

## IMPACT OF RETENTION STRATEGIES ON ATTRITION: ISSUES AND CHALLENGES

Rama Velchal<sup>1</sup>

### Abstract

The success of companies largely depends on competent workforce. They are considered as backbone of the companies, but today many organizations these days are facing a critical issue i.e. Attrition. what is attrition,” It is defined as a reduction in the number of employees through retirement, resignation or death” and attrition rate is defined as the rate of shrinkage in size or number (BPO India 2009). It is also referred as employee turnover. Reduction through voluntary or involuntary is very expensive to organizations. It’s a big loss to the organizations when a well trained and adapted employee quits the organization, managers in the organization finds it as a biggest challenge to reduce attrition and contribute to the growth and progress of the organization. HR department plays a vital role in finding out the real problem of employee leaving, through exit interview. There is no standard model or solution to reduce attrition instead every company has to build its own approaches to cut down attrition. How to retain key employees is a biggest challenge to the managers, what should be done so that they work for a longer period of time? This paper would provide an insight into various causes of attrition and challenges faced by companies to retain talents by developing different strategies.

**Key words:** Attrition, Retention, Workforce, Strategies, Organization

### Introduction

In the current business environment, many organizations are facing challenges in hiring competent employees, retaining them in the organization, and managing attrition i.e. talent loss. Losing competent employees result in damage of company performance which in turn has negative effect on company as a whole, especially when leaving employee creates gap between productivity and execution. Success of a company lies in retaining of employees as they are key differentiating resources in the competition. If talented employees continue to leave, this cause knowledge and skill deficiency that effect’s organizations ability to compete in the market. Attrition is destruction in many industries; to overcome the attrition rate companies are designing innovative strategies to retain employees.

### Objectives:

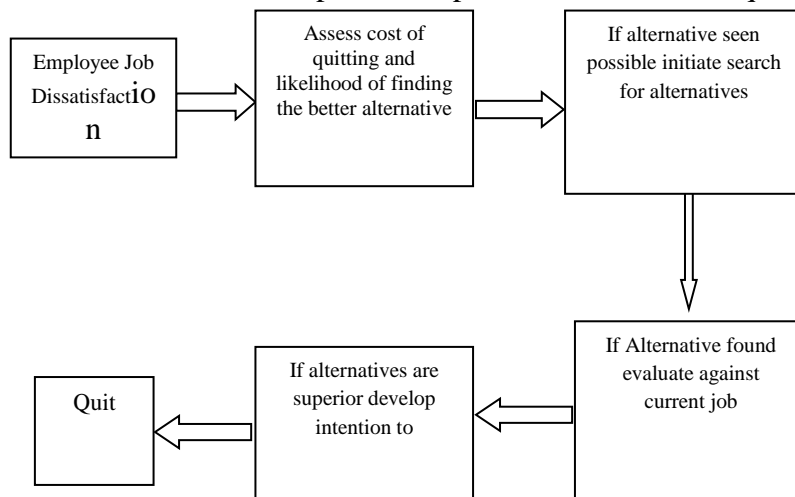
1. To know the reasons, why attrition occurs.

<sup>1</sup> Associate Professor, Avanthi PG College, Hyderabad

2. To study the factors which make employee dissatisfy
3. To study various strategies to retain employees.

### ***Why people leave their jobs?***

Angelo S. Denisi and Ricky W. Griffin (2009:266-68) Have put it, because they are unhappy with their jobs. Attrition is defined as reduction in the number of employees which includes both voluntary and involuntary. In the modern business world attrition is not a gradual process but often happens quick, sudden and unclear that disturbs current and future prospects of the organization. So researchers have not only identified factors responsible for turnover but have also explored the process of decision to quit.



(Traditional model of employee turnover adopted from the book by Cynthia D. Fisher, et.al, .p.756)

This model establishes a relationship between job dissatisfaction and employee quitting the job; however dissatisfaction will not immediately lead to leaving the job unless employee has an alternative.

Employees slowly or step by step disconnect from organization attaching many reasons or causes other than natural ones like Death, Retirement and Disability. The main reasons are when employee feels incompatible between amount of effort exerted and remuneration received. Replacing an employee is a time consuming process and forces organizations to spend resources that otherwise would be used in other areas.

