CHAPTER - II

EMPLOYEE ATTRITION AND RETENTION

A Review of Literature

Among all the employee related problems the organisations are experiencing
employee/ labor turnover has achieved a critical significance particularly with the
galloping demand for knowledge/professional employees since the last decade of the
20th Century. The employers are highly concerned about its ramifications in terms of
high turnover and the impact on organizational productivity as well as the need for
on-going recruitment and the costs involved. When a person is employed it is
expected of him to continue to work for the organization all through his active work
life. Similarly, the employer who engages him is supposed to provide work to him till
he is physically fit to work as per the job specifications and his expectations. The
employment of a person in an organization implies that there is an obligation on the
part of both the employee and the employer to maintain the employment relations
implying mutual obligations, mutual dependence or interdependence benefitting both.
It means mutuality and reciprocity of relations in which both are interested for
defining and redefining the framework of their relations. Yet all the time neither the
employee nor the employer is assured of that kind of employment relations. The
relations are interrupted for one or the other reason originating from either of them.
The employee may decide to end his employment relations for his personal reasons –
health, disinterest in work/job – family reasons, job and professional reasons, such as
lack of opportunities to grow in the job and the company, denial of opportunities by
the management, poor remuneration, poor facilities, and poor quality of work life,
favoritism and nepotism. The end of employment relations could also be due to
superannuation of the employee as defined by the rules and regulations of the
organization under the statutory requirements. The employment relations could also
end because of the unwillingness of the employee to continue in employment
amounting to voluntary quit. The end to employment relations could also be due to
the death of the employee while in employment. This kind of employee separation
from the organization is termed as the voluntary turnover.
Similarly, an employer may decide to put an end to his relations with an employee for his own reasons such as business reorganization, organizational restructuring, rationalization and modernization of the organization, poor performance of the employee, employee’s non-cooperation with the managers and the fellow employees, riotous and violent behavior on the shop floor, indiscipline, various acts of misconduct inside and outside the workplace, theft, sabotage, moral turpitude, drunkenness while on duty, negligence of duty, participation in illegal strikes and resistance to management orders or insubordination, unauthorized long absenteeism, i.e., various acts of misconduct as defined under the Standing Orders of the organization, poor health caused by prolonged and incurable diseases, loss of efficiency and productivity, and so on. In other words, there are innumerable reasons which may lead to loss of employment to the employee against his will. This kind of loss of employment was involuntary as for the employee is concerned. The phenomenon of involuntary or voluntary loss of employment is conceptually termed as employee/labor turnover. And as Michael Armstrong of UK puts it, sometimes employee turnover is referred to as the employee or labour wastage index (Armstrong:2009:498). It is defined as “any permanent departure beyond organizational boundaries” (Wayne F. Cascio: 2006:54).

**Employee Attrition:**

Conceptually, the term employee/labor turnover underwent a change during the last quarter of the 20th century. It was rechristened as employee attrition. The Webster’s Dictionary defines the term attrition as “the process or state of being gradually worn down”. Accordingly the attrition process sometimes starts after a person is employed in an organization and ends when he quits or retires. The process, in a sense, spreads over the entire period of employment that may be a span of about 40 years. But in the modern day business and employment relations attrition is often not a gradual process. It is often abrupt, quick, sudden, and sometimes dramatic especially in tight labor market conditions where employers compete with one another to employ people considered to be suitable to the jobs they have in their organizations. The term employee attrition is used rather interchangeably with employee turnover.

It must be admitted that the gradual process of employee attrition has achieved significance with a negative dimension following the emergence of new industries,
industrial organizations and the emergence of the knowledge workers or professional employees who are more committed to their profession rather than the organization/employer. Often the extent of employee attrition is very frequent and high in industries like IT and IT Enabled Services (ITES).

The information technology industry faced the problem of employee shortage since the employees could have extensive employment opportunities not only at the local level but more importantly at the global level. The expanding employment opportunities with better and better terms of employment made the employees to seek employment with another employer who was willing to hire them with better terms and conditions. In India during the 1990s an employee working with an employer today could be working with another employer day-after, and with a third employer day-after-tomorrow. There was a competition among the employers to find employees. The turnover was increasing at a higher speed.

But one finds a contradiction in the usage of the two terms. Of late, while the employers/managements have been using the term attrition, in literature we commonly find the usage of the term turnover instead of attrition. Following the literature on Human Resource Management in this study the term employee turnover is used instead of the term employee attrition. However, we may also use the term employee attrition occasionally.

The Turnover Process - Models

The basic reason why people leave their jobs, as Angelo S. DeNisi and Ricky W. Griffin (2009:266-68) have put it, is because they are unhappy with their jobs. In fact, the researchers on employee turnover have not only identified the predictors of turnover but have also investigated the process of deciding to quit a job. It is revealed through research that the decision to quit can be made in different ways and in response to different stimuli. In 1982 Bill Mobley suggested a model that is placed as the traditional model of turnover. Mobley suggests that the decision to quit is made in a logical and step-by-step fashion, largely in response to dissatisfaction with the present job. Individuals begin by evaluating the current job and level of satisfaction or dissatisfaction. If they are dissatisfied, they may begin to think of quitting, then assess the costs of quitting and the costs and the likely success of searching for an
alternative job. If they believe they have a reasonable chance of finding another job, they may begin a search. After the search, they compare the job alternatives they have discovered to the present job and decide whether it is better to quit or stay. This model suggests that the process of deciding to quit is gradual and that an alternative job is located before the current job is left.

Figure 2.1: **Traditional Model of Employee Turnover.** Adopted from the book by Cynthia D. Fisher, et. Al. P. 756.

According to Angelo S. DeNisi and Ricky W. Griffin (2009:266-68) the simplest view of the employee turnover process suggests that, if job satisfaction increases employee turnover decreases. Although this basic view is correct, the processes involved are somewhat more complex for different reasons. These reasons are: the economy and the labor market play a role. It is noted that the prevailing unemployment rate is as big a factor in whether a person leaves a job as is the level of job dissatisfaction. This explanation clearly makes a great deal of sense. Even if an employee is extremely dissatisfied, he or she is unlikely to quit without real prospect of finding another job.

DeNesi and Griffin write that recognizing this fact, several turnover models emphasize the role of dissatisfaction in the decision to look for alternatives, and it is seen as a necessary (but not sufficient) first step in the decision to leave. Two major
streams of research have proposed models incorporating these ideas, and the basic concept of these models is presented in the following figure.

![Diagram of Employee Turnover](image)

**Figure 2.2. A Model of Employee Turnover**


The process begins with factors leading to job dissatisfaction such as nature of the work, pay and benefits, supervision and coworkers. If job dissatisfaction makes the employee to begin thinking about quitting, that leads to a search for alternatives. Only when those alternatives look better the employee decides to leave his/her present job – a decision first manifested by an intention to quit. According to these authors, the implication of this type of model is that managers should reduce the sources of job dissatisfaction. It is best to stop the turnover before the employee begins searching for alternatives because he/she might find an alternative that is more attractive. Once an employee begins searching for alternatives, it may still be possible to retain him/her by convincing that the present job is really better than the alternatives. In fact, the search for alternatives sometimes leads to increased satisfaction on the present job after the employee discovers that the alternatives were not as positive as once believed (266-67).
According to these authors, “other models have proposed similar mechanisms but have also suggested that job dissatisfaction must reach a critical level before anything happens and, at that point, it may be too late to do anything. In other words, this approach suggests that as levels of job dissatisfaction increase, there is little change in the employee’s intentions to leave. Those levels of job dissatisfaction finally reach a critical level, however, and the intention to leave becomes so strong that the employee is almost certain to leave (p267”).

Another interpreting model proposed by Thomas Lee and Terrence Mitchell (1994) that deviates a bit from the basic model revolves around the notion of “shock” to the individual. First, this model proposes that several paths can lead to turnover, and they do not all require shocks. Nonetheless, the major focus is on a shock – an event that can be either positive or negative but is so profound that it causes the employee to think about the organization, the job, and how he/she fits with both. This model begins with shock and not with job dissatisfaction. In fact, the dissatisfaction occurs only because the employee started thinking about the job in response to the shock. The decision to leave is largely based on the perception that the employee does not really fit with the company – that is, the present job in the present company is not consistent with the image the employee has of him/herself. In some cases, the employee will have without even considering alternatives, but in all cases the decision to leave takes place over time (P.267-68).

This model, the authors, state, includes other aspects of cognitive processing, but the shocks include events such as winning the lottery or losing a loved one, as well as job related events such as missing a promotion or receiving an offer from another company. This model has interesting implications for understanding how difficult it is to manage the turnover process, but recently the authors of the model have added one more wrinkle. Although the model was originally proposed as a way of understanding why people leave their jobs, it can also help understanding why others stay. The notion of job embeddedness has been proposed as an explanation for why people stay on their jobs, even when they decide they are unhappy and should leave. Some employees are simply tied too strongly to their jobs to leave. Perhaps they are deeply involved in the neighborhood, or perhaps they can not sell their property (houses and other non-movable ones). Whatever the reason, they feel that they cannot
quit. These employees may be quite unhappy, which can cause resulting problems. This state is not always a desirable one. Nonetheless, the notion of job embeddedness adds a great deal of the understanding of the turnover process (p.268).

TYPES OF TURNOVER

Employee turnover is classified into five types, Namely: (1) Internal Vs External turnover, (2) Skilled vs. Unskilled Employee’ Turnover, (3) Functional and Dysfunctional, (4) Voluntary vs. Involuntary, and (5) Drag and Drive type or “Pull’ and “Push” form of turnover.

Internal vs. External Turnover: Like recruitment, turnover can be classified as 'internal' or 'external'. Internal turnover involves employees leaving their current positions and taking new positions within the same organization. Both positive (such as increased morale from the change of task and supervisor) and negative (such as project/relational disruption, or the Peter Principle) effects of internal turnover exist, and therefore, it may be equally important to monitor this form of turnover as it is to monitor its external counterpart. Internal turnover might be moderated and controlled by typical HR mechanisms, such as an internal recruitment policy or formal succession planning. On the other hand, external turnover refers to employees leaving the organization and joining another organization for better terms of employment or preferring non-employment status (not engaged in any work/job/employment). It is this form of turnover with which the employer is really concerned.

Skilled vs. Unskilled Employee Turnover: Unskilled positions often have high turnover, and employees can generally be replaced without the organization incurring any loss of performance. The ease of replacing these employees provides little incentive to employers to offer generous employment contracts; conversely, contracts may strongly favor the employer and lead to increased turnover as employees seek, and eventually find, more favorable employment.

However, high turnover rates of skilled professionals may pose a risk to the business or organization, due to the human capital lost - skills, training, and knowledge lost. Notably, given the natural specialization of skilled professionals, these employees are likely to be re-employed within the same industry by a competitor. Therefore,
turnover of these individuals incurs both replacement costs to the organization, as well as a competitive disadvantage to the business.

**Voluntary vs. Involuntary Turnover:** Turnover is often classified as voluntary or involuntary turnover. Thus a distinction is made between instances of voluntary turnover and involuntary turnover. Voluntary turnover is initiated at the choice of the employee; it occurs when an employee leaves by his choice and can be caused by many factors. Causes include lack of challenge, better opportunity elsewhere, pay, supervision, geography and pressure. Mathis and Jackson:93). On the other hand, the involuntary turnover is at the initiative of the employer, meaning the employee has no choice for it is caused by factors such as long term sickness, death, and moving overseas or employer-initiated termination. Voluntary turnover is initiated by the employee himself. On the other hand, the uncontrollable turnover is “involuntary” when it happens due to retirement or superannuation, premature death while in employment, or migration to another country or another geographical region. Wayne F. Cascio (2007:55) says voluntary turnover is uncontrollable and those involuntary instances where the employee has no choice in his termination (such as long term sickness, death, migrating to other countries, or employer-initiated termination). The voluntary turnover is uncontrollable. But typically, the characteristics of employees who engage in involuntary turnover are no different from job stayers. However, voluntary turnover can be predicted (and in turn, controlled) by analyzing the phenomenon.

**Functional vs. Dysfunctional Turnover:** Wayne F. Cascio also views that turnover, from the organizational perspective, may be functional where the employee’s departure produces a benefit for the organization especially when he is less productive and less committed to the job and the organization, or it could be dysfunctional where the departing employee is highly productive and committed and the management is very much interested in retaining him/her (2007:55).

**Drag and Drive forms of Employee Turnover:** The employee turnover is also interpreted in terms of causes arising from which aside – the employee side or the employer side? When an employee leaves his job/employment in an organization for his own reasons it is labeled as the Drag or Pull form of Turnover – the reasons for leaving drag the employee out of his job and the organization. On the other hand, the
turnover is labeled as Drive or Push form of Turnover when the employer takes the initiative to ask the employee to quit the job and the organization. This classification of employee turnover does not make any distinction between the employees – any one can be affected by the drag or drive factors.

**When Employee Turnover Does Become Problematic?**

There is no set level of employee turnover that determines at what point turnover starts to have a negative impact on an organization’s performance. Everything depends on the type of labor markets in which the employer is placed. Where it is relatively easy to find and train new employees quickly and at relatively little cost (that is where the labor market is loose), it is possible to sustain high quality levels of service provision despite having a high turnover rate (Acas, 2010). By contrast, where skills are relatively scarce, where recruitment is costly or where it takes several weeks to fill a vacancy, turnover is likely to be problematic for the organization (Lawler, 2008). This is especially true of situations in which you are losing staff to the competitors or where customers have developed relationships with individual employees.

Some employee turnover positively benefits organizations. This happens when a poor performer is replaced by a more productive employee, and can happen when a senior retirement allows the promotion or acquisition of welcome ‘fresh blood’. The more valuable the employees in question the more damaging the resignation, particularly when they move on to work for competitors (IDS, 2008). Moderate levels of staff turnover can also help to reduce staff costs in organizations where business levels are unpredictable month on month. When business is slack it is straightforward to hold off filling recently created vacancies for some weeks.

