that can be utilized for an effective human resource management system: the motivational process; the interaction process; the visioning process; and the learning process. Denton (2000) 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. Researchers such as Amadasu(2003), Taplin et al.(2003) and Gberevbie(2008) have found that if appropriate employee retention strategies are adopted and implemented by organizations employees will surely remain and work for the successful achievement of organizational goals. Walker (2001) was of the view that managing and retaining promising employees' is an important fundamental mean of achieving competitive advantage among the organizations.

According to Sunil Ramlall Ph.D., "Managing Employee Retention works as a Strategy for increasing organizational competitiveness". Gberevbie (2008) has stated that employee retention strategies refer to the plans and means, and a set of decision-making behavior put formulated by the organizations to retain their competent workforce for performance.

Locke (1976) defined job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience." Feldman and Arnold (1983) have defined job satisfaction as, "Job satisfaction will be defined as the amount of overall positive affect (or feelings) that individuals have towards their jobs".

III. RESEARCH MODEL

Figure-1: The Employee Retention Strategies & Job Satisfaction Model



The above model clearly depicts that employee retention factors have a direct relationship with job satisfaction and labor turnover. If these factors exist in the organization, job satisfaction of the employees would be higher, the labor turn over would get lower and the entry of new employees would also slow down that will lead to the retention of the existing employees. Thus job satisfaction as well as employee turnover are always negatively correlated to one another. Lee and Mowday (1987) and Tett and Meyer (1993) in their studies have concluded that high job satisfaction leads to low attrition level, while low satisfaction leads to high attrition level.

IV. RESEARCH HYPOTHESIS

H₀: There is no significant correlation between employment retention strategies and Employment engagement.

H₁: There is significant correlation between employment retention strategies and Employment engagement.

Operational Definitions:

Satisfying the human sources is one of the toughest tasks which majority of the organizations faces today. Hence, organizations should devise a strategy for keeping their valuable assets (employees) satisfied. Strategic initiatives proposed for enhancing job satisfaction and employee retention include the following:

Performance Compensation Systems

Rewards can be financial or non – financial, intrinsic or extrinsic. Attractive remuneration packages are one of the very important factors of retention because it fulfills the financial and material desires as well as provide the means of being social by employee's status and position of power in the organization. Many researchers demonstrate that there is a great deal of inter-individual difference in understanding the significance of financial rewards for employee retention (Pfeffer, 1998; Woodruffe, 1999)

Work-Life Balance: Organizations also need to respect employee's desires to have more time off to pursue their own interests. Implementing work-family policies helps to ease family demands, and by doing so, reduces employee absenteeism and turnover (Landauer, 1997).

Training and Development: Redundancy of skills has been cited as one of the reasons for employee turnover, thereby indicating the necessity for training, re-training and multi-skill training. Much value is attached by employees to the availability of training opportunities which would prepare them for future roles.

Supervisor support: It is often said “people leave managers and not companies”. Cordial supervisor-subordinate relationships contribute to job satisfaction and employee retention. Participative and consultative leadership styles have been found to be positively and significantly correlated to job satisfaction and indirectly related to organizational commitment (Ismail et al., 2010).

Job Satisfaction

Job satisfaction is the degree to which an employee is content with his/her job, comprising an attitude, emotional state or affective reaction (Weiss, 2002). Macey and Schneider (2008) argue that the sub-dimensions of job satisfaction related to energy, enthusiasm, and positive affect fit in the engagement construct, but not satiation. Fernandez (2007) argues that in as much as job satisfaction is a transitory response to one's recent experience of employment exchange (e.g., compensation and benefits), job satisfaction does not reflect a stable affect and thus is distinct from employee engagement. Penna (2007) researchers view satisfaction as a necessary condition to be satisfied in order for engagement to occur; meaning job satisfaction is an antecedent to employee engagement.

