CHAPTER ONE

INTRODUCTION

Although ‘Retention of Employees’ in present era is considered as strategic approach of Human Resource Management and treated as specialised fields of challenge for the management of the organisations in the post Liberalised and Globalised economy, measures adopted for retention of employees can be traced back to the beginning of the human civilization and emergence of economic activities in primitive age. In earlier age as the economic activities were linked with social fabric, measures for retention of employees were also practised more as social system and coherence than the economic viability or the profitability. Those measures may also be traced as initial form of social security practiced by the landlords to the business houses. Providing shelter for living, food, clothes, payment of fee for children education, medical treatment in the event of illness, cost of funeral on death, sharing of crop produce, even symbolic share in profit and business to key workers like Accountant (Munshiji), etc are some of the examples for such measures which can be treated as way of compensation, social security and retention measures together.

As regards formal literature on ‘management of the people’ the world’s first management book may be referred the ‘Arthashasstra’written by Chanakya three millennium BC. This treatise had codified many aspects of human resource practices of the ancient India. Along with the concept of the financial administration of the state and guiding principles for trade and commerce it also presented details on management of the people (Chatterjee 2007). Those ideas were to be embedded in organisational thinking for centuries (Rangarajan 1992, Sihag 2004). The socio – cultural based tradition and heritage can have a substantial impact on current management mindsets in
terms of family and social bonding and mutuality of obligations. In the contemporary context, the Indian management mindscape continues to be influenced by the residual traces of ancient wisdom as it faces the complexities of global realities (Chatterjee 2007).

With the change of the age, period and time, economy has transformed to the organised modern high technology oriented productions and business activities. The social systems and obligations of the business operations have taken shape from the informal human relations to formal codification of contractual relationships in all spheres of business activities and operations including the dealings with the work force. Today the business has become more competitive and organisations have undergone intensive and extensive changes in the operations with product acceleration, technological revolutions, globalised competitive challenges and many more factorial changes.

The Corporate world in the new economic environment is experiencing a paradigm shift in management thought, where human resources have become the key asset of the organisations and strategic human resource management is recognised as an important element to achieve competitive advantage. (Arun Monappa and Mahuleh Engineer, 1998). The emerging scenario is highly complex, necessitating speed, flexibility, precision, quality and the willingness and the ability to change for survival and success. All these underline the need for the human resource functions to reinvent itself. Before, catalysing organisational change and adding value through strategic management, the human resource personnel need to critically assess their new role of strategic business partners within the organisations. This is a shift from their earlier supportive and functional role. Human resource personnel now need to imbibe general business capabilities in addition to their specialisations (Walker 1990). New paradigm companies recognise that an important element in business
management practices is the need to successfully motivate and retain high talent employees who survive organisational restructuring, downsizing, consolidation, reorganising or re-engineering initiatives. (Clarke, 2001)

The NASSCOM HR Summit 2005 has underlined the capacity building and talent management in the key note address for the summit stating "Human Resource, a critical and integral part of any successful organisational strategy, is undergoing transformation globally. The role of HR in creating sustainable business development is also increasingly being recognised. On the other side, rising competitiveness coupled with the dearth of quality within the employable age group has been creating a challenge for organisations, especially in the western countries.

Even a country such as India – which is gaining recognition as an ‘IT hub of the world’ and which has surplus manpower (like its contemporaries China, Ireland and the Philippines), the issue of the ready pool of IT – ITES professional is becoming key.

The internationalisation of the productive process have raised new problems of control, motivation and appraisal across economic and cultural boundaries. The dimensions of quality of work life are also facing a global transition. The developments in Eastern Europe, the emergence of a growing South East Asia and globalisation of economics, have created new challenges for managers and behavioural scientists (B. Pattanayak, 2003).

The Indian industries also witnessed a clear difference in approach and strategies in the pre-liberalisation period (1947-1991) and post liberalization phase (beginning of 1990s till now). In the pre-liberalised period economic policies were inward – looking, monopolistic and almost non-competitive. After inset of liberalization in the globalised economy privatisation took lead and the country was thrown into global competitive economic systems from the erstwhile
traditional, insular and self-reliant policies and strategies. The Indian Corporate world found itself in a new environment of non-regulated competitive market forces, large corporations, influx of multi-national corporations with significant broad value, from the existing government protected trade practices and economic systems. Accordingly, the Human Resource Strategies had also to be different than the ones being followed and practiced till now.