**Measuring Employee Turnover**

Calculating employee turnover is not a matter of simple mathematical method. It is necessary to take into account the root of the problem, by going back to the hiring stage. Harish Bhattiprolu, Director, Sales, Kenexa Technologies points out that most organizations in practice do not evolve robust measurements for calculating cost of a bad hire or labor turnover. The detail of information required and the measurement
metrics are not common formulae, but have to be designed dependent on the nature of
business and function. "As a result most organizations do not intend to mislead by
disclosing statistics which may not be true, it is just that perhaps they believe those to
be true. It is imperative to evolve the science of measurement before the measure
itself," he asserts.

Organizations will however know what their real attrition figures are as they would
have a huge impact on business, as Noronha puts it. Attrition is interpreted in different
ways and it is up to each organization how and what they wish to share. Organizations
are generally much concerned about regretted voluntary attrition. These are people
who leave at their own will and those whom the organization would have loved to
retain. Similarly, organizations measure managed attrition. These are people made
redundant, laid off or exited. Though managed attrition is non-regretted by the
organization, if the trend of managed attrition is on the higher side may show the
organization in poor light and does have an impact on the organization’s health
(Noronha: 2009. Google)."

Attrition does not only reflect the hiring policies of an organization, but also induction
and retention strategies, training methodologies, work culture and many other factors.
Kranti Munje points out that it costs the company valuable time, money and often
credibility (especially where employees develop relationships with customers). "Some
companies just look at the employee turnover in terms of the cost (based on the PWC
Saratoga Institute theory) involved in the hiring and training of the individuals. While
others look at the opportunity lost and cost. Sometimes companies also use the figure
between 50 to 200 per cent of the annualized salary." It is often found that the
organizations aim to reduce voluntary attrition of productive employees and
encourage unproductive staff to leave its fold. "It makes way for career progression,
new thinking and innovation.

The True Picture

The attrition rate that is generally disclosed by most organizations does not always
show the correct picture as Nerurkar acknowledges:"I agree that the figure has direct
impact on stock markets, employee morale and customer confidence. There is too
much at stake and neither US GAAP nor SEBI require that this be calculated in a particular way” (Nerurkar).

Similarly, according to Kranti Munje, Senior Manager, HR, Bristlecone India: “the attrition rate has always been a sensitive issue for all organizations as it can have a major fallout on the bottom-line”. This is because the attrition rate is an indicator to many things intrinsic to the organization, and revealing it may affect it negatively. In fact at times, disclosing this data can be like a self-fulfilling prophecy if you tell the fact that the attrition is high, it may actually become higher."

So also Bijayinee Patnaik, HR Head at Mahindra Special Services Group (MSSG) states: "It is also not uncommon to find companies proclaiming an attrition rate that is much less than the others in the industry or their competitor's turnover rate. Companies must be projecting their attrition rate incorrectly as it tends to affect their brand image both internally and externally. Internally, it sends a wrong signal to their employees and the board members and externally, it can affect in various ways such as developing a bad image or dissuading talent." She adds that companies do not realize that hiding their attrition rate is never a solution in reducing the same.

The purpose of measuring turnover costs is to improve management decision making as Wyne F. Cascio has rightly put it. He writes “once the turnover figures are known, managers have a sound basis for choosing between current turnover costs and instituting some type of turnover reduction strategy” (P. 57). In other words, the measurement of turnover rates and the costs involved helps the managers to plan for the methods and strategies for reduction of employee turnover and also the strategies for retaining (good) employees. They design, develop and implement different methods, techniques, and strategies that help them to reduce employee turnover or attrition. These methods, techniques and strategies have also been researched extensively.

The attrition rate remains a debatable area, as there is no standard formula to calculate it. This can be attributed to many factors. Suhas Nerurkar, President, TVA Infotech, lists a few of them (Google):

- The employee base changes each month. So if a company has 1,000 employees in April 2004 and 2,000 in March 2005, then they may take their
base as 2,000 or as 1,500 (average for the year). If the number of employees who left is 300, then the attrition figure could be 15% or 20% depending on what base you take,

- Many firms may not include attrition of freshers due to higher studies or attrition within three months of joining,
- In some cases attrition of poor performers may also not be treated as attrition, and
- Essentially the attrition number is also a PR or stock analyst statement and is prone to 'dressing' up.

Varied theories are also applied as organizations like to brand themselves differently as far as their HR and recruitment strategy is concerned. "Each company positions itself uniquely in a common market place on account of having exceptional HR policies, procedures and management styles that directly impact retention or attrition. Hence, here is an absence of a homogenous system. Also, in scenarios where a common attrition measurement formula is applied, companies find a way to justify their results to position their statistics differently from their peers on account of having differing operating practices," explains Advani (Google).

**Measuring Employee Turnover - The Mathematical Measure**

Most organizations simply track their crude turnover rates on a month by month or year by year basis. The total figure includes all leavers, even people who left involuntarily due to dismissal, redundancy or retirement. It also makes no distinction between functional (that is, beneficial) turnover and that which is dysfunctional.

Crude turnover figures are used by all of the major employee turnover surveys, including the annual CIPD and CBI surveys, as they are necessary for effective benchmarking purposes. However, it is also useful to calculate a separate figure for voluntary turnover and to consider some of the more complex employee turnover indices, which take account of characteristics such as seniority and experience (Suff, 2010).

Since employee turnover means departure of an employee once for all from the organization, the organizations need to replace him/her sooner or later to keep the
organization moving. Hence, it is necessary to measure the rate of turnover and also its cost. To measure the rate of turnover several mathematical formulae are available. The following are some such formulae:

1) Wayne F.Cascio (2006 . P. 54) recommends the following formula::

\[
\frac{\text{Number of Turnover incidents per period}}{\text{Average Workforce Size}} \times 100\% 
\]


\[
\frac{\text{Number of separations during the month}}{\text{Total number of employees at midmonth.}} \times 100
\]

This formula is widely used. In this formula separation means leaving the organization. Mathis and Jackson suggest that the turnover rate needs to be calculated for the work units rather than for the organization as a whole (93).

3) Michael Armstrong (2009:498). Armstrong writes that the formula he is producing is the traditional one for measuring turnover. It is as follows:

\[
\frac{\text{Number of leavers in a specified period (usually 1 year)}}{\text{Average number of employees during the Same period}} \times 100 
\]

Armstrong writes: “This method is in common use because it is easy to calculate and to understand. It is a simple matter to work out that if last year 30 out of 150 employees left (20 per cent turnover), and this trend continues, then the company will have to recruit 108 employees during the following year to increase and to hold the workforce at 200 in that year (50 extra employees, plus 40 to replace the 20 per cent of the average employees employed, plus 18 to replace wastage of the 90 per cent)”. He further writes: “This formula may be simple to use, but it can be misleading. The main objection is that the percentage may be inflated by the high turnover of a relatively small percentage of the workforce, especially in times of heavy recruitment. Thus, a company employing 1,000 people might have had an annual wastage rate of 20 per cent, meaning that 200 jobs had become vacant during the year. But this could have been spread throughout the company, covering all occupations and long- as well
as short-service employees. Alternatively, it could have been restricted to a small sector of the workforce – only 20 jobs might have been affected although each of these had to be filled 10 times during the year. These are totally different situations, and unless they are understood, inaccurate forecasts would be made of future requirements and inappropriate actions would be taken to deal with the problem. The turnover index is also suspect if the average number of employees upon which the percentage is based is unrepresentative of recent trends because of considerable increases or decreases during the period in the numbers employed”(498).

(4) A Formula Used by Symphony Services:

\[
\frac{\text{Total Number of the Employees Leaving during the month}}{\text{NEBM} + \text{TNE EM}} \times 100
\]

Where TNEBM means Total Number of Employees at the Beginning of the Month

TNE EEM + Total Number of Employees at the End of the Month.

This formula is used by Symphony Services of Bengaluru to determine the employee turnover rate in their organization. It is produced here with the courtesy of the Chief Peoples Officer of the organization.

5) Modified version of this formula is as follows:

\[
\frac{\text{Number of employees leaving the organization over a defined period}}{\text{Average Number of Employees on Pay Rolls during that Period}} \times 100
\]

Thus several formulas to calculate the employee turnover are available. But all of them essentially mean the same. Hence, one need to select any one of them which is simple to adopt. They all give or indicate the extent of turnover. Hypothetically, it could range from as low as 0% and as high as 100%. Zero percentage of turnover means that the problem of employee turnover does not exist in an organization, which is not a reality. There could be instances of employees leaving their jobs and the organizations voluntarily. Similarly, 100% turnover means the employer has to replace every individual hired during the period which normally does not happen. However, the experience has shown that the rate of employee turnover could be to the
extent of 35 to 50 per cent for the simple reason that the employees do not want to leave their jobs and search for another job unless there are very strong reasons compelling them to quit. Therefore, the organizations in different industries have experienced a turnover rate of 35 % and above. This was the experience of most of the organizations in the IT (and ITES) industry in India during the 1990s and the first decade of the present century scrambling for replacements. This was the common experience of all IT organizations expect those who were regarded as “employers of choice”, such as the Infosys Technologies, Tata Consultancy services, and of late the HCL.

**Costing of Employee Turnover**

It is a common experience, perhaps of all employers/managements, that replacing an employee is both time-consuming and expensive. According to Bohlander, Snell and Sherman cost of turnover can be broken down into three categories: separation costs for the departing employee, replacement costs, and training costs for the new employee. According to the American Management Association, the cost to replace an employee who leaves is, conservatively, 30 percent of their annual salary. For those with skills in high demand, the cost can rise to a frightening 1.5 times the annual salary to replace them. Further, research in the most profitable companies in America indicates that happy employees produce more, and are less likely to leave. The company’s ability to retain the kind of workers wanted and needed has a direct impact on its profitability and effectiveness. The costs are both direct and indirect. There are the direct costs to recruit and train, and even greater indirect costs in loss of productivity. Less obvious are the costs of maintaining morale when there are change and threats of job cuts.

However, more complex approaches to turnover costing give a more accurate and invariably higher estimate of total costs (Janas:2009). A widely quoted method involves estimating the relative productivity of new employees during their first weeks or months in a role and that of leavers during the period of their notice.

And according to Michael Armstrong (2009:502) the factors affecting the cost of employee turnover are:
- Direct cost of recruitment replacements (advertising, interviewing, testing, etc).
- Direct cost of introducing replacements (induction costs).
- Direct cost of training the replacements in necessary skills.
- Leaving costs – payroll and HR administration.
- Opportunity cost of time spent by HR and line managers in recruitment, induction and training.
- Loss of output from those leaving before they are replaced.
- Loss of output because of delays in obtaining the replacements.
- Loss of output while new starters are on their learning curves acquiring the necessary knowledge and skills.

In fact, there are 9 key costs associated with departing employees:

- Exit interviews
- Advertising
- Recruiting
- Interviewing
- Testing
- Hiring
- Orientation
- Training
- Lost productivity until they learn the job

Many of these costs consist of management or administrative staff time (opportunity costs), but direct costs can also be substantial where advertisements, agencies or assessment centers are used in the recruitment process.

Michael Armstrong points out that “Research by Philips (1990) found that the ‘visible’, i.e., direct costs of recruitment accounted for only 10 to 15 percent of total costs. By far the highest costs were associated with the inefficiencies arising while the post was vacant (33 per cent) and the inefficiency of new workers (32 per cent). On average, 12.5 months were required for executives to be comfortable in a new position and 13.5 months were required for a new employee to achieve maximum efficiency” (P. 502). Bohlander, Snell and Sherman have quoted Michael W. Mercer.
who had stated that the total turnover cost associated with one Computer Programmer at the beginning of the last decade of the 20th century was (P. 173):

1. Separation cost = $90,
2. Replacement Cost = $3140, and
3. Training Costs = $16,850

**Total Cost** = $20,080.

This is certainly a prohibitive cost for any organization having high rate of employee turnover.

**Benefits of Employee Turnover**

Not always the employee turnover has negative consequences or dysfunctional to the organization. Those organizations which strive to keep the rate of attrition as low as possible, should always remember this fact. An organization with too low rate of employee turnover may become stagnant and hidebound, lack opportunities for employees to move up, and retain poor performers it would be better off without. Current thinking suggests that organizations should aim for an optimal rate of turnover rather than the lowest possible rate. It is suggested by the researchers that the optimal rate occurs where the curve of turnover crosses the curve of retention costs ((Fisher, et. al:2006:758).

According to Cynthia D. Fisher, et. al. the benefits of employee turnover to the organizations are the following ones (P. 757):

- Poor performers may choose to leave and can be replaced with better employees.
- Leavers are replaced with more junior employees who cost less and who may also stay longer.
- Morale improves following the departure of problematic employees.
- Leavers are replaced with people with more up-to-date job skills.
- Vacancies are created to allow for internal promotions of other employees, thus increasing their career satisfaction and motivation.
- Receptiveness to innovation and change may increase.
- Voluntary turnover is less painful than retrenchment.
**Diagnosing Turnover/Attrition**

Employers who experience high rates of employee turnover/attrition are generally interested in understanding the complex nature of the problem. They are rather interested in taking suitable or effective measures to reduce the turnover rates. In this direction, the commonly used techniques in the Industry are:

1. **Exit Interviews**: Exit interviews provide an excellent source of information of internal problems, employees' perceptions of the organization, underlying workplace issues, and managers' leadership abilities. Exit interviews are used by the majority of companies. They tend to be conducted just before an employee leaves, though some firms wait until after the departure. Exit interviews are normally conducted using a questionnaire, though one to one interviews are also used. Obtaining accurate information on reasons for leaving is difficult. Where exit interviews are used it is best to conduct them a short time after employees serve the notice. The interviewer should not be a manager who has responsibility for the individual or who will be involved in future reference writing. Confidentiality should be assured and the purpose of the interview explained (Taylor: 2002). It is widely held that the exit interviews should be preferably conducted by an external agent. It will help employers capture more accurate data about why people are leaving, as individuals are more willing to tell the truth when there is reassurance of anonymity.