STATEMENT OF PROBLEM AND SIGNIFICANCE OF THE STUDY

Organizations across the globe are worried about the employee attrition especially middle and top level. They are devising innumerable strategies to motivate and retain potential work force. The study is to assess the effectiveness of the retention strategies in established retail organizations.

OBJECTIVES

Objective of this review paper is to identify the best practices and methods adopted by various organizations across industries to help to enhance commitment and employee retention and Job Satisfaction.

- To find out different strategies adopted by the employers to retain organizational workforce.
- To examine the interaction between employee retention strategies and employee engagement.
- To measure the effectiveness of retention strategies on employee attrition rate.

SCOPE OF THE STUDY

This paper is confined to 50 employees of retail enterprise of reputed domestic conglomerate in India.

RESEARCH METHODOLOGY

Research Design

The study is Descriptive as well as Exploratory in nature that has been used to highlight the strategies to retain the for Employee Retention

Sources of Data

The data was collected through Primary and Secondary methods. Primary data was collected through questionnaire method and Secondary data was collected through Epsco, J-gate and other Internet sources and different official records.

Sampling Technique

Both Probability Sampling and Non-Probability Sampling were employed for current research. In Probability sample technique, there is a non-zero equal chance is given for each population element to be selected where as

in Non-Probability sampling technique, equal chance is not given to each element to be selected. Simple random sampling, Stratified sampling and Sample survey Technique were adopted for this research.

Sample size and Sample Unit

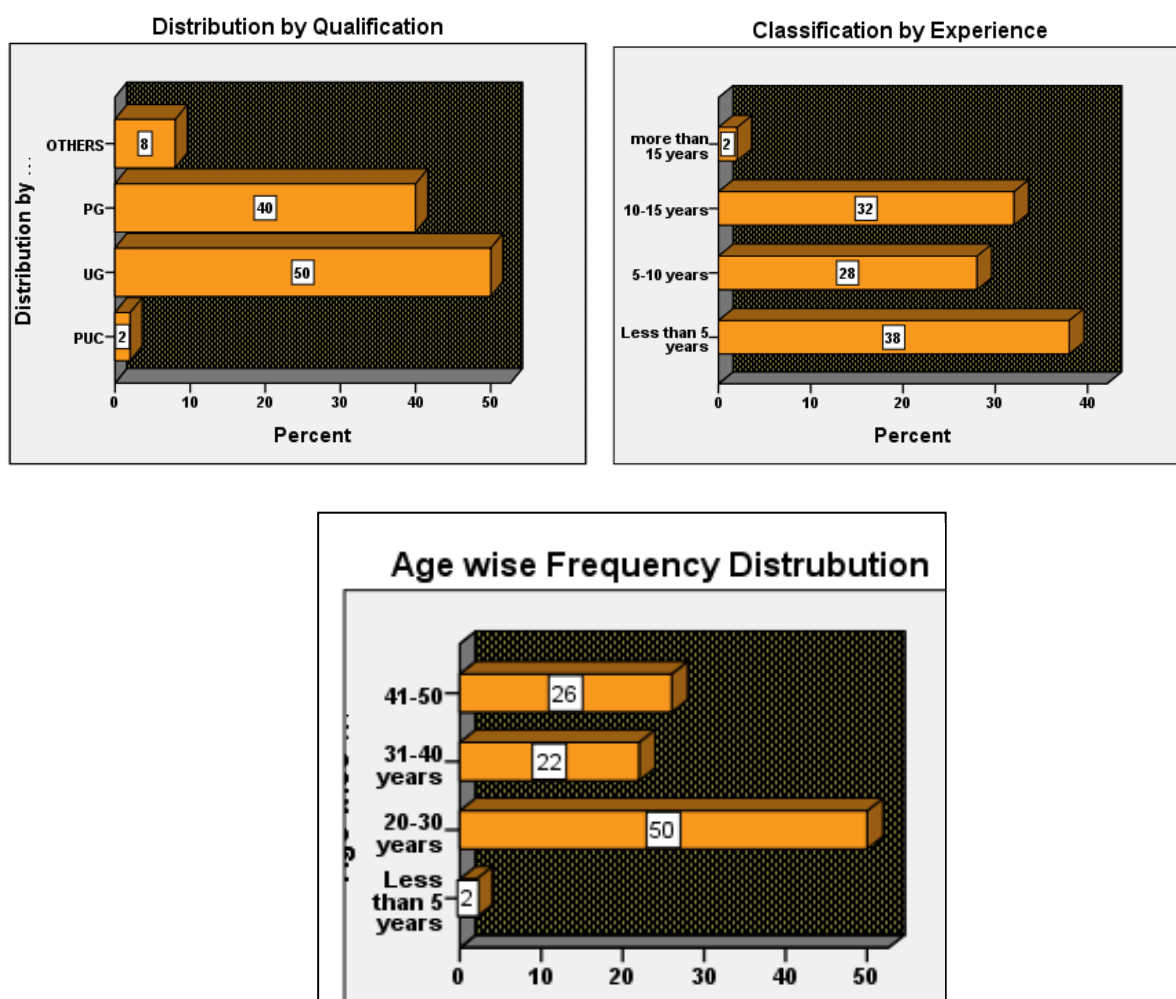
Sample size taken for this research is 50 and the sample units are Middle and Top executives of selected enterprises.