In the changed industrial and economic environment strategic staffing has become an important issue for the organisations because the ability to hold onto highly talented core employees can be crucial to future survival (Ettorre 1997; Whitner, 2001). Estimates indicate that turnover costs may be at least 1.5 times an employee's annual salary. As a result it is in the employer's best interest to retain the present employees (Gurjeet Dhillon 2001). The Bureau of Labor Statistics (US) has reported annual turnover rates as 7 to 10% from 1975 to 1995, 14% in 2001 (the turnover rate accelerated in the late 1990s), 19.2% between September 2002 and August 2003 and 37% in 2004 (for all areas of business) – Beth Kniss, 2005. The financial implications of the above rate of reported turnover can further be understood with the estimated costs of turnover – employee turnover could cost companies up to 40% of their annual profit (The Hay Group, 2001), the average company loses approximately $1 million with every 10 managerial and professional employees who leave the organisation (Fitz-enz, 1990). Further, the loss of needed talent is costly because of the resultant bidding up of market salaries for experienced hires to replace them; the costs of recruiting and assimilating new talent; the cost of investment in talent development, the hidden costs of lost productivity, lost sales opportunity, and strained customer relationships (Eskildesn and Nussler, 2000) as reported by Jenet Chew 2004. Jack. J. Phillips and Adele. O. Connell, 2003 in their studies have included in calculating the cost of turnover – exit cost of previous employee,
recruiting, selection, orientation, initial training, wages and salaries while in training, lost productivity, quality problem, customer dissatisfactions, loss of expertise/knowledge, supervisor's time for turnover and temporary replacement costs.

According to the HR Priorities Survey from ORC Worldwide, a HR consulting and data services firm, nearly 62 percent of respondents to their survey opined that talent management will be the most pressing strategic issue they face in a year. The findings of the survey also indicated that 33 percent of talent management programmes include workforce acquisition, assessments, development and retention as areas that will consume most of the survey respondents time this year 2007 (Anonymous 2007 as reported by William J Rothwell and N.S. Sherwani, 2007 – Cite Man Network). As per the study report released by Accenture (2001) involving 500 Senior Executives from companies in eight countries on three continents and spanning 10 major industry groups, 80 percent of respondents believe that ‘people issue’ are more important than ever and 68 percent believe that retaining talent is far more important than acquiring new blood. David Clinton, primary author of this report also says "People have become the key competitive differentiator in today's knowledge based economy, but addressing these human performance or 'people issues' is still a vexing management problem for many corporate leaders, regardless of location, industry or type of company. By using creative talent sourcing and talent management practices and leveraging customized performance management and teaching tools, companies can better understand and maximize the role of their people in the digital economy.

On the situation of turnover of employees in Indian industries, Sri Sabharwal, Chairman, Team Lease, employing more than 67000 employees and 450 offices over India, in an interview with India Knowledge @ Wharton says "Right now it is a land grab. It is not going
to stop while new companies keep coming in to set up their operations here. The reason why there is so much attrition is that all these healthy babies want to be born adults. Executives from an M.N.C get off the plane to set up an Indian operation, and they want to have 1000 employees in three months. Almost all the major multinationals are doing that, and the simplest way is to steal employees from other companies. The multination may grumble about attrition, but they are one of the biggest reasons for it. Some of them want to hire 100 people a day. How can you do that without stealing from other companies? The good thing is that it makes companies work harder to keep their employees satisfied. "With all these interacting issues more organisations are now realizing that retention is a strategic issue and represents a competitive advantage (Walker 2001)

Retention of key and talented ones having critical skills has been recognised by most of the business and the organisations. It has been acknowledged as one of the most important and vital factor for realising and achieving business result and success along with organisational competencies. As a consequence, a competition has also evolved among the organisations for becoming the employer of choice (EOC). For recognition to be ‘employer of choice’ the organisations are trying to develop positive environment and offering challenging job profiles to its professionally qualified employees which provide opportunities for the personal growth and fulfilment of the aspiring career growth. An ‘employer of choice’ is an organisation that outperforms its competitors in its attraction, development and retention of people with business required aptitude, after thorough innovative and compelling human resource programs (Clarke 2001; Dessler 1999). Although turnover of employees has been recognised as issue of concern by Indian industries very recently, that is, after the competitive environment developed in the post liberalization, privatization and globalisation era, some of the prestigious
organisations like TATA Motors and others are working hard to be recognised as ‘employer of choice’, as revealed through in-house magazine and news letters circulated among their employees.