2. **Surveys**: Alternative approaches to collecting exit data is the use of confidential attitude surveys which include questions on intention to leave and questionnaires sent to former employees on a confidential basis around six months after their departure. They are commonly used as part of the information gathering process. They are a reasonable way of obtaining relevant information, though response rates are often disappointing. Questionnaires need to be designed carefully to be effective. They should be easy to use, anonymous and fairly brief. Questions can be open or closed, multiple choice answers, ranking of items or checklist format.
Why Do People Leave Organizations?

It is important to appreciate that the reasons people give for their resignations are frequently untrue or only partially true. Individuals are likely to be reluctant to voice criticism of their managers, colleagues or the organization generally, preferring to give some less contentious reason for their departure.

In high turnover industries in particular, a great deal of employee turnover consists of people resigning or being dismissed in the first few months of employment. Even when people stay for a year or more, often the decision to leave sooner rather than later is taken by them in the first weeks of employment. Poor recruitment and selection decisions, both on the part of the employee and employer, are usually to blame, along with poorly designed or non-existent induction programs. The factsheets on selecting candidates and induction explain good practice in these areas.

Expectations are often raised too high during the recruitment process, leading people to compete for and subsequently to accept jobs for which they are in truth unsuited. Organizations do this in order to ensure that they fill their vacancies with sufficient numbers of well-qualified people as quickly as possible. However, over the longer term the practice is counter-productive as it leads to costly, unavoidable turnover and the development of a poor reputation in local labor markets.

Employees leave organizations for many different reasons. Sometimes it is the attraction of a new job or the prospect of a rewarding period outside the workforce which 'pulls them. On other occasions they are 'pushed' (due to dissatisfaction in their present jobs) to seek alternative employment (Rankin, 2008). It can also be as a result of both ‘pull’ and ‘push’ factors. Another reason for voluntary turnover is a change in domestic circumstances outside the control of any employer.

A poor relationship with a line manger can be the push factor behind an individual’s decision to quit his job and leave the organization, but its significance can be masked as a result of the difficulties associated with exit interviews (Mcafee, 2007). Lack of training, development and career opportunities are also major reasons for voluntary turnover.
The Factors Causing Employee Turnover: The factors causing employee turnover have been studied by different researchers from time to time and have been classified into different groups. Thus for instance, Susan E. Jackson and Randall S. Schuler have classified the factors leading to employee turnover into (2003:286-87):

I. Low Job Satisfaction – Dislike the job itself,
   Work overload,
   Difficulties with supervisor or peers,
   Unfair HR practices, and
   Lack of flexible scheduling or telecommuting options.

II. Insufficient Incentives– and Rewards
    Low compensation, little recognition,
    Lack of career development opportunities,
    Slow advancements,
    Low employment security.

III. Poor Job Performance -
    Lack of skills and competencies,
    Low motivation,
    Inappropriate performance, and
    Lack of resources.

IV. Labor Market Conditions -
    Low unemployment rates,
    Better opportunities available elsewhere, and
    Aggressive Recruitment by competitors.

V. Other Role Commitments - Family and Time Conflicts
    Leisure, and Community. individually

All these factors sometime jointly and sometimes separately cause low commitment in the employee leading to his withdrawal. He goes in search of new or alternate jobs, weighing the alternate job opportunities,

Another list of reasons as to why employees leave their jobs is produced by Martyn Carruthers: absence of internal networking, absence of performance goals leading to the absence of an atmosphere of collaboration and cooperation, lack of encouragement to self learning and development, absence of transparent reward policy, absence of pay equality or parity among colleagues, unrealistic goals to explore the latent talent of the individuals and to leverage their competencies for the
benefit of the organization, absence of a succession plan, absence of regular communication of employee benefits, and absence of career paths to the employees. He, however, summarizes all these reasons into two factors:

1) **Compensation:** If the compensation is not maintained and managed in relation to the employees KSAs (Knowledge, Skills and Attitude), people may leave without notice.

2) **Employee Relations Management:** Employee relations management is most important function, which has to help the people to concentrate more on their task on hand and to become result oriented.

It may be noted that many factors are under the control of the employers. For instance, unfair HR or labor practices. Employers can often offer better pay and benefits. They can create opportunities for employee advancement and promotions. If the employers want can take measures to arrest the factors that are often employee oriented and reduce employee turnover.

**Employee Attrition/Turnover in Indian Industries**

Employee attrition is a very challenging problem not only in the industrialized countries but also in India which is fast industrializing since the adoption of New Economic Policy in 1991. In fact, attrition is considered to be one of the biggest challenges Indian corporate sector is facing today. According to these companies, it is a complex issue and has several dimensions.

Among all the industries in India attrition has gained seriousness in the IT industry and ITES organizations. The annual average rate of employee attrition in the organizations in this sector assumed alarmingly high proportion – nearly 50 % especially during the last decade of the last century. Even leading software development organizations like the Infosys Technologies, Tata Consultancy Services, Wipro and others were facing this problem very acutely – they were experiencing an attrition rate of over 35 %. The problem was much more serious in the ITES organizations – often more than 50 per cent of the employees were leaving their jobs in an organization and seeking employment in other organizations with better terms and conditions of employment. However, better attrition management and the 2008-
2009 global economic slow-down helped to reduce the figure to 24-30%. But employee attrition still has a significant impact on costs and quality. Furthermore, attrition rates in India’s business process outsourcing (BPO) industry are about 8 percent higher than the national average, according to a report by global consulting firm the Hay Group.

In India there is an increasing demand and supply gap for professionals. It is sometimes difficult for HR managers to maintain consistency in performance and keep the motivation levels high especially when the work is monotonous. Some companies in India believe that the attrition rates and the costs associated with them are so high that they can override the benefits of lower wage costs. For example; while wages in call centers in India are less than one-eighth of those in Northern Europe, it has been reported that Hewlett-Packard have found the cost per ‘ticket’ (the cost of processing a query) was double in India “due to the inability of the staff to resolve customer queries efficiently because of language barriers and inexperience”.

The issue is not with the quality or education of the staff and still less with the investment in technology. It is simply attrition -- people do not stay long enough to be taught or to learn the job (Mike: 2009: WWW. Google: Employee Attrition).

A Survey has found out that there are various reasons for employee attrition, viz: (Rashmi Priya: Employee Attrition: 2008: Google):

1. Higher pay package in another company,
2. Good Working Conditions,
3. Opportunities for growth in new company,
4. Change or place problem,
5. A better Boss in new company, and

The employer or the Company management is not only worried about the various factors that cause high attrition, but more importantly he is worried about the high cost involved in employee attrition. The costs, as listed by Rashmi Priya in her article, are:

1. Conveyance cost,
2. Cost of lodging of the new employee,
3. Training costs,
4. Cost of venue where training will be conducted, and
5. Materials to be supplied during the training process.

It is further pointed out that a company has a training period of 3 to 6 months. During this time an employee is not fruitful for the company. If an employee leaves the company when he starts working (after his training, the company suffers a big loss in terms of money as well as trained workforce. According to another source, attrition represents significant costs to technology and business process outsourcing (BPO) companies. High attrition rates drive up training costs, and increase human resources recruiting and productivity costs. They also increase the prospect of customer service complaints or quality problems and create substantial continuity problems for longer-lived projects (Mike:2009: Google).

Still another dimension of attrition is the consequences of attrition. It normally brings decreased productivity. People leave causing others to work harder. However, the brighter side of attrition is (Shabbir:2009:Google):

- A poor performer is replaced by a more effective employee
- A senior retirement allows the promotion or acquisition of welcome 'fresh blood'.
- When business is slack it is straightforward to hold off filling recently created vacancies for some weeks.

**Why Employees Leave? The Indian Perspective**

Most employees leave their work for reasons other than money - and an organization can correct these reasons. Most leaving employees seek opportunities that allow them to use and develop their skills. Leaving employees want more meaning in their work. They often indicate that they want to use their qualities and skills in challenging teamwork led by capable leaders (Martyn Carruthers: Google: Reduce Employee Turnover).

Hourly employees notice whether they are treated with respect, have capable management and interesting work.

Clerical employees voice concerns such as "type of work", "use of skills and abilities" and "opportunities to learn".
Professional employees cite concerns about "supervisory coaching and counseling", "company direction" and interesting work.

Whereas the managerial staff cite "career growth" and "leadership" as the major factors that influence their decisions to stay or leave, together with "opportunities for management", "ability of top management", "use of skills and abilities", and "work/family balance"

Employee turnover can often be attributed to poor/ineffective managerial performance, low emotional intelligence and ineffective leadership. Poorly selected or improperly trained managers can be expensive. According to Lee Hecht Harrison, a HR consulting firm, mergers and acquisitions also cause high attrition. He states that “more employees will leave following a restructuring than are laid-off or terminated during downsizing. This lost talent and cost can be minimized through good communication.”(2009: Google). Based on the results of interviews with 20,000 departing workers he states that the main reason that employees chose to leave was poor management. And the HR magazine found that 95 percent of exiting employees attributed their search for a new position to an ineffective manager.

**Managing Attrition**

Employees are important in running any business; without the employees the business would be unsuccessful. However, according to the 2006 Bureau of Labor Statistics, more and more employers today are finding that employees remain approximately for about 24 months. The Employment Policy Foundation states it costs a company an average of $15,000 per employee, including separation costs, paperwork, unemployment, vacancy costs, including overtime or temporary employees and replacement costs including advertisement, interview time, relocation, training and decreased productivity when colleagues depart. Providing a stimulating workplace environment, which fosters happy, motivated and empowered individuals, lowers employee turnover and absentee rates. Promoting a work environment that fosters personal and professional growth promotes harmony and encouragement on all levels, so the effects are felt company wide.
The employee turnover was a concern for the employer/management when it was beyond a level particularly when the turnover was due to reasons related to the employees. On the other hand, if the turnover was due to reasons related to the employer/management arising out of personnel policies and practices often the employer/management tried to bring under control the rate of employee turnover. But it was not the same case when the high employee turnover was for reasons related to the employee. Even in this era the employer/management attempted to improve the employment relations, provide several welfare measures for the worker and his dependents, improve working and employment conditions, provide training to improve job skills, redefine personnel policies, revise wages and working conditions through regular collective agreements, implementing labor laws promptly and sincerely, giving financial aids to the employees in need, and adopting various other humane measures that would go a long way to improve the quality of work life and quality of life of the employee and his family members or the employee community, such as the employee housing, schools for the education of the employees children, transport facilities, medical/hospital facilities, etc. Yet the problem of employee turnover continued to exist and the managements/employers were always concerned with finding out new and newer ways and means of managing the high rates of employee turnover.

Continual training and reinforcement develops a work force that is competent, consistent, competitive, effective and efficient. Beginning on the first day of work, providing the individual with the necessary skills to perform their job is important. Before the first day, it is important that the interview and hiring process expose new hires to an explanation of the company, so individuals know whether the job is their best choice. Networking and strategizing within the company provides ongoing performance management and helps build relationships among co-workers. It is also important to motivate employees to focus on customer success, profitable growth and the company well-being. Employers can keep their employees informed and involved by including them in future plans, new purchases, policy changes, as well as introducing new employees to the employees who have gone above and beyond in meetings. Early engagement and engagement along the way, shows employees that they are valuable through information or recognition rewards, making them feel included.
When companies hire the best people, new talent hired and veterans are enabled to reach company goals, maximizing the investment of each employee. Taking the time to listen to employees and making them feel involved will create loyalty, in turn reducing turnover while allowing for growth.

It may also be noted that “the turnover of key employees can have a disproportionate impact on the business. The people organizations wish to retain are often the ones most likely to leave. It was claimed by Reed (2001) that: ‘Every worker is five minutes away from handing in his or her notice, and 150 working hours away from walking out of the door to a better offer. There is no such thing as a job for life and today’s workers have few qualms about leaving employers for greener pastures’. (S0) concerted action is required to retain talented people but there are limits to what any organization can do. It is also necessary to recognize the contribution from existing talented employees and to value them accordingly (p. 503).

**Tips to Manage Attrition**

To manage employee attrition in an organization some 12 tips are given to us. These are:

1. **Compensation and Management:** Compensation and Management must be managed based on the KSAEs (Knowledge, Skills, Attitude and Experience) of the employees.

2. **Create Opportunities for Employees:** The Company has to create growth opportunities for employees to enhance their learning experience and earning abilities.

3. **Engaging Employees:** Employees must be engaged on continuous basis and they should not get bored with their work, which can be managed through internal transfers and training from time to time.

4. **Review Recruiting Practices:** Selection and Recruitment policies must be reviewed to suit the growing needs of the organization.

5. **Technology Opportunities:** Leveraging technology to manage the organization and enhancing the technical expertise of the employees will help organization grow without much problem of attrition.

6. **Career Path for Employees:** Employee career path must be declared during the recruitment process and should be explained to the recruited people.
7. **Feel Valued in Organization**: Non-financial rewards, a pat on the back in time and celebrating small achievements with great fan-fare will help employees feel valued in the organization.

8. **Contact with Senior Management**: Senior Management should address employees periodically and should make them feel like a family.

9. **Feel Part of the Company's Mission**: The Company's mission must be reiterated from time to time to reinforce the learning and experience of the people.

10. **Attendance**: Policies with regard to attendance must be creative and flexible.

11. **Educate Employees on their Impact**: Educate employees regularly on what kind of impact they are creating on organization through their contribution.

12. **Flexibility**: Immediate bosses and middle level managers must be flexible and act as Chief Happiness Officers to avoid triggers of attrition.

**Employee Retention**

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace. Get Les McKeon defined employee retention as 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 addresses their diverse needs. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time.

Not too long ago, companies accepted the “revolving door policy” as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, businesses often find that they spend considerable time, effort, and money to train the employees only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so that they have less of a desire to leave in future. But today the Corporate are facing a lot of problems in employee retention. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There is no dearth of
opportunities for talented person. There are many organizations which are looking for such employees. If a person is not satisfied by the job he is doing, he may switch over to some other more suitable job. Replacement costs usually are 2.5 times of the salary of the individual. The costs associated with turnover may include lost customers, business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring, and training the new employee just to get back to where you started. In today’s environment it becomes very important for organizations to retain their employees.