Tools of analysis:

- Cronbach Alpha test/Reliability test was adopted to validate the questionnaire.
- Karl Pearson's Correlation Test was employed for hypothetical Analysis.

DATA ANALYSIS

Figure-2: Demographic Details of the Respondents



Analysis:

- From the research, it was found that 90% of the respondents were either Graduates or Post Graduates as indicated by the respond rate and UG is 50% and PG is 40% in the selected retail firm.
- As evident in Figure-2, the employer seems to have adequate experience in the organization. 54% of the respondents have an experience of more than 5 years.
- 46% of the respondents belong to Purchase, Inventory Management Department and 22% were from Finance department and 32% are from HR. department.

- Majority of the respondents belong to 20-30 years age group as indicated by response rate of 50%.

Table- I: Reliability Test

Reliability Statistics	
Cronbach's Alpha	No. of Items
.693	15

To validate the questionnaire, Cronbach Alpha test was conducted for 15 factors considered for assessing the effectiveness of employee retention strategies in the select organization. However the Cronbach Alpha for 15 items is 0.693 which is above the threshold limit of 0.65 for social sciences. Hence, there is consistency in the values used in the assessment of research factors. The result of the reliability test has been shown in **Table I**.

Research Hypothesis:

H₀: There is no significant correlation between employment retention strategies and Employment engagement.

Table 2: Karl Pearson's Correlation Test for Testing Research Hypothesis

		1	2	3	4	5	6
Employee Engagements	Pearson Correlation	1					
	Sig. (2-tailed)						
PCS	Pearson Correlation	.634**	1				
	Sig. (2-tailed)	.000					
Work-life balance	Pearson Correlation	.585**	.667*	1			
	Sig. (2-tailed)	.000	.000				
Training & Development	Pearson Correlation	.680**	.654*	.759*	1		
	Sig. (2-tailed)	.000	.000	.000			
Supervisor Support	Pearson Correlation	.445**	.546*	.733*	.584**	1	
	Sig. (2-tailed)	.001	.000	.000	.000		
Job Satisfaction	Pearson	.251	.373*	.551*	.379**	.692**	1

	Correlation		*	*			
	Sig. (2-tailed)	.079	.008	.000	.007	.000	
	N	50	50	50	50	50	

Retention strategies are evaluated based on constructs like Performance Compensation system, Work-life balance, Training and Development, Supervisor support and Job Satisfaction.

To test the **Hypothesis-1** above, the correlation between Employee Engagement and each of the determinants was assessed using **Karl Pearson's Correlation Test**.