Once the turnover of valuable employees have been recognised by the organisations in general worldwide including India, either accepted openly or conceitedly , competitiveness in retaining the professionally qualified and high skilled employees has emerged phenomenally. Every concerned organisation is taking measures to retain its key employees. It is reported that in total organisations have adopted more than five hundred retention measures, individual organisations experimenting a combination of few of these measures.

The organisations included in this research study are the manufacturing units in and around Pune, India , namely, Alfa Laval, Bharat Forge, Kirloskar Oil Engine, Tata Motors (Pune Unit) and Thermax India. As per the details provided by these units for this study even these organisations have adopted more than fifty measures treated as retention measures to retain their professional and supervisory employees. The researcher has evaluated those retention measures adopted by the select manufacturing units in Pune. The reported retention measures have been grouped into major universally recognised retention measures as factors of Human Resource practice and organisational factors adopted for retention of the important and valuable employees. It has been attempted and tried to establish relationship between the retention measures (HR practices or the factors and organisational factors) and retention of key employees. The strong among such measures adopted for retention has further been identified, which influence in higher ratio the decisions of the employer to stay in the organisation. The study is a combination of evaluation of census data and survey data and may help the organisations in selecting and developing this effective strategy
towards adoption of right mix of the measures for retaining the employees they desire.

1.2 EMPLOYEES AND EMPLOYMENT IN THE CHANGED SCENARIO

The profile of the employees, organisations and the employment scenario has witnessed a conspicuous change during the last two decades or so. The changes have taken place in age, gender, ethnic compositions, family structures, qualifications, skill level, aspirations, lifestyles and social values in employees. The organisations have developed modern technological and management techniques with more focus on result achievement in time bound manner along with sharing attitude towards employees but more professional in approach. Simultaneously, the employment mode and character have also seen an ongoing change during this period of two decades. The organisations have downsized their employment strength through application of modernisation in technology and modern management techniques as a result of restructuring of the organisations and or implementation of Business Process Re-engineering across the world.

The employers and the employees are now not anticipating for very long period of relationship and association between them. Gone are the days that employees think for retirement and superannuation from the organisation they join immediately after acquiring the qualification and skill for the job. Now the employees think more in the present and immediate future. Job hopping frequently has become the reality. Young professionals and fresh graduates/postgraduates from the university are joining the first organisation for employment with the initial planning of stay for few months and for first few years as career
launching pad. They are in the lookout of new jobs and changes for faster career growth in the initial years of their employment. Today's professionals have the capacity to move between jobs to optimise their salary packages and to seek more challenging work tasks and the imperative for continual change in particular jobs, organisational directions or work structures (Beck 2001; Kitay and Lavsburg 1997).

As regards structure of employment the changes are apparent. Although, many organisations have adopted for downsizing of employment strength on restructuring of the working, business units and the organisation, the reduction in number of employees has been observed more in the unskilled, semiskilled and lower end of the skilled workers as permanent employees. However, in reality there is hardly any reduction in total employment strength in any working and live organisation rather there is increase in the number or workforce, only the nature of employment has changed.

Most of the organisations keep the professionals and technical personnel on permanent roll whereas the less skilled and semiskilled are hired on contract. The jobs of the organisation not directly related to internal production activities have been outsourced – the most common example is the housekeeping jobs. These features have been observed as very common structure in the last few years and are supported through the records of the organisation and details available in the Government Departments, more particularly the Labour related statutory bodies like Provident Fund, ESIC, etc. The whole structure of employment has changed from mainly full time permanent employment to organisations with small stable core of permanent employees, supplemented with contractors as desired - either semi or highly skilled (Hamel and Prahlad 1990; Lepak and