**Why is Retention so Important?** Is it just to reduce the turnover costs? It’s not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of employee retention will benefit an organization in the following ways:

1. **The Cost of Turnover:** The cost of employee turnover adds hundreds of thousands of dollars/rupees to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.

2. **Loss of Company Knowledge:** When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment on him is not realized.

3. **Interruption of Customer Service:** Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that he built for the company are severed leading to potential customer loss.

4. **Turnover leads to More Turnovers:** When an employee terminates his employment relations, the effect is felt throughout the organization. Coworkers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.
5. **Goodwill of the Company:** The goodwill of a company is maintained when the attrition rates are low. Lower retention rates motivate potential employees to join the organization.

6. **Regaining Efficiency:** If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this adds to the loss of the company directly which many a times goes unnoticed. And even after this one cannot assure us of the same efficiency from the new employee.

**BENEFITS OF EMPLOYEE RETENTION**

S. Shiny Nair writes in Google file on Jun 26, 2009 that every company should understand that people are their best commodity. Without qualified people who are good at what they do, any company would be in serious trouble. In the long run, the retention of existing employees saves companies money. As Beverly Kaye and Sharon Jordan Evan stated “the cost of replacing lost talent is 70 to 200 percent of that employee’s annual salary. There are advertising and recruiting expenses, orientation and training of the new employee, decreased productivity until the new employee is up to speed, and loss of customers who were loyal to the departing employee. Finding, recruiting, and training the best employees represents a major investment. Once a company has captured talented people, the return-on-investment requires closing the back door to prevent them from walking out.”

When an employee leaves a company for a direct competitor, there is always a chance that they will take important business strategies and secrets with them to be explained by the competition. This is yet another reason why the retention of employees is so crucial to some businesses. While this practice seems a bit unscrupulous, it still happens quite frequently. As Bill Leonard stated in HR Magazine: “Because employers know that the best-qualified applicants will come directly from competitors, recruiting and hiring employees away from mother of inventive and sometimes controversial business practices. Recruiting and hiring from your competitors is probably is as old as business itself. But what is new - and a hot topic among employers – is how to attract and retain qualified candidates in a highly competitive labor market while also preventing their own intellectual capital from winding up in the hands of competitors.
One way for a company to prevent employees from giving valuable information to competitors is to make it a policy to enforce strict non-compete and confidentiality agreements amongst its employees. The existence of such agreements could in fact deter a competitor from hiring a valuable employee because they might not want to risk possible legal entanglements with the other company. Of course, all this could possibly lead to animosity with the employee who could feel that his or her options are being limited. Many employees don’t always remember signing such a document, so a copy of it should always be kept on file for the employee to refer to. This area could prove to be a highly sensitive one between employer and employee, so extreme caution is suggested in all instances.

Factors Determining Employee Retention

Retaining the good and performing employees is determined by factors, such as (Michael Armstrong:503):

1. The age of the employee and his/her career interests;
2. Company image;
3. Recruitment, selection and deployment;
4. Leadership –employees join companies and leave managers for supporting managers;
5. Learning opportunities the company provides; and

Further, Armstrong quotes a study by Holbeche (1998 study) who found that the factors that aided to retain and motivate the high performers included providing challenge and achievement opportunities (e.g. assignments), mentors, realistic self-assessment and feedback processes. In the presence of these and other relevant factors the employer has to design and develop his own strategies which need to be totally organization oriented.

Models of Employee Retention

An Employee Retention Model is a philosophical and newly touted theory. It states that to keep employees, we must understand what they like and do not like. What they do not like the employer needs to address, focusing on the employees’ needs. He must
work to meet the overall big picture first. Once he has the process in place, he has more chances to help employees meet their individual needs. The employer can never satisfy all employees, but if he has a workplace that is driven to help, all employees feel good about what they do, employees will more likely want to stay in this culture.

Over the years there have been thousands of research articles exploring the various aspects of turnover, and in due course several models of employee turnover have been promulgated. The first model and by far the one attaining most attention from researcher, was put forward in 1958 by March & Simon. After this model there have been several efforts to extend the concept. Since 1958 the following models of employee turnover have been published.

- March and Simon (1958) Process Model of Turnover
- Porter & Steers (1973) Meet Expectations Model
- Price (1977) Causal Model of Turnover
- Mobley (1977) Intermediate Linkages Model
- Whitmore (1979) Inverse Gaussian Model for Labor Turnover
- Steers and Mowday (1981) Turnover Model
- Sheridan & Abelson (1983) Cusp Catastrophe Model of Employee Turnover
- Aquino, et al. (1997) Referent Cognitions Model

We shall go into some models of employee retention in detail in the following pages.

**The Rethinking Retention Model - A Process-Driven Approach to Keeping the Best People.** The program is the first research-based comprehensive way for keeping the best people. It presents candidates with a *process-driven approach*, moving away from dress-down Fridays to establishing the right retention-based processes that are practiced daily. The program’s hands-on step-by-step approach is based on **3 specific principles, 7 proven strategies, and more than 300 tested employee retention solutions** based on extensive research into virtually all known studies and best practices that produce retention improvement. These practices can
be categorized in 3 levels: Low, Medium and High Level as shown in the figure on next page.

![Figure 2.3. The Rethinking Retention Model](http://retention.naukrihub.com/retention-strategies.html)


**Content Model of Employee Retention**

Little research has examined employees’ reasons for staying while testing whether these factors differ based on job performance or job level. Hausknecht, Rodda, and Howard developed a content model of employee retention that is grounded in theory and past research (e.g., March & Simon, 1958; Mobley, Griffith, Hand, & Meglino, 1979; Porter & Steers, 1973; Price & Mueller, 1981), and then test it with a sample of nearly 25,000 employees who were asked to comment on why they stay with their
employer. They also developed and tested predictions grounded in ease/desirability of movement (March & Simon, 1958) and psychological contract (Robinson, Kraatz, & Rousseau, 1994) rationales to explain why high and low performers and those at different job levels will be more or less likely to emphasize particular retention dimensions.

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**Figure 2.4. Content Model of Employee Retention**

Source: [http://www.retentioninstitute.com/retention-model.html](http://www.retentioninstitute.com/retention-model.html)

**Theory of Organizational Equilibrium**

One of the earliest models of turnover is March and Simon’s (1958) theory of organizational equilibrium, in which the authors proposed that desirability of movement and ease of movement are the two main drivers of employee turnover. Desirability of movement is commonly defined by the individual’s satisfaction with the job, whereas ease of movement generally reflects perceived or actual job alternatives in the external market. Viewed from the perspective of retention, the model suggests that employees will be more likely to stay when they are satisfied with their jobs and believe that there are few alternatives available. Hence, job satisfaction
and lack of alternatives are included here as two important factors in employees’
decisions to stay described in the Table below, many of the subsequent theories of
turnover/retention have built upon the satisfaction/alternatives framework outlined by
March and Simon.

Table 2.1. Description and Definition of Retention Factors

<table>
<thead>
<tr>
<th>Retention Factor</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advancement opportunities</td>
<td>The amount of potential for movement to higher levels within the organization</td>
</tr>
<tr>
<td>Constituent attachments</td>
<td>The degree of attachment to individuals associated with the organization such as supervisor, co-workers, or customers</td>
</tr>
<tr>
<td>Extrinsic rewards</td>
<td>The amount of pay, benefits, or equivalents distributed in return for service</td>
</tr>
<tr>
<td>Flexible work arrangements</td>
<td>The nature of the work schedule or hours</td>
</tr>
<tr>
<td>Investments</td>
<td>Perceptions about the length of service to the organization</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>The degree to which individuals like their jobs</td>
</tr>
<tr>
<td>Lack of alternatives</td>
<td>Beliefs about the unavailability of jobs outside of the organization</td>
</tr>
<tr>
<td>Location</td>
<td>The proximity of the workplace relative to one’s home</td>
</tr>
<tr>
<td>Non-work influences</td>
<td>The existence of responsibilities and commitments outside of the organization</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>The degree to which individual’s identify with and are involved in the organization</td>
</tr>
<tr>
<td>Organizational justice</td>
<td>Perceptions about the fairness of reward allocations, policies and procedures, and interpersonal treatment</td>
</tr>
<tr>
<td>Organizational prestige</td>
<td>The degree to which the organization is perceived to be reputable and well-regarded</td>
</tr>
</tbody>
</table>

Note. Several definitions in this Table are adapted from Price & Mueller (1981) and Steers (1977).

Porter and Steers (1973) introduced one of the first major updates to the March and Simon model, and asserted that a variety of work-related and personal factors were important precursors of turnover. From the standpoint of explaining why employees
stay, five dimensions from their model are relevant to this study, and are thus included in Table 1. Two of these dimensions, extrinsic rewards (e.g., pay, benefits) and advancement opportunities, should be related to staying because employees are sensitive to receiving fair rewards for their efforts and may leave when opportunities to receive greater rewards exist elsewhere. A third factor, constituent attachments, in the form of effective supervision and positive peer group relations, should also be related to retention. Porter and Steers reviewed evidence from previous research showing higher turnover among employees when supervisors had treated them poorly, displayed low levels of consideration behaviors, or did not meet their needs regarding feedback and recognition. Additionally, co-workers may influence retention because they can provide support and encouragement to employees to help them adjust to the work environment, thereby facilitating attachment to the organization. Fourth, Porter and Steers suggested that employees are more likely to stay as they build longer tenure with the organization (because of seniority related perks or other valued outcomes), a notion that may be labeled here as investments. Finally, non-work influences such as family responsibilities were mentioned as another factor that may be related to employee retention, which has since been expanded to include a variety of ties to one’s community, family, and other life activities outside of work (Mitchell, Holtom, Lee, Sablynski, & Erez, 2001).

Several years later, Mobley and his colleagues offered a revised framework that specified many of the factors discussed above (e.g., pay, promotion, supervision), but also included several new dimensions that could influence retention (Mobley et al., 1979). In terms of work attitudes, job satisfaction was viewed as the primary determinant of quit intentions in their model, and the authors were also among the first to discuss the role of organizational commitment in turnover decisions, which was defined in earlier work as an “individual’s identification with and involvement in a particular organization” (Steers, 1977, p. 46). The authors suggested that committed employees are expected to remain because they believe in the goals and values of the organization and are willing to exert effort on its behalf. Since that time, and along with job satisfaction, organizational commitment represents one of the most widely studied antecedents of turnover (Griffeth, et al., 2000). Thus, Mobley et al. and others reinforce the value of several dimensions included here, and were among the first to recognize organizational commitment as an important retention factor.
Price and Mueller (1981) presented an updated model that encompasses many of the earlier retention factors while introducing several new ones. Drawing from earlier perspectives, job satisfaction and perceived alternatives were considered proximate causes of decisions to stay, whereas pay, promotional opportunities, constituent attachments, kinship, and organizational commitment were included as distant influences. One important addition to the model was distributive justice. Drawing from the developing literature on equity theory at that time, the authors suggested that employees would be satisfied (and thus more likely to stay) if they felt that the outcomes they received reflected the effort and other inputs that they had invested. More recently, organizational justice has been defined more broadly to include fairness perceptions related to outcomes, procedures, and interpersonal interactions, which have been shown to be related to employees’ decisions to remain with their employer (Aquino, Griffeth, Allen, & Hom: 1997).

A handful of other explanatory constructs have emerged in the retention literature since the earliest models were introduced. First, a number of organizations have offered employees flexible work arrangements in order to accommodate different employee preferences regarding when (and where) they perform their work (Baltes, Briggs, Huff, Wright, & Neuman, 1999; Dalton & Mesch, 1990). These programs typically involve alternative work hours and/or compressed scheduling and are often established with the goal of reducing tensions between competing work and non-work demands. Second, Muchinsky and Morrow (1980) introduced the notion of organizational prestige as a potentially important retention factor. This dimension is similar to definitions of company reputation (Fombrun & Shanley, 1990), and also reflects the more recent effort by organizations to attract and retain talented employees by becoming an “employer of choice”, which often involves communicating and emphasizing the positive features of working for a particular organization to current and potential employees (Branham, 2005). Finally, the location of the workplace has been investigated in relation to withdrawal behaviors such as absenteeism, although few studies (if any) have empirically examined location effects on turnover. Research reveals positive associations between distance to work and absence (Muchinsky, 1977; Scott & McClellan, 1990), perhaps because longer commute times are a source of stress and limit the ability of employees to attend to non-work responsibilities. In the context of retention, living close to work can be
viewed as an influence that promotes job embeddedness (Mitchell et al., 2001) or perhaps continuance commitment (Hrebinak & Alutto, 1972), as employees may have to relinquish a favorable commute if they were to leave the organization.

Taken together, the content model developed here is thought to reflect many of the potential influences on employee retention. Early contributions in this area emphasized job satisfaction and perceived alternatives, followed by models that featured extrinsic rewards, advancement opportunities, constituent attachments, investments, and non-work influences. More recently, organizational commitment, organizational justice, flexible work arrangements, organizational prestige, and location have been viewed as potentially important determinants of employees’ decisions to stay. As described in the methodology, the 12-factor model was used in this study as the organizing framework for analyzing the open-ended comments related to why employees stay.

**Employee Retention Model by Howatt: A Discussion Model**

The model used by Howatt is structured, though flexible. The following section is an overview of what Howatt does. The SUCCESS mnemonic sets up what needs to be done in coaching to help the employees and employers in retention.

![Howatt's Model of Employee Retention](http://www.howatthr.com/images/pdf/pplmgmt/Employee%20Retention%20A%20Discussion%20Model.pdf)

*Figure 2.5. Howatt’s Model of Employee Retention*

Source: (http://www.howatthr.com/images/pdf/pplmgmt/Employee%20Retention%20A%20Discussion%20Model.pdf)
S— See the priorities and pick out the critical issues and goals that need to be addressed.

U— Understand the needs of the employee from their frame of reference. Learn and practice the Success Touch that is treating others not as you want to be treated, rather as they want to be treated.