Factor-1: There is no significance relationship between employee retention strategies and Performance Compensation System.

Table 2 indicates that employee engagement is highly correlated with each of the parameters used as retention strategies.

Statistical Inference:

Between Employment Engagement and Performance Compensation System,

$r = 0.634 > sig (.000); at \alpha = 0.01$

Therefore Ho is not accepted.

It implies that Performance Compensation System significantly facilitates engagement of organizational workforce. The correlation between the dependent and independent variable is positive and statistically significant at 99% confident level.

Factor-2: Work-life balance has no correlation with Employee Retention Strategies.

Between Work-Life Balance and Employee retention strategies,

$r = 0.585 > sig (.000); at \alpha = 0.01$

Therefore Ho is not accepted.

It is found that the work-life balance is positively associated with engagement of organizational manpower. The correlation between the dependent and independent variable is positive and statistically significant at 99% confident level.

Factor-3: Training & Development has no significant relationship with Employee Retention strategies.

Between Training and Development **Employee** retention strategies,

$r = 0.680 > sig (.000); at \alpha = 0.01$

It is analyzed that Training and Development has significant relationship with employee retention strategies.

The correlation between the dependent and independent variable is positive and statistically significant at 99% confident level. Therefore Ho is not accepted.

Factor-4: Supervisor support has no significant impact on Employee retention strategies.

It implies that between supervisor support and employee retention strategies,

$r=0.445 > sig (.000); at \alpha =0.01$

Therefore Ho is not accepted.

It is found that supervisor support has got lot of impact on employee retention to increase the organizational effectiveness. The correlation between the dependent and independent variable is positive and statistically significant at 99% confident level.

Factor-5: Job satisfaction of employees is not highly correlated with employment strategies.

Between Job satisfaction and employee strategies,

$r = 0.251 > \text{sig}(.000)$; at $\alpha = 0.01$

Therefore, H_0 is not accepted.

It is found that employee retention strategies have direct correlation with the job satisfaction of employees. The correlation between the dependent and independent variable is positive and statistically significant at 99% confident level.

V. SUMMARY OF FINDINGS

- It was found that there exists very high and positive correlation between Performance compensation System and Employee retention strategies as indicated by ($r=0.634$).
- It was analyzed that the work-life balance is positively associated with engagement of organizational manpower as indicated by ($r = 0.585$).
- It was analyzed that Training and Development has significant relationship with employee retention strategies as indicated by ($r = 0.680$)
- It was found that supervisor support has got lot of impact on employee retention to increase the organizational effectiveness as indicated by ($r=0.445$)
- It was found that employee retention strategies have direct correlation with the job satisfaction of employees and it is indicated by ($r = 0.251$).

VI. RECOMMENDATION

Since Performance Compensation System is a significant indicator of employee Engagement, HR practitioner should ensure the effectiveness of Performance Compensation by streamlining it. The organization has to provide with adequate support to enable the employees to manage a healthy work-life balance to improve the effectiveness of both the organization as well as their work performance. Sufficient opportunities may be provided to the employees to gain knowledge and develop their skills by sponsoring them to various in-house and other training programs.

VII. CONCLUSION

Human resources are complex and not easy to understand. These are the assets which can make as well as break an organization. The study brought out how employee retention can be improved by improving engagement level of employees. Retaining the potential employees will help in the long-term growth of an organization and will also add to their goodwill. The satisfied employees can be motivated and a sense of commitment can be instilled within them which would percolate down the organizational hierarchy. The top management has to be convinced about the benefits of retention as well as the disadvantages of high employee turnover. Although the research paper tried its level best to reveal the various research works done by various researchers in the area of employee retention and job satisfaction, but still much scope remains for further exploration in the field of employee retention. The aim of this research was to carry out an empirical study on the effect of human resource

management (HRM) practices on employee retention, focusing in particular on compensation & benefits management and reward system, and training & development.

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