**Attrition Rate:** The rate at which employees leave the organization. The most simplest way to calculate attrition rate is to take head count at the beginning of the month and end of the month, add new joiners throughout the month you will get attrition

For e.g.: Opening no of employees for the month – 50

New Joiners – 50

Attrition – 20

Closing no of employees –  $50+50-20=80$

Attrition percentage =  $20*50/80=12.5\%$

Research report conducted by Assess people (India Attrition survey 2008)

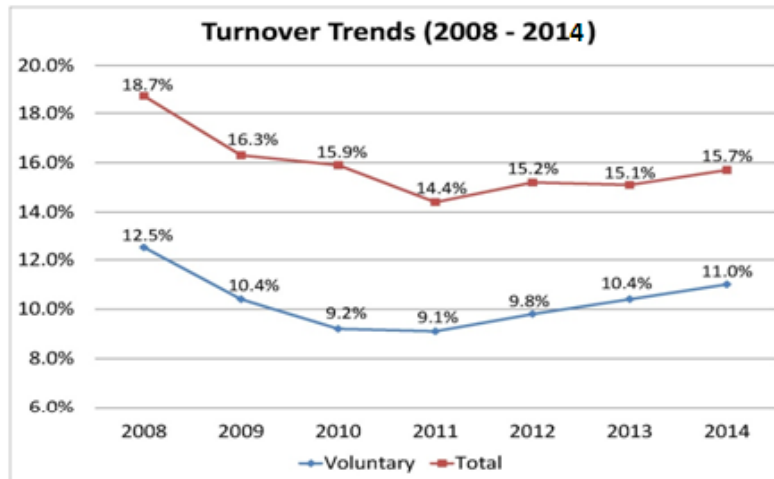
- Employees tend to leave at a higher rate in the first 2yrs.
- A substantial percentage of employees leave within the 2 months.
- The higher the qualification, the more likely the employee is to leave.
- Males are more likely to leave than females.
- Employees in the age group of 25-30 are most likely to leave.
- Single employee more likely to leave than those who are married.

### ***Reasons or causes***

1. Many research studies show that there is a direct relationship between employee satisfaction and attrition. Several factors trigger employee satisfaction like: Job profile, Role, Location, Compensation, work-life-balance, environment etc. If organizations fail to keep employees satisfied which leads to attrition.
2. Companies are attracting best talents with mind blowing salary, designation and other benefits; therefore employee is shifting for mere increase in salary.
3. If organizations do not match with employee expectations for e.g., given a choice between monetary benefits and challenging job, we still see employee preferring the latter one. If they find their job as boring they tend to leave the organization.
4. Time is short. Priorities at work and personal life should be properly balanced if they find their personal life being neglected by the employer then they might choose to leave. .
5. Employees leave managers not companies! There is lot of truth in it. Poor relationship with manager is the biggest cause for employees quit. Managers fail balancing between being professional and being human
6. Talented employees are very passionate, if you don't let your employee to pursue their passion and expect them to operate in restrictive way that cramps their style and leads to dissatisfaction.
7. Employer often hire wrong people that will not complement top performers which kills the enthusiasm among the existing great staff and team work.
8. There is nothing new that people trying to improve a lot. Many outstanding people use periodic job change as key part of their career management. Few more reasons people leaving jobs are loss of faith in management, feeling unappreciated, frustrated from

excessive company politics, feeling used and exploited or more flexible benefit packages and personal issues.

### *Synopsis of attrition in India*



(Figure 1 Source: Comp data 2014 edition of their annual Benchmark Pro Survey.)

2014 Voluntary Turnover	
All Industries	11.0%
Banking & Finance	13.3%
Healthcare	13.0%
Hospitality	20.2%
Insurance	8.1%
Manufacturing & Distribution	8.6%
Not-For-Profit	11.2%
Services	8.6%
Utilities	6.9%

2014 Total Turnover	
All Industries	15.7%
Banking & Finance	17.4%
Healthcare	17.5%
Hospitality	27.6%
Insurance	11.7%
Manufacturing & Distribution	13.7%
Not-For-Profit	15.6%
Services	12.5%
Utilities	8.6%

(Source: Comp data 2014 edition of their annual Benchmark Pro Survey.)