C— Create the programs and services that are needed for staff to perceive they are of value and importance.

C— Concentrate on what is working, and reflect and learn why it is. Once we do this we are able to continue to extrapolate the hows in regard to employee motivation. Be aware of how to help employees choose to be motivated.

E— Evaluate if both the employees and upper management are working for a common goal.

S— Study the learning from the above steps and learn what can be done to enhance the workplace.

S— Set the task to continue to look for feedback. Support the staff and transfer what is learned so that there is a reduction in the same mistakes being made, so that it does not work against staff morale or motivation.

**A Mathematical Model of Employee Retention**

![Figure: 2.6 A possible performance function, mapping \( t \), which measures agent experience in months (horizontal axis) into the selected performance, \( r(t) \), which measures the return in thousands of dollars per month (vertical axis). Specifically, the exponential performance function in (2.2) is depicted with \( p=10 \) and \( \lambda =0.2 \).](image)

Whitt (2005) developed a mathematical model that can provide insight into the way increased employee retention, achieved via increased employee job satisfaction, can improve performance. The employees are customer service representatives in contact centers, are referred to as agents, but the analysis applies more broadly. For an overview of contact centers and various mathematical models that have been applied to them, one can refer Gans et al. (2003). For a different mathematical model studying turnover, one can mention Gans and Zhou (2002). For stochastic analysis of various behavioral aspects of queues, one can study Mandelbaum and Shimkin (2000) and Zohar et al (2002).

This model is developed to help to analyze the benefits in contact-center performance obtained from increasing employee (agent) retention, by increasing agent job satisfaction. The contact-center “performance” may be restricted to a traditional productivity measure such as the number of calls answered per hour or it may include a broader measure of the quality of service, e.g., revenue earned per hour or the number of problems successfully resolved per hour. The analysis is based on an idealized model of a contact center, in which the number of employed agents is constant over time, assuming that a new agent is immediately hired to replace each departing agent. The agent employment periods are assumed to be independent and
identically distributed random variables with a general agent-retention probability
distribution, which depends upon management policy and actions. The steady-state
employee-experience distribution is obtained from the agent-retention distribution by
applying renewal theory. An increasing real-value function specifies the average
performance as a function of agent experience. Convenient closed-form expressions
for the overall performance as a function of model elements are derived when either
the agent-retention distribution or the performance function has exponential structure.
Management actions may cause the agent-retention distribution to change. The model
describes the consequences of such changes upon the long-run average employee
experience and the long-run average performance.

**Measuring Employee Retention**

A stability index indicates the retention rate of experienced employees. Like turnover
rates, this can also be used across an organization as a whole or for a particular part of
it. The usual calculation for the stability index is:

\[
\frac{\text{Number of employees with service of one year or more}}{\text{Total number of employees in past one year ago}} \times 100
\]

This will help us to determine how many employees and who were those employees
who remained with the organization during that period. It will also help us to
understand from them the factors that made the employees to stay with the
organization. Once these factors are identified, the HR managers can strengthen those
factors leading to better retention.

**Attrition Rates and Costs in India**

In India, the average annual attrition rate in IT and ITES (business process
outsourcing - BPO) sector hit a high of close to 50% a few years ago. Better attrition
management and the 2008-2009 global economic slow down helped reduce the figure
to less than 30%. But this still has a significant impact on costs and quality.
Furthermore, attrition rates in India’s business process outsourcing (BPO) industry are
about 8 percent higher than the national average, according to a report by global
consulting firm the Hay Group.
In India there is an increasing demand and supply gap for professionals. Often the HR Managers are engaged in recruitment as a major function. The bigger organizations like the Wipro have maintained a fairly large Recruitment Section within the HR Department and recruitment goes on round the year. It is sometimes difficult for HR managers to maintain consistency in performance and keep the motivational levels of the employees high to retain the employees with some work experience.

In India some companies believe that the attrition rates - and the costs associated with them - are so high that they can override the benefits of lower wage costs. For example; while wages in Indian call centers (BPOs) are less than one-eighth of those in Northern Europe, it has been reported that Hewlett-Packard have found the cost per ‘ticket’ (the cost of processing a query) was double in India “due to the inability of the staff to resolve customer queries efficiently because of language barriers and inexperience”. The issue is not with the quality or education of the staff and still less with the investment in technology. It is simply attrition—people do not stay long enough to be taught or to learn the job.

**Total Employment in Overall IT Industry in India (End 2006):**

According to the BBC report (January 7, 2006) the total number of people employed in IT and ITES sector was 1.3 million direct and 3 million indirect. According to another source staff employed in ITES-BPO in 2002-03 was 171,100 which in 2003-04 increased to 245,100 (GTF 2005). According to the same source the staff employed in outsourced customer service in 2002-03 was 65,000 which rose to 95,000 in 2003-04.

According to the BBC reports, the number of people applying at Infosys in Bangalore was 1.4 million in 2006, while the number of workers hired by Infosys in Bangalore per year was only 30,000. And the number of people employed by three major Indian IT firms (Infosys, Wipro, and TCS) was between 1,000 to 9,000 in 1996, which increased to between 10,000 to 20,000 and in 2006 it was between 52 thousand and 834 thousand. Whereas IT professionals employed on shore by Wipro and TCS were: 11,000 by WIPRO and 20,000 by TCS. This only shows the increasing demand for the IT professionals and other knowledge workers. In other words, the industry is
constantly concerned about retaining the employees and often employers in the industry compete with each other to get the people with knowledge in information technology and allied subjects. The poaching had become quite common in the industry during the early years of the present century. So the common managerial (of HR Managers) function was to adopt the strategies to retain the employees. Perhaps the Infosys Technologies was the first to deploy the employment retention strategies. During the latter part of the last decade of the last Century it introduced the Employee Stock Ownership Scheme through its Trust. To avail the benefits of the Scheme the employees did remain with the company for longer times.

**Employee Retention Strategies**

In all modern industries, employee retention is the most critical problem. It not only results in the loss of good and performing employees but also in hiring people as and when people leave, loss of production, loss of market and consumers, and loss of the image of the Company. The management may be able to get recruited people to replace those who leave. But hiring new employees when those in employment of the company leave is not an important issue. For any organization suffering from high rates of employee attrition the question of retaining employees is quite important. Hence, the study of employee retention achieves significance. Employers seek to adopt different strategies to retain employees. But before understanding what are these strategies that the employers adopt let us understand what we mean by the term “strategy”

**What is a Strategy?** The term strategy means a large scale future oriented plans of management for interacting with the competitive environment to achieve the company objectives. A strategy is a company’s game plan. Although that plan does not precisely detail all future deployments, it does provide a framework for managerial decisions. A strategy reflects a company’s awareness of how, when, and where it should compete; again whom it should compete; and for what purpose it should compete” (John A Pearce II and Richard B. Robinson Jr.: 2005: 3-4). It is an overall plan of how to proceed in the task of achieving the objectives of the organization. It is concerned with mapping out the planned basic policies to be followed in the process of achieving the objectives.
“Retention in any industry or occupation is multifaceted and situation specific; accordingly, retention strategies need to be evidence based, grounded in organizational, industry and occupational specific realities and reviewed periodically. There is no silver bullet when it comes to employee retention as it will always be” (Mohan Thite: 2008: 19-20).

Any employee retention strategy would necessarily include a plan for redressing employee grievances and ways and means to address employee issues. This would mean that the employees would be enabled to take their issues regarding pay, their work, their role etc., to the HR manager and expect to get a fair hearing in the process. There should be a plan where the HR manager in conjunction with the manager of the employee who has raised the issue works towards resolving the issue.

The basic practices which should be kept in mind in the employee retention strategies are:

1. Hire the right people at the right place at the right time.
2. Empower the employees: Give the employees the authority to get things done.
3. Make employees realize that they are the most valuable asset of the organization.
4. Have faith in them, trust them and respect them.
5. Provide them information and knowledge.
6. Keep providing them feedback on their performance.
7. Recognize and appreciate their achievements.
8. Keep their morale high.
9. Create an environment where the employees want to work and have fun.

Retention strategies for the first time on an extensive basis were researched, analyzed and presented in 1991 by Roger E. Herman, the Father of Employee Retention, in his book titled “Keeping Good People: Strategies for Solving Dilemma of the Decade”. He grouped the strategies into six categories and under each of them he lists the sub-categories. The list is as follows:
<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Category of strategies</th>
<th>Strategies under the Category</th>
</tr>
</thead>
</table>
2. Value Each Individual  
3. Work together as a Team  
4. Loyalty is a two-way Relationship  
5. Enthusiasm is justified and appropriate  
6. We are all here for the Customer  
7. Have a set of Guiding Principles  
8. Offer stability, security, risk, as Needed  
9. Prohibit Discrimination of any Kind  
10. Eschew profanity  
11. Be Fair and Honest  
12. Facilitate a Family Feeling  
13. Value professional Standing  
14. Promote integrity  
15. Encourage Camaraderie  
16. Promote a Healthy Working Environment  
17. Insist on Workplace Safety  
18. Avoid Stupid Rules  
19. Provide Flexibility in Working Hours  
20. Apply Progressive Discipline Fairly  
21. Make Work Fun  
22. Celebrate Achievements, birthdays, etc.  
23. Don’t tolerate, remove Unsuitable People  
24. Conduct Exit Interviews  
25. Establish Clear Policies  
26. Administer policies Uniformly  
27. Provide advancement opportunities, promote from within  
28. Give permission to Fail or succeed  
29. Management Commitment: people are our most important resource  
30. Share information  
31. Value all your people  
32. Respond to Complaints with solutions  
33. Within safety constraints, permit refreshments at work stations  
34. Use your business plan  
35. Offer freedom of choice: break times, dress, vacations  
36. Choose employees carefully the first time  
37. Locate your company in a suitable Environment  
38. Encourage people to personalize their work areas  
39. Eliminate reserved personal parking  
40. Provide effective communications systems  
41. Equip people to be productive |
<table>
<thead>
<tr>
<th></th>
<th>42. Provide for appropriate child care services</th>
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<tbody>
<tr>
<td></td>
<td>43. Maintain comfortable atmosphere conditions</td>
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<td></td>
<td>44. Use color constructively in decoration</td>
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<td></td>
<td>45. Provide a safe, secure environment.</td>
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<tr>
<td>2.</td>
<td><strong>Relationship Strategies</strong></td>
</tr>
<tr>
<td></td>
<td>i. Understanding Behavioral style</td>
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<tr>
<td></td>
<td>ii. Appreciate values and ethical standards</td>
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<td></td>
<td>iii. Resolve conflicts</td>
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<td>iv. Hold Regular Meetings of your team members</td>
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<td>v. Call spontaneous meetings</td>
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<td></td>
<td>vi. Facilitate open communication</td>
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<td></td>
<td>vii. Stick to your people</td>
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<td></td>
<td>viii. Give recognition strategically and deliberately</td>
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<tr>
<td></td>
<td>ix. Recognize the “new woman”</td>
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<tr>
<td></td>
<td>x. Recognize other “special employees”</td>
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<tr>
<td></td>
<td>xi. Be patient</td>
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<td></td>
<td>xii. Show respect for others</td>
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<td>xiii. Give people freedom and flexibility</td>
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<td>xiv. Trust your people</td>
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<td></td>
<td>xv. Show genuine, sincere appreciation</td>
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<td></td>
<td>xvi. Listen</td>
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<tr>
<td></td>
<td>xvii. Let people be who they are</td>
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<td></td>
<td>xviii. Find opportunities to talk with people</td>
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<td></td>
<td>xix. Balanced praise and criticism</td>
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<td></td>
<td>xx. Build everyone’s self esteem</td>
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<td></td>
<td>xxi. Don’t gossip</td>
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<td>xxii. Look for positives, not negative.</td>
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<td>xxiii. Express confidence</td>
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<td>xxiv. Enable people to be together</td>
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<td></td>
<td>xxv. Care about people as individuals</td>
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<td>xxvi. Be accessible</td>
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<td></td>
<td>xxvii. Have a sense of humor</td>
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<td>xxviii. Set an example</td>
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<td>xxix. Show leadership at the top of your organization</td>
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<td>xxx. Reduce stress. Keep anxiety to stay sharp</td>
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<td></td>
<td>xxxi. Don’t question or second-guess people all the time, and Be firm and fair.</td>
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<tr>
<td>3.</td>
<td><strong>Task-focused Strategies</strong></td>
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<tr>
<td></td>
<td>1. Give people real things to do</td>
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<td></td>
<td>2. Provide challenges</td>
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<td></td>
<td>3. Fight frustration</td>
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<td></td>
<td>4. Remove barriers to accomplishments</td>
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<td></td>
<td>5. Adjust jobs to fit strengths, abilities and talents</td>
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<td>6. Empower people to work as tea,</td>
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<td></td>
<td>7. Mickey mouse should be fun, not fundamental</td>
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<td></td>
<td>8. Keep the promises you make</td>
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<td></td>
<td>9. Provide the resources to get the job done</td>
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<td></td>
<td>10. Avoid rejection, raw criticism, humiliation</td>
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<td></td>
<td>11. Encourage and welcome new ideas</td>
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<td>12. Define responsibilities</td>
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<td>13. Define accountabilities</td>
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<td>14</td>
<td>Define authority</td>
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<td>15</td>
<td>Encourage initiative</td>
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<td>16</td>
<td>Inspire and enable creativity and innovation</td>
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<td>17</td>
<td>Establish limits, parameters</td>
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<tr>
<td>18</td>
<td>Know what your people are doing</td>
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<td>19</td>
<td>Respond when people ask for approval or guidance</td>
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<td>20</td>
<td>Give clear direction</td>
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<tr>
<td>21</td>
<td>Get people involved</td>
</tr>
<tr>
<td>22</td>
<td>Reduce reporting requirements</td>
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<td>23</td>
<td>Don’t look people’ shoulders</td>
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<td>24</td>
<td>Don’t keep people overtime without previous notice</td>
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<tr>
<td>25</td>
<td>Appreciate routine work</td>
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<tr>
<td>26</td>
<td>Enter into performance contracts</td>
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<tr>
<td>27</td>
<td>Fight boredom</td>
</tr>
<tr>
<td>28</td>
<td>Design tasks to meet personal needs</td>
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<tr>
<td>29</td>
<td>Give people a break, and</td>
</tr>
<tr>
<td>30</td>
<td>Give specifics in performance feedback.</td>
</tr>
</tbody>
</table>

### Compensation Strategies

| 4  | a) Present the full value of compensation |
|    | b) Provide linking incentive opportunities to all employees |
|    | c) Link performance with rewards |
|    | d) Leverage the total cash compensation for maximum Effectiveness |
|    | e) Design reward system for employee involvement |
|    | f) Compensate high potential/low skill employees with skills-based system |
|    | g) Use flexible benefits in a changing workforce, and |
|    | h) Consider ESOPs and employee stock Ownership. |

### People Growing Strategies

| 5  | 1) Give people challenging responsibilities |
|    | 2) Support formal education |
|    | 3) Offer learning materials for personal growth |
|    | 4) Connect with outside resources for learning materials |
|    | 5) Send people to outside seminars |
|    | 6) Have learners pass their training along to others |
|    | 7) Help people grow into bigger jobs |
|    | 8) Enable people to discover the wealth of talents they have and Encourage intellectual growth |
|    | 9) Assign special projects |
|    | 10) Build competency deliberately, and |
|    | 11) Provide incentives. |

This list of retention strategies is certainly a detailed and perhaps exhaustive one. Perhaps for that reason the views of Mr. Herman were received warmly and he was given the title as “Father of Employee Retention” by the American industries. The
employee retention strategies advocated by him were adopted and put into practice by all industries who had the problem of keeping their (good) employees. His views on employee retention lived without parallels for a long time - for more than 15 years in the American industries till Gregory P. Smith came out with his research on the Employee Retention Strategies in 2007, which he published under the title “401 Proven Ways to retain your Best Employees”. This is more an exhaustive list on the subject. He classified them into seven groups We shall now take an account of these strategies.

Table 2.3: Employee Retention strategies of Gregory P. Smith.

<table>
<thead>
<tr>
<th>No.</th>
<th>Strategy Category</th>
<th>Sub-category</th>
<th>Strategy for implementation</th>
</tr>
</thead>
</table>
| I   | Organizational Strategy – A Good Company Reputation | 1. Management by Fact | 1.1. Measure the cost of turnover  
1.2. Appoint a Retention Czar  
1.3. Rehire some employees  
1.4. Hold Managers accountable for turnover  
1.5. Assess the organization for Weaknesses  
1.6. Ongoing assessment.  
1.7. Conducting exit interviews. |
2.2. Turnover alert Form.  
2.3. Work for triggers.  
2.4. You done good Program.  
2.5 Make sure your Leaders care.  
2.6. Take a work in any shoe. |
|     |                   | 3. Pinpointing Job Dissatisfaction | 3.1. Identify top ten reasons why employees quit.  
3.2. Conduct a post-mortem Analysis.  
3.3. Equal pay for equal Experience. |
4.2. Generate purpose and direction with a vision statement.  
4.3. Keep your Promise List.  
4.6. Pay matters.  
4.7. Hire the best and avoid the rest.  
4.8. Organizational Passport and frontline accountability. |
| II  | Organization and Onboarding | II.1. Starting off the Right Foot | II.1.1. We are glad you are here.  
II.1.2. 30-60-90 Plan. |
<table>
<thead>
<tr>
<th>Strategies</th>
<th></th>
</tr>
</thead>
</table>
| **II.2. Team Spirit.** | II.1. Send them to best camp.  
II.1.4. Buddy system.  
II.1.5. Adopt your employees.  
II.2.1. Club 1230  
II.2.2. Conduct an employee scavenger Hunt.  
II.2.3. Lunch Bunch.  |
| **II.3. Sample Employee Orientation Program.** | II.3.1. New Employee orientation Programs.  
II.3.2. Welcome letters from the President.  |
| **II.4. Create a Celebration** | II.4.1. Promote the family.  
II.4.2. Company Branding.  
II.4.3. Cheers.  
II.4.4. Ring that Bell.  
II.4.5. Roast, boast and Toast Session.  |

<table>
<thead>
<tr>
<th>Communication and Connection Strategies</th>
<th></th>
</tr>
</thead>
</table>
| **III.1. Diversity** | III.1.1. Recognizing Diversity in the workplace.  
III.1.2. Around the world  |
| **III.2. Building Strong Connections.** | III.2.1. Individual Retention Profile.  
III.2.2. Questions you need to know.  
III.2.3. Using assessments and Behavior Profiles.  
III.2.4. The Missing piece of the puzzle.  |
III.3.2. First Friday Meeting.  
III.3.3. Rise and Shine.  |
| **III.4. Make Work Fun.** | III.4.1. The Soap Box.  
III.4.2. Having Fun and Nice People.  
III.4.3. Guess that Baby Contests.  
III.4.4. Communication check list.  
III.4.5. Spontaneous Fun.  |
| **III.5. Pickup the Phone** | III.5.1. The Joe Line  
III.5.2. Telephone calls of Appreciation.  
III.5.3. Call for No reason.  |
III.6.2. Staff Speaks Newsletter.  
III.6.3. Employee Profile.  
III.6.4. Message Cards.  |

<table>
<thead>
<tr>
<th>Career and Development strategies</th>
<th></th>
</tr>
</thead>
</table>
| **IV.1. The Values of Training & Development.**  
**IV.2. Training Programs that Work.** | IV.1.1. Skill Enhancement a Top Priority  
IV.2.1. Trip to Headquarters Company.  
IV.2.2. Let the Leaders speak.  
IV.2.3. Training Programs at Dell.  |
| IV.3. Provide Growth Opportunities | IV.2.4. Encourage Hallway Training.  
| | IV.2.5. How to Demonstrate Your Commitment to Training.  
| | IV.2.6. Leadership Training at Baptist Hospital.  
| | IV.3.1. Use Mentoring to Broaden Horizon.  
| | IV.3.2. Use “stand ups” to Reinforce Company culture.  
| | IV.3.3. Prevent Plateaued Employees.  
| | IV.3.4. Invent a New Job.  
| V | Reward and Recognition Strategies | V.1. Special Celebrations  
| | V.1.1. Quarterly service awards.  
| | V.1.2. President’s recognition Dinner.  
| | V.1.3. Happy Birthday to You.  
| | V.2. Peer Recognition  
| | V.2.1. Star Ships.  
| | V.2.2. My Hero.  
| | V.3.1. he Eagle Award.  
| | V.3.2. Spot Programs.  
| | V.3.3. Avoid We-they syndrome.  
| | V.3.4. Thank You Notes.  
| | V.3.5. Pro Bucks.  
| | V.3.6. Attendance Bonus.  
| | V.3.7. Non-monetary awards.  
| | V.4. Cash Awards  
| | V.4.1. President’s award.  
| | V.4.2. You are Magnificent.  
| | V.4.3. Cash for Wellness.  
| | V.4.4. Going the Extra Mile.  
| | V.5. Unique Awards  
| | V.4.5. Referral Bonus Program.  
| | V.5.1. Only a Fool Would work here this long.  
| | V.5.2. The B.E.E.R Award.  
| | V.5.3. Stickers with Significance.  
| | V.5.4. Drive my BMW.  
| | V.5.5. Greased Monkey Award.  
| VI | Employee Benefit Strategies | VI.1 Flexible work Arrangements.  
| | VI.1.1. Work Flexibility.  
| | VI.1.2. Time off and  
| | VI.1.3. Rewarding Work attendance.  
| | VI.1.4. Work Hours of Your Choice.  
| | VI.1.5. Employee Friendly Company.  
| VI.2. Office Design. |
| VI. 3. Family Involvement. | VI.2.1. Physical workspace and Design.  
| VI. 2.2. Office Design at Monster.com  
| VI.3.1 Employee College Fund.  
| VI.3.2 Offer Scholarships for Children  
| VI.3.3. Bring children to Workday.  
| VI.3.4. Lunch as a Family.  
| VI.3.5. Straight “A” Report card.  
| VI.4.1. Errand Runners and Concierge Services.  
| VI.4.2. Wash Your Clothes.  
| VI.4.3. Pay to Stay Bonus.  
| VI.4.4. Mediation Rooms for Employees.  
| VI.4.5. Stick around – It’s worth it.  
| VI.4.6 Let your Employees Fly.  
| VI.5.1. Choose Your Job Title.  
| VI.5.2. Employee Driven Policies.  
| VI.5.3. Safety Bonus Program.  
| VI.5.4. Significant Events.  
| VI.5.5. Benefits that attract and keep IT workers. 

| VI. 4. Special services | VI.5.6. Benefits that attract and keep IT workers. 
| VI.4.1. Errand Runners and Concierge Services.  
| VI.4.2. Wash Your Clothes.  
| VI.4.3. Pay to Stay Bonus.  
| VI.4.4. Mediation Rooms for Employees.  
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| VI.6.2. Office Design at Monster.com  
| VI.6.3. Employee College Fund.  
| VI.6.4. Offer Scholarships for Children  
| VI.6.5. Bring children to Workday.  
| VI.6.4. Lunch as a Family.  
| VI.6.5. Straight “A” Report card.  
| VI.6.7. Wash Your Clothes.  
| VI.6.9. Mediation Rooms for Employees.  
| VI.6.10. Stick around – It’s worth it.  
| VI.6.11. Let your Employees Fly.  
| VI.6.12. Choose Your Job Title.  
| VI.6.15. Significant Events.  
| VI.6.16. Benefits that attract and keep IT workers. 

| VII Employee Ideas and Suggestions – The Ritz Carlton Way | VII.1. Idea Campaigns and Suggestions  
| VII.1.1. Idea Olympics.  
| VII.1.2. Idea Exposition.  
| VII.1.3. Suggestion Exhibits.  
| VII.1.4. Suggestion Competition.  
| VII.2. Managing Innovation  
| VII.2.1. In the spotlight.  
| VII.2.2. 15 Minutes of fame.  
| VII.2.3. Innovator of the Quarter.  
| VII.3. Team Involvement.  
| VII.3.1. The Idea Box.  
| VII.3.2. Olinnovation.  
| VII.3.3. Top Guns.  
| VII.3.4. Idea Dollars.  
| VII.3.5. Give them stars and Frogs.  
| VII.3.6. Bright Ideas Club.  
| VII.3.7. Lunch with the President.  
| VII.4. Individual Suggestions.  
| VII.4.1. Anonymous suggestions Box.  
| VII.4.2. Wild, Crazy Idea Day.  
| VII.4.3. Thanks for the Inspiration.  
| VII.4.4. Not Invented Here Award.  
| VII.4.5. Suggestions Profit You.  
| VII.4.6. Independent Inventor.  
| VII.4.7. Employee Input.  
| VII.4.8. WildHare Grants.  
| VII.4.10. Flower Seeds.  
| VII.5. Employee Ownership.  
| VII.5.1. Choose Your Job Title.  
| VII.5.2. Employee Driven Policies.  
| VII.5.3. Safety Bonus Program.  
| VII.5.4. Significant Events.  
| VII.5.5. Benefits that attract and keep IT workers.  
| VII.6. Special services  
| VII.6.1. Physical workspace and Design.  
| VII.6.2. Office Design at Monster.com  
| VII.6.3. Employee College Fund.  
| VII.6.4. Offer Scholarships for Children  
| VII.6.5. Bring children to Workday.  
| VII.6.4. Lunch as a Family.  
| VII.6.5. Straight “A” Report card.  
| VII.6.7. Wash Your Clothes.  
| VII.6.9. Mediation Rooms for Employees.  
| VII.6.10. Stick around – It’s worth it.  
| VII.6.11. Let your Employees Fly.  
| VII.6.12. Choose Your Job Title.  
| VII.6.15. Significant Events.  
| VII.6.16. Benefits that attract and keep IT workers. 

| VII. 1. Idea Campaigns and Suggestions  
| VII.1.1. Idea Olympics.  
| VII.1.2. Idea Exposition.  
| VII.1.3. Suggestion Exhibits.  
| VII.1.4. Suggestion Competition.  
| VII.2. Managing Innovation  
| VII.2.1. In the spotlight.  
| VII.2.2. 15 Minutes of fame.  
| VII.2.3. Innovator of the Quarter.  
| VII.3. Team Involvement.  
| VII.3.1. The Idea Box.  
| VII.3.2. Olinnovation.  
| VII.3.3. Top Guns.  
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Thus we have two extensively researched lists of retention strategies which need to be carefully examined and applied by an employer who is interested in retaining his employees. Of the two, the list of strategies researched by Smith is the more recent one. Though these strategies are researched in the context of US industrial situation, they have relevance beyond the US boundaries. Hence, the employers in India could easily adopt them in their effort to manage employee retention. However, a few HR Managers working in different Indian industries including IT and ITES have advocated the following retention strategies. We shall now consider these strategies.

Formal workplace flexibility and w2ork systems including work arrangements, flexitime and telecommuting or working from home lead to better engagement of employees which in turn enables the organization to retain the employees as A.L. Richman et.al. have shown through their research titled: The Relationship of Perceived Flexibility, Supportive Work of Formal Flexible Arrangements and Occasional Flexibility to Employee Engagement and Expected Retention. It may be noted that this piece of research was funded by the Alfred P. Sloan Foundation in 2005.

A study conducted by Quadria AA Abdullah Hammed in Kuwait in 2009 under the title “Employee Retention in Private Sector: An Exploratory Study in the State of Kuwait” covers three aspects of employee retention: (1) influence of benefits, (2) organizational strategies in retaining the employees, and (3) organizational culture serving as retention strategy. This study brings out that organizations often look beyond employee satisfaction to developing trust and ensuring long term relationship with the employees to retain them. Once the trust is built into relationship the probability of either party ending the relationship decreases. And the employees stay when they have strong relationships with their fellow or co-workers and supervisors. Hence, the organizations do make efforts to encourage team building, project assignments involving work sharing and opportunities for high interaction on and off the job. Similarly effective communication 0 a culture of openness and culture leading to identification with th4e organization by the supervisory executives helps employee retention.

