

## 11 reasons why employee retention strategies matter

Author: Fadzai Danha . September 2020

### What is employee retention?

Human resources are the livelihood of all types of an organization and with the job market being so saturated getting someone to join your company is easy, the real trick is getting them to stay. The modern-day company works just as hard at keeping their employees happy as they do their clients and customers, and with good reason. Encouraging employees to remain in the organization for a long period 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 or until the completion of the project.

Effective employee retention is 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 address their diverse needs. 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. Walker (2001) was of the view that managing and retaining promising employees' is an important fundamental mean of achieving competitive advantage among organizations.

### The importance of employee retention

Retention of key employees is critical to the long-term health and success of any organization. It is a known fact that retaining your best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning. Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidate search are involved. Hence, failing to retain a key employee is a costly proposition for an organization. Various estimates suggest that losing a middle manager in most organizations' costs up to five times his salary.

Retention helps in human resource planning in an organization. Human resource planning estimates the gap between the demand and supply of workforce required for the future based on the objectives of the organization. It also helps in succession planning whereas it aims to determine the competent strategic positions in an organization.

In a survey sponsored by the WorkHuman Research Institute at Globoforce, it was found that forty-seven per cent of HR leaders say employee retention and turnover is a big issue. According to the 2016 Human Capital Benchmarking Report, the average cost to replace an employee in the US is \$4129. A report by the Center for American Progress found that typically it costs a company about 20% of the employee's salary to replace them. They also found that in high-income positions where higher education and skills were essential requirements, the true cost of employee turnover could be as much as 213%. This means that a \$100,000 a year employee might cost as much as \$213,000 to replace.

It's easy to see why companies are more than eager to keep their highest earners on the payroll and work to reduce their cost per hire.

### **The main strategies for employee retention**

Employee retention strategies vary from business to business, but typically involve an investment in every aspect of the employee experience. Researchers such as Amadasu (2003); Taplin et al (2003); Gberevbie(2008) have found that if appropriate employee retention strategies are adopted and implemented by organisations employees will surely remain and work for the achievement of organisational goals.

Acton et al., (2003) proffered that the Human Resource Department plays an active role in retaining its employees. It makes policies for employee betterment such that employee would be satisfied with the organization and stay with the firm for a longer time. This shows that it is not just the retention of employees but also the retention of valued skills. Therefore, for an organization to realize its goals, appropriate strategies for employee recruitment and retention are sine-qua-non for enhanced performance.

Established employees often represent significant value to a company. After someone has been working with your company for a few years, they have acquired knowledge and relationships that may be critical to the continued success of your business. Retention strategies for these workers might include opportunities for advancement, educational support and regular salary increases. All workers benefit from a company culture that recognizes achievement, displays gratitude to workers and fosters healthy communication between employees at all levels of the company. When people feel appreciated, they are far more likely to continue working for you.

## **11 Strategies for employee Retention**

### **1. Get it right the first time**

Oracle white paper (2012), discussed that recruiting the right person in the first place would be the best practices for the retention of employees. Beardwell and Wright (2012) emphasized in a study that organizations systematic approach to recruitment and selection which would help in the decrease in turnover of employees.

### **2. Development opportunities**

One of the important factors of retention is development opportunities. Horwitz et al., (2003) explored in research that an important factor of retention is personal as well as professional growth and it is the promotion opportunities which enhance the commitment of the employees and in turn results in employee retention.

through which the employees' best learning in the work environment happens. Kroon (2013) identified that development opportunities can improve employee commitment to retain employees in

organizations.

### **3. Good Compensation**

Many studies have explored the relationship between compensation and retention. Some studies have a positive impact of pay on retention and some have not. Tremblay et al., (2006) in a study explored by a team of researchers that performance-related pay is an important factor in determining retention. Milkovich and Newman (2004) discussed

that monetary pay is an essential factor in keeping the employee. Hytter (2007) concluded in research that there is a correlation between reward and retention. Pitts et al., (2011) identified that compensation predicts turnover of employees. Onyango (2014) found a positive correlation between direct & indirect financial rewards and employee retention.

### **4. Positive Work Environment**

Horwitz (2003) observed in this study that a fun working environment is a conducive factor of retention. Ellet et al., (2007) identified that flexibility plays an important role in the retention of employees. Abrams et al., (2008) gave more importance towards the work environment where learning and working are possible in an organization. Tiwari (2012) suggested that organizations in a competitive environment use various strategies which are linked systematically with HR practices so that the work environment can be improved.