Almost every sector in India is facing attrition; the attrition rate in different sector is presented in figure 1 comparing last seven year the attrition rate is fluctuating. Corporate India has observed increase in voluntary attrition in 2014 at 11.0% since the year 2009 industries have witnessed gradual decrease in attrition but from 2013 slowly it is increasing.

It is good effort by organizations to control attrition at a broader level by developing retention policies for their best talent.

### ***Effects of attrition***

- Higher rate of attrition reduces employee productivity. Comparing an employee having more experience at a certain company with new employee; the former will be more aware of company's goal, objectives, and policies and also knows how to achieve them. New employees often takes time to learn and adjust, leading to decrease in productivity.
- Employee turnover leads to substantial business costs, which includes different category of cost. For instance, an employee who quits before a replacement generally found to be negligent or not concentrating on his job which leads to reduced productivity and companies also consider cost of training given to employee, cost of losing customer because of leaving employee. The sum total of all these cost is more than hiring cost.
- To replace a leaving employee, there will be some more cost added, hiring a new talent is cost incurring activity which includes Advertising, Referral program etc. After the person is hired employer has to provide a formal training program to impart required knowledge and skills for a given job.
- If organizations are continuously witnessing attrition, creates bad image in the market and it becomes difficult to hire new talents in the organization.
- High employee turnover tends to reduce profit. Any activity that increases cost or decreases productivity always reduces the profits of the company.
- Contrast to the above negative effect of attrition on companies, there are instances when employee wants to leave and organization support, which means leaving of employees is not always bad. It is also good when
- Any technological changes in the company ,for few employee it becomes difficult to cope up with the changes as their skills are outdated , in such a case it is good to welcome fresh talent
- If reason behind attrition is poor performers in the workplace then it is said to be positive attrition, because underperforming employees are costly for the company.
- Over a period of time organizations with zero turnover becomes reluctant to any new changes to overcome this and encourage new ideas and trends companies encourage attrition.

As explained by EA Consulting Group in a recent white paper, the dilemma facing organizations is whether to invest more time and money fine-tuning their recruitment strategy or to pay extra attention to retaining the talent they already have. Recruiting new staff is expensive, stressful and time-consuming. Once you have good staff it pays to make sure they stay (Main, 2008). Retaining an employee has become a major concern to many corporate these days. Organizations go a long way in motivating the employees to stay for a longer period. Sincere efforts are made by organizations to retain talents by designing innovative strategies.

***Retention Strategies:***

1. Communicate and provide feedback positively and constructively .Effective performance review plays an important role in communicating to employees about expectations and how their performance is evaluated in non threatening manner resulting in positive recognition is one key factor to retain employees.
2. Hire smart, taking time to recruit good candidate and interview them thoroughly will certainly payoff i.e., employee who are good fit to the organization are expected to stay for longer period.
3. Offering attractive benefit program including medical insurance, retirement saving plan, and also perks.
4. Train and mentor employee, help them to set goals and provide support to accomplish them. This can be achieved by giving formal training or giving opportunity to participate in seminars.
5. Give priority to work life balance flexible work hours, work from home which helps them managing their personal issues.
6. Recognize employee achievements and contributions regularly by announcing them formally.
7. Leadership opportunities are great motivator for empowering employees and increasing satisfaction.
8. Offer regular feedback on employee performance rather than holding till the formal reviews which gives employees the opportunity to change or mend any shortfalls.
9. Encourage employees to give feedback or suggestions.

10. Compensate your employees fairly probably money will not fall as first element in motivating but if company is completely out of line it may lose good talent. Take help of compensation surveys which helps in comparison with other companies.

### **Conclusion**

Organizations to be successful should consider reason behind attrition, if they ignore they have to pay for it, in terms of losing valuable employee. Because employees are not only the source of getting task done they also bring their dreams, ambitions and creativity to the organization, thus organizations have to create an environment that promote growth and development opportunities and also appreciate employees for their contributions. This makes employee connected emotionally to the organization which helps in retaining key employees.

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