The study points out that the benefits factors helping employee retention include:

1) Salary and monetary compensation.
2) Leave benefits.
3) Retirement plans.
4) Health plans and other benefits.
5) Deferred compensation.
6) Employee assistance programs.

Similarly, the organizational retention strategies include the following factors:

a) Rewards and recognition.
b) Annual performance appraisal.
c) Training opportunities – work related.
d) Education opportunities.
e) Employee suggestion programs.
f) On-site day care.
g) Job rotation and new assignments.
h) Mentoring and coaching.
i) Wellness programs.
j) Alternative work schedule.
k) Voluntary reduction in work schedule.
l) Telecommuting and work at home.

Lastly, the organizational culture factors helping to retain employees are:

1. Supervisors discussing with employees their development plans at least once in six months.
2. Employees given opportunity to be part of task groups and assignments outside their core jobs.
3. Organization career development programs making employees themselves responsible for their career management.
4. Working on a new project/assignment an open process with few barriers.
5. Effective supervisory communication.
6. Culture of recognition and values diversity.
7. An environment of openness and trust.
8. Treating employees with fairness and respect.
9. Supervisors listening to employees ideas.
10. Empowering employees to take responsibility and authority.

The data in this study reveals that 51.2 % of the employees feel that the organizational culture of giving employees a responsibility for their own career development, 44.8 % employees feeling the importance of new project assignment, 60 % attaching importance to supervisory communication, 63.2 % believing openness and trust helping employees to stay with the organization, 54.4 % underlining fairness in treatment and respect for the employees, 55 % stating that managers listening to the employees ideas, and 59 % believing that empowering employees act as good
retention strategies. The study also underlines that the management efforts to promote self actualization through educational promotion among the employees, freedom to employees to schedule their work keeping in mind their convenient time for family and personal work through innovative work scheduling methods also act as strong retention strategies.

Shiney Nair, a practicing HR Manager uses the term “Tools” instead of the term “strategies”. According to her the following are the “tools” of employee retention. On the other hand, another HR Manager Mr. Sanjiva Sharma uses the term “strategies” and discusses the employee retention strategies he has put into practice.

But what sets Employee Retention Strategies apart is a steadfast philosophy that:

- Uses only research-based, theory-supported approaches to improving employee engagement. Avoided are gimmicks such as employee of the month, suggestion boxes, prizes or other “carrots.” While commonly used, these short-term fixes fail to produce genuine employee loyalty (more than 60 years’ of research tells us so!).
- Employs an easy-to-understand systems approach to ensure the root causes of turnover are addressed and the potential for lasting change unleashed.
- Customize all activities to your organization’s unique history, current practices and strategic objectives. Also considered are challenges unique to your industry sector, competitive marketplace issues and talent shortages.
- Involves those responsible for implementing change in actually creating the change, ensuring input and improved shared understanding and support of all initiatives.
- Integrates hands-on, action-oriented approaches that enable organizations to move forward quickly and effectively
- Recognizes the research-proven role of no-cost strategies in developing the “glue” that builds employee loyalty and commitment.
- Brings to your organization leading-edge organization-development best practices to effectively and quickly build a retention-rich culture.

Now we shall look into the list of retention “tools” or “strategies” as discussed by the two HR Managers in Indian industries.
EMPLOYEE RETENTION TOOLS (Shiney Nair: Google: June 26, 2009)

**Communication:** Communication has become so heavily stressed in the workplace that it almost seems cliché. However communication couldn’t be more important in the effort to retain employees. Be sure that team members know their rules, job description, and responsibilities within the organization. Communicate any new company policies or initiatives to all employees to be sure that everyone is on the same page. Nobody wants to feel that they are being left out of the loop.

**Include E in Decision-Making:** It is incredibly important to include team members in the decision making process, especially when decision will effect an individual’s department or work team. This can help to create of employee involvement and will generate new ideas and perspectives that top management might never have thought of.

**Allow Team Members to Share their Knowledge with Others:** The highest percentage of information retention occurs when one shares that information with others. Having team members share when they have learned at a recent conference or training workshop will not only increase the amount is information they will retain, but also lets a team member know that he is a valuable member of the organization. Facilitating knowledge sharing through an employee mentoring program can be equally beneficial for the team member being mentored as well as mentor.

**Shorten the Feedback Loop:** Do not wait for an annual performance evaluation to come due to give feedback on how an employee is performing. Most team members enjoy frequent feedback about how they are performing. Shortening the feedback loop will help to keep performance level high and will reinforce positive behavior. Feedback does not necessarily need to be scheduled or highly structured; simply stopping by a team member’s desk and letting them know they are doing a good job a current project can do wonders for morale and help to increase retention.

**Balance Work and Personal Life:** Family is incredibly important to team members. When work begins to put a significant strain on one’s family no amount of money will keep an employee around. Stress the importance of balancing work and one’s
personal life. Small gestures such as allowing a team member to take an extended lunch once a week to watch his son’s baseball game will likely be repaid with loyalty and extended employment with an organization.

**Provide Opportunities for Growth and Development:** Offer opportunities for team members to acquire new skills and knowledge useful to the organization. If an employee appears to be bored or burned out in a current position offer to train this individual in another facet of the organization where he or she would be a good fit. Nobody wants to feel stuck in their position will no possibility for advancement or new opportunities.

**Recognize Team Members for Their Hard Work and Let Them Know They Are Appreciated:** This can be one of the single greatest factors affecting employee retention. Everybody, in the all levels of an organization, wants to know that their efforts are appreciated and recognized. This can be as simple or as extravagant as a supervisor may desire. Often time a short e-mail or quickly stopping by a team member’s desk and saying “thanks” can do wonder for morale. Other options might include a mention in the company newsletter for outstanding performance or gift certificates to a restaurant or movie theatre – the possibilities are endless.

**Clearly Define What is Expected of Team Members:** Nothing can be more frustrating or discouraging for an employee than the lack of a clear understanding of what is expected of him on the job. In a performance driven workplace a lack of clarity regarding job duties and expectations can cause fear and anxiety among employees who are unclear of what is expected of them. Even worse outright anger can occur when a team member receives a negative performance evaluation based on expectations and job duties that he or she was unaware of or unclear about.

**The Quality of Supervision and Mentorship:** It has been said so often that it is almost cliché, but people leave, not their jobs. Supervisors play the largest role in a team member’s development and ultimate success within an organization. All employees want to have supervisors who are respectful, courteous, and friendly – that is a given. But more importantly team members want supervisors who should set clear performance expectations, deliver timely feedback on performance, live up to their word and promises, and provide an environment where the employee can grow and
succeed. Failure by supervisors and management to provide this can cause an employee to start looking for greener pastures.

**Fair and Equitable Treatment of all Employees:** One of the surest ways to create animosity and resentment in an organization is to allow favouritism and preferential treatment of individual team members. The so-called “good old’ boys club” concrete a noxious organization culture and foster resentment among team members. This culture will only get worse and can create a devastating exodus of valued team members.

**Best Employee Reward Programs:** If these rewards are in terms of money, by dividing it into two parts and giving the first half parts with the initial month’s salary and the remaining after six months helps in retaining the employee for six months.

**Career Development Program:** Conditional assistance for certain courses should be provided within the company in which the company will bear the expenses only if he/she scores a certain aggregate of marks.

**Performance Based Bonus:** To get more work out of the employees, remuneration in the form of bonus helps to retain individuals who are highly productive. It doesn’t add extra – pressure on the company’s budget. It can be arranged by cutting a part of the salary hikes.

**Employee Referral Plan:** Introducing employee referral plans and giving referral bonus after six to nine months of continuous working of the new employee as well as existing employee reduces the hiring cost of new employee as well as helps retention of the existing ones for a longer period of time.

**Loyalty Bonus:** After successful completion of a specified period of time in an organization rewarding employees with money or position gives recognition and satisfaction to them. It also gives encouragement to the fellow employees.

**Giving Voice to the Knowledge Banks:** The important intellectual assets of the company are the workforce. The company should retain it through involving them in some of the important decisions.
Employee Recreation: Involvement of top management along with the lower and middle level management in some recreational activities makes the employees feel that they are very close to the management and are treated equality.

Gifts on some Occasions: Giving some gifts on festivals and special occasions to the employees makes them feel good and realize that the management is concerned about them.

Accountability: Creation of an environment that demands accountability and transparency helps employees to feel that they are as superiors. This helps in emotional bonding of the employees.

Surveys: Conducting regular surveys, feedbacks from superiors as well as other issues like morale, development plans, etc. This make them feel important and understand that the company really cares for them

Fun and Laughter at Workplace: Fun and laughter in a workplace lend a competitive advantage to an organization through its human recourses. The presence of humor in a workplace enables the employees to work with interest and enthusiasm that reduce the work pressure and attrition levels. It instills a sense of joy among the employees that can go a long way in creating a bond between the employees and the employer and thereby decreasing the rate of employee attrition. In a nutshell, creating a fun and laughter – filled work environment in an organization will pave the way for its success in the marketplace. Such a company is sure to emerge as an ‘employer of choice’.

For every company, workforce is an intellectual capital which is the source of its competitive advantage and helps achieve the bottom line. Hence, retaining a well trained, skilled and contented workforce can lead a company to dizzy heights while the lack of it can hamper its growth badly. So, every resignation saved is every dollar earned.

Retention Strategies Advocated by Sanjiva Sharma (Google:2009)

Mr. Sharma admits that his list is not an exhaustive list; one can add or delete any of the strategies listed by him. Secondly, the need of the hour is to have "right basics".
Every individual is different, his needs are different, and his emotions, his problems are different. The list is as follows:

1. **Communications - Getting Your People to Care**

Communication is the first step toward creating the kind of environment that people care about, and if they care, they just may stay. I'm not talking about a lot of New Age stroking designed to bring out the inner person or false praise that creates a misplaced sense of security. Instead, keep your people in the loop about what's happening with the company. At any time, all of your employees should have a pretty good idea of how business has been, and they should be aware of what issues the company is attempting to address.

It means that you regularly keep your people up to date with important events affecting the company. If November was good, let them know, and while you're at it, tell them what you expect to happen in December. Share good news, as well as points of concern. If you've got "issues," talk about them before they start making you crazy. And if they don't get resolved, figure out whether the problem stems from a couple of individuals or from your system.

The point here is that you want to treat these people as your partners, which they are. They may not have to worry about covering the payroll this week, but they do have worries of their own. Treat them with at least as much respect as they give you. As the store's owner or manager, you set the tone for the entire organization. If your salespeople, for instance, enjoy their encounters with you, they are much more likely to greet customers with a positive attitude. They are also much more likely to enjoy their work when they don't have a fire-breathing dragon looking to singe their butts.

Listen to your employees when they have ideas for improvement. Again, the benefits extend beyond just making people feel appreciated for their contributions. These are, after all, the people who do the work every day. They may have some ideas to improve productivity, and when they do come up with one, let everybody know where it came from. Post a "brag board" in your break room, or circulate an internal newsletter that touts these contributions. The pay-off is a contagious feeling of pride and, perhaps, some new efficiency that saves the company money.
2. Set Clear Expectations

- How often do you appraise your employees/team-members?
- What are your expectations from your employees/team-members? What are the parameters to measure their performance? Have you communicated to them?
- What will be the consequences, if they fail?
- What will be the rewards, if they exceed the expected level?

If you are not having any expectations, how are you going to appraise your employees? Yes, you are going to be biased, because you don't have set standards.

The role of a CEO, HR Manager is like a director of a movie; choreographer of a stage show, where there is a defined role for each character, each participant.

Setting expectations initiates the process. Managers need to sit down with each employee and clearly define what's expected of them. Management consultant, Kenneth Philips, states that when expectations are not clear, employees may not be in sync with their job's current demands and priorities. Setting expectations is not a once and done activity. Jobs change. Priorities change. Resources change. Managers need to revise and set new expectations throughout the year. Setting expectations revolves around the following three areas:

1. Key job responsibilities
2. Performance factors and standards
3. Goals

Why is a setting expectation important? Quite simply, this process can be the cornerstone of improving the motivational climate within your sphere of responsibility. If your employees know what is expected of them, it allows them to focus on results and to monitor themselves against the set standards. Environments in which expectations are not clear, or change from week to week, seldom create high-performing work groups.

The three principles that should drive expectations are clarity, relevance, and simplicity.
**Clarity:** Expectations should focus on outcomes, not activities. In other words, you achieve clarity when you identify the expected results rather than the method for achieving them. Managers often make the mistake of attempting to direct the process that an employee will use rather than being clear about results. The advantage of identifying the outcome is that you, the manager, focus only on the goal; after all, the employee will develop the method for achieving the desired results.

Defining the objective often requires some thought on the part of the manager because it is easy to fall into the "activities trap". While developing a strategic plan for a department or division is a worthy activity, it does not represent an outcome. In the activities trap, developing a plan is the goal, rather than increasing your market share.

**Relevance:** The principle of relevance helps define the "why" of the assignment. If your employees have a full understanding of the project's importance, they can make adjustments as unanticipated factors crop up within the process. They probably also will be more committed to the result because they can see more easily how it fits into the big picture and how their efforts impact the company.

This understanding typically is accomplished through dialogue between the manager and subordinate, which allows for a more thorough review of the situation and for feedback and discussion. This process builds good will with the employee and sets the stage for additional responsibilities.

**Simplicity:** Simplicity creates a sense of grounding for employees as they endeavor to carry out assignments. If managers identify the work in simple, straightforward terms, employees will find it much easier to follow through on managers' wishes. To accomplish this, a manager must identify the key message in a fashion that the employee can embrace.

**3. Proper Rewarding:** A research reports says that in today's scenario, 70% of your employees are less motivated today than they used to be. 80% of your employees could perform significantly better if they wanted to. 50% of your employees only put enough effort into their work to keep their job.

As you might be aware of Employee Reward covers how people are rewarded in accordance with their value to an organization. It is about both financial and non-
financial rewards and embraces the strategies, policies, structures and processes used to develop and maintain reward systems. The ways in which people are valued can make a considerable impact on the effectiveness of the organization, and is at the heart of the employment relationship.

The aim of employee reward policies and practices, if any in your organization is to help attract, retain and motivate high-quality people. Getting it wrong can have a significant negative effect on the motivation, commitment and morale of employees. Personnel and development professionals will be involved frequently in reward issues, whether they are generalists or specialize in people resourcing, learning and development or employee relations. Keep following parameters in mind, while designing a reward policy:

4. **Build a High Degree of Recognition Value into Every Reward You Offer:**
Recognition is the most cost-effective motivator. While the high cost of other rewards forces us to give them sparingly, recognition can be given any time, at very little cost. Some very ordinary items and events can be imbued with extraordinary motivational significance, far in excess of their monetary value. I am constantly amazed at how motivating a pizza or movie tickets can be if is given with sufficient appreciation. A sincere thank you can be delivered at any place and at any time, costs absolutely nothing and can be more motivationally powerful than a substantial monetary bonus. Organizations can provide innovative recognition in an infinite number of ways.

In an incident (hypothetical) a small manufacturing company made its employees feel like heroes when they attained a major safety milestone - 100 days without a single accident. On the morning of day 100, it was announced that a catered lunch would be served the next day, if they made it to the 5:30 shift without an accident. At 5:15 anticipation was building. Managers took confetti and streamers to the balcony overlooking the shop floor. When the 5:30 whistle blew, there were congratulations all around, confetti flew through the air and banners were unfurled. It was a great moment for everyone - and one that was not soon forgotten. The recognition value of this celebration was extremely high, while the monetary cost was relatively low.

Highly motivating organizations even celebrate small successes. A health-conscious company distributes fruit bowls to employees' work areas when key personal
milestones are attained. Another company uses a more fattening approach: fresh-baked chocolate-chip cookies to say thank you.

5. Reduce Entitlements and Link as Many Rewards as Possible to Performance:
Clearly the traditional "pay for loyalty" systems in most organizations need to be changed. Don't let attendance be your major criterion for rewards. Most employees resent those who only put in their time and yet receive the same reward as those who go the extra mile. Today's employees have higher expectations for what work can and should be, and they want to receive rewards that reflect their personal efforts and contributions.

This is why so many companies are moving toward performance-based rewards, including performance bonuses, gain-sharing and non-monetary recognition. Although not a panacea, companies are finding that these new reward systems do allow them to give substantial rewards to those who really deserve them. Smart organizations are looking for opportunities to reduce across-the-board entitlements, and thereby find more resources for discretionary performance-based rewards, without increasing the total cost of rewards. So Troubleshoot your reward system to make sure that what it is rewarding is what you really want to happen.

6. The Law of Rewards - "What you reward is what you get" - Is extremely powerful. No matter what your orientation materials or job description might say, it is the rewards your organization gives that communicate the real expectations. The most important question to ask in evaluating the reward system in your organization is and ask whether the rewards that are given elicit the performance wanted? Start with the results needed and then pinpoint the types of behaviors needed to achieve them. For example: “If you believe teamwork is going to get you the results you want, make sure you reward teamwork, and not internal competition between departments. If you want quality, make sure that productivity isn't over emphasized. And, if you want long-term solutions, don't reward quick fixes. Also, don't confuse employees with too many rewards. It is better to focus rewards on the critical few behaviors and results, rather than diluting them by rewarding the trivial many".
7. Reward Promptly: Rewards should be given as soon as possible after the performance has taken place. This is why the most successful gain-sharing programs pay employees monthly, rather than quarterly or annually as in the past.

There is a well-accepted law of behavioral psychology, that if you want someone to repeat a behavior, you should positively recognize it immediately. From this law, smart supervisors and managers can learn a vital lesson: Look for any employee doing something right, right now, and recognizes it - "Golden Banana Award”.

8. Give Employees a Choice of Rewards: Rewards are as different as the people who receive them and it doesn't make sense to give rewards that recipients don't find rewarding. For example, some people prefer more pay, while others prefer more time off. A promotion might be more rewarding to one person, while a job-sharing arrangement might be more rewarding for another. Some people are excited about sports events, others about movies. Some employees would love a dinner in a romantic restaurant, others a book by their favorite author. Food, fun, education, improved work environment, gifts, travel, family-oriented activities - the options are endless.

How do you know what will be rewarding to employees? Ask them. Smart organizations are also letting employees choose their own rewards from reward menus and catalogs. Personalizing rewards shows that a company cares enough to discover what "interests" each employee, rather than just distributing generic items. It also reduces the following danger: In one organization I was visiting, an employee opened a big drawer in his desk and disdainfully showed me all the "worthless trinkets" he had collected over the years.

9. Increase the Longevity of Your Rewards: This can be done in a number of ways: One of the keys to reward longevity is symbolism. The more symbolic an item is of the accomplishment, the more likely it is to continue reminding the employee of why it was given. For instance, a T-shirt of coffee mug with a meaningful inscription will continue rewarding those who wear it, or use it, long after its initial receipt. There are many tokens of appreciation I still keep on or near my desk that remind me of the joy of past accomplishments, while the monetary rewards I have received are long spent and long forgotten.
Another way to increase the longevity of rewards in your organization is by using some kind of point system. Rather than rewarding each individual behavior or accomplishment, points can be awarded, which employees can accumulate and eventually trade for items from a reward menu or gift catalog. This keeps the anticipation of rewards fresh for longer periods of time. It also addresses the need for reward individualization.

One company that designs motivational systems offers an electronic debit-card system to help larger clients cope with the complexity of distributing, tracking and redeeming employees' points. Employees can use their points to purchase virtually anything they want, from sports equipment and clothing to automobiles and overseas vacations. They only caveat for such programs is to make sure that the recognition value of the rewards isn't lost because of the impersonal nature of the technology.

One company uses a game it Call Safety Bingo. All employees receive a weekly bingo card. When an employee is observed working safely, a number is presented (immediate recognition). When they get "bingo", they receive a safety jacket (along with appropriate verbal reinforcement). The rewards escalate for subsequent wins. This type of program keeps employees interested for long periods of time, even though there might be weeks or months between rewards, and makes routine work more fun overall.

Interestingly, when researchers have investigated the motivational dynamics of these workplace games, they have found that the major motivator is the playing, not the prize.

10. Be continually vigilant of de-motivators that may undermine your organization's best efforts to provide power rewards, and reduce them promptly: Most de-motivators can be dramatically reduced by soliciting employee involvement in identifying highest-priority de-motivators and by enlisting top-management commitment to support their reduction. It is probably self-evident that considerable sensitivity is needed in the administration of any reward system. One de-motivator that is probably endemic in any reward system modification (especially as an organization moves from entitlements to more performance-based rewards) is a sense that something is being taken away. Employees need to be educated about the reasons
that this is being done, understand the ultimate benefits to them and the organization, and should probably have some input into the change process.

To avoid the perception of unfairness, it is important, first and foremost, that the process for allocating rewards is viewed by employees as being impartial. This requires an objective measurement system that few organizations have. Without such objective measurement, any reward system is probably destined to failure.

In addition to these strategies, Mr. Sanjiv Sharma in his article discusses some ancillary strategies. These are:

1. **The quality of the supervision an employee receives is critical to employee retention.** People leave managers and supervisors more often than they leave companies or jobs. It is not enough that the supervisor is well liked or a nice person, starting with clear expectations of the employee, the supervisor has a critical role to play in retention. Anything the supervisor does to make an employee feel unvalued will contribute to turnover. Frequent employee complaints center on these areas.
   - Lack of clarity about expectations,
   - Lack of clarity about earning potential,
   - Lack of feedback about performance,
   - Failure to hold scheduled meetings, and
   - Failure to provide a framework within which the employee perceives he can succeed.

2. **The ability of the employee to speak his or her mind freely within the organization is another key factor in employee retention.** Does your organization solicit ideas and provide an environment in which people are comfortable providing feedback? If so, employees offer ideas, feel free to criticize and commit to continuous improvement. If not, they bite their tongues or find themselves constantly "in trouble" - until they leave.

3. **Talent and skill utilization is another environmental factor your key employees seek in your workplace.** A motivated employee wants to contribute to work areas outside of his specific job description. How many people could contribute far more than they currently do? You just need to know their skills, talent and experience, and take the time to tap into it. As an example, in a small company, a manager pursued a new marketing plan and logo with the help of external consultants. An internal sales
representative with seven years of ad agency and logo development experience, repeatedly offered to help. His offer was ignored and he cited this as one reason why he quit his job. In fact, the recognition that the company didn't want to take advantage of his knowledge and capabilities helped precipitate his job search.

4. The perception of fairness and equitable treatment is important in employee retention. In one company, a new sales representative was given the most potentially successful, commission-producing accounts. Current staff viewed these decisions as taking food off their tables. You can bet a number of them are looking for their next opportunity.

In another instance, a staff person, just a year or two out of college, was given 20,000 in raises over a six month time period. Information of this type never stays secret in companies so you know, beyond any shadow of a doubt; the morale of several other employees will be affected.

For example, you have a staff person who views his/her role as important and he/she brings ten years of experience, an MBA from a reputed B School and a great contribution record to the table. When he/she finds he/she is making less money than this employee, he/she is likely to look for a new job. Minimally, his/her morale and motivation will take a big hit. Did the staff person deserve the raises? Yes. But, recognize that there will be impact on others.

5. Your best employees, those employees you want to retain, seek frequent opportunities to learn and grow in their careers, knowledge and skill. Without the opportunity to try new opportunities, sit on challenging committees, attend seminars and read and discuss books, they feel they will stagnate. A career-oriented, valued employee must experience growth opportunities within the organization.

6. A commonplace complaint or lament often heard during an Exit Interview is that the employee never felt senior managers knew he existed. By senior managers I refer to the president of a small company or a department or division head in a larger company. Take time to meet with new employees to learn about their talents, abilities and skills.

7. Meet with Each Employee Periodically. You'll have more useful information and keep your fingers on the pulse of your organization. It's a critical tool to help employees feel welcomed, acknowledged and loyal.
8. No matter what the circumstances are but **never, never ever threaten an employee's job or income.** Even if you know layoffs loom if you fail to meet production or sales goals, it is a mistake to foreshadow this information with employees. It makes them nervous; no matter how you phrase the information; no matter how you explain the information, even if you're absolutely correct, your best staff members will update their resumes. I'm not advocating keeping solid information away from people; however, think before you say anything that makes people feel they need to search for another job.

**Strategies Advocated by B.K. Punia and Priyanka Sharma (2008:62):**

B.K. Punia and Priyanka Sharma in their article titled as “Employee Perspectives on Human Resource Practices as a Retention Tool in Indian IT Sector published in 2008 The employees regard an induction and orientation program as a valuable measure to employee retention and it is given the highest importance among the procurement practices as well. They also state that the “buddy system” pairing new hires with somebody who appears to be like kind and is in a leadership position also helps to retain the employees. Their findings reveal that another valuable component of employee retention is weekly feedback. It is also revealed that scientific job analysis as a proficient is an employee retention strategy. A systematic job analysis helps to obtain all pertinent facts about the job and identifies the nature and level of human resources required to perform the job effectively, and that the people appointed to such jobs stay with the company for longer times.

However the authors finally state that efficiency of induction program, scientific job analysis and fair and skill based distribution of work assignments are going to be the key factors in influencing the employees’ retention intentions in industrial organizations in general and the IT sector in particular. The other retention factors as revealed by their study are:

1) The source of employee procurement, whether internal or external, has a positive relationship with employee retention

2) Outsourcing of employees increases their chances of longer working with the organisation.
3) A non-discriminating procurement policy increases the retention intentions of the employees

4) The prevailing selection practice i.e. written test and interview is adequate enough to encourage a longer stay of employees

5) Psychological tests based selections ensures a comparatively longer stay of selected employees

6) Scientific job analysis is must for retaining the employees for a longer period

7) An effective induction programme soon after the selection augments the employees’ commitment with the organisation

8) A fair and skill based distribution of work assignments can act as a much stronger retention tool

9) Employees tend to stay longer where their work gives them a feeling of personal accomplishment

10) The process of identifying candidates to fill open position has a positive relationship with their stay in the organisation

11) Hiring of freshers increases the chances of their longer stay in the organisation

12) Service agreement bond enhances the retention intentions of employees beyond the agreement period.

13. The prevailing selection practice if replaced by technical interview and employee referral may act as a superior tool for employee retention

A New Dimension to Employee Retention in IT Industry in India and the Need for the Study

Considering the growth of the IT industry in India in the geometrical ratio, the scarcity of the workforce, the competition among the IT organizations for the talented employees, the growing global market for the IT products and the clients’ requirements the IT organizations are in search of new and newer strategies to retain their employees. To this task one more dimension is added. It is a common knowledge that the Indian companies get their business from other countries and of late they are not able to deliver the goods on time. Often they quote the problem of high quantum of employee attrition. It is reported (Times of India dated March 5, 2008, p.25) that the clients are not willing to accept excuses about project delays on
account of employee attrition. Not all are willing to foot financial losses resulting from delayed delivery. The clients are now introducing a ‘retention clause’ in contracts. This will make enterprises responsible for retaining people/teams working on the client’s projects. Failing that they would attract financial penalty. Consequently, the IT companies and organizations have to think about the effective strategies of retaining their people.

There are research gaps on various concepts on employee retention strategies. Not many studies are documented in the area of employee retention strategies. Each company follows its own employee retention strategy. Present study is an attempt to fill up these gaps by adopting both Indian and MNCs.

**The Research Problem:** Therefore, it was thought timely to identify and select the subject of Employee Retention Strategies as a Research Problem for my Ph. D research. Thus the research problem of this study is: “Employee Retention Strategies in IT Industry: A Study of Select IT Companies in Bengaluru”, for a PhD Degree in Management of the University of Mysore under the auspices of the B.N. Bahadur Institute of Management Sciences.