#### **1. Influence of Leadership**

In many studies, it is found that the leadership style has a greater impact on employee retention in organizations. McNeese and Smith (1995) identified in research that a manager's attitude also impacts on the commitment of employee in organizations. Kaye and Jordan-Evans (2002) highlighted that a good boss can influence the retention of employees in an organization. Budhiraja and Malhotra (2013) explored in his study leadership style determines success/failure. Alkhawaja and Arwa (2017) while discussing the leadership style and employee turnover stated that increase in turnover is due to unbalanced treatment of employees and hence while dealing with people, leaders should question themselves regarding their judgements, biases and assumptions, this ultimately results into high motivations and organizational effectiveness.

#### **2. Value of Training**

Bassi and Van Buren (1999) identified in this research that competency and professional advancement is the primary factor for retention of employees which are acquired through training. Investing money on training is not a cost, it adds value and strategy of an organization are reflected through training for the growth and successful survival. Deery (2008) suggested that one of the ways to improve retention and commitment is providing on the job training opportunities to the workforce.

#### **3. Ensuring Job Satisfaction**

Davy et al., (1991) clearly stated the relationship between job security, job satisfaction and retention and highlighted that the results of insecurity among workforce result into job dissatisfaction. Abraham (1994) when comparing the effectiveness of teaching, it is evidenced that faculties with a high and medium level of satisfaction were more effective than those with a low level of job satisfaction. Koh and Goh (1995), highlighted the significant factors that affect turnover intentions which job satisfaction were concerning career growth, the identity of the company and financial rewards and results showed that the higher satisfaction over these factors causes lower turnover intentions. Noltemeyer and Patrick (2014), it is proved in this study that there are certain responsibilities which account for job satisfaction. These are responsibility, work, good supervisor and employee recognition.

#### **4. Performance appraisals**

Both the employer as well as the employee benefits out of performance appraisal. It helps employees to realize their strength and weakness. It also helps to identify the performance gap between the actual and the set standard. It helps the individual as well as the organization where they are. Based on the performance feedback, the efficiency of employees can be improved. Performance appraisal helps in increasing monetary (pay) as well as non-monetary benefits like rewards, recognition, career development, management support etc which are some of the important factors in determining the employee to stay or leave the organization.

‘extra’ to motivate the employees to stay.

#### **5. Work-life balance**

The balance between professional life and personal life is one of the factors in employee retention. Hyman and Summers (2004) stated in this study that work which demands interventions into employees’ personal life would exhaust them emotionally and result in high stress among the employees. Noor and Maad (2008), this study revealed that satisfaction towards work-life balance leads to low turnover intentions. Deery (2008) suggested some retention strategies which helps in balancing the personal and professional life e.g. flexible working hours, flexible working arrangements, providing adequate resources, training opportunities, correct workload, providing adequate

breaks in a day, vii. permission to take leaves i.e. carer’s leave and sabbatical leave etc., viii. staff reward, ix. inviting g staff families for staff functions, x. wellness opportunities, and xi. effective management practices. Shrotriya (2009), it is proved in this study that balance between professional and personal life increases the employee productivity and competence which in turn would result in commitment and satisfaction. Branch (2011) contended that to improve employee retention, encouraging a good work-life balance was not the only way to retain employees, but a good compensation structure in a competitive range, career and development opportunities and some other factors also have some influence over it. Further, it is essential to have a balance between personal and professional work which would improve commitment towards the organization.

#### **6. Employee Commitment**

Allen and Mayor (1990) found that in organizations, employees with strong/high employee attachment or commitment have low turnover intentions when compared to weak/poor employee attachment or commitment. Fitz-enz (1990) found in research that employee commitment and retention cannot be determined by a single issue and it is determined by many factors.

## **7. Employee Engagement**

Mike Johnson (2004) in his book “The new rules of engagement” described that one of the utmost organizational battles for the future 10 years and the organization can engage employees to work with the business of the organization successfully. Gemma Robertson-Smith and Carl Markwick (2005) in IES Engagement survey 2005 discussed that job satisfaction, feeling valued and involved, equal opportunity, health & safety, total service, ethnicity, communication and co-operation are employee engagement drivers in organizations.

(2008) cited that higher employee engagement leads to low turnover of employees’ i.e. high retention, high productivity and profits and return on investments.

## **Conclusion**

Employee retention can make or break a company. If you fail to retain your best employees, there is a decent chance that your competitors will be able to hire them. This takes talent from your business and transforms it into a competitor’s asset. Just as you protect your trade secrets and intellectual property from your competitors, you should do the same when it comes to your employees.

*Fadzai Danha is a consultant at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm. Phone +263 4 481946-48/481950 or email: fadzai@ipccconsultants.com or visit our website at www.ipccconsultants.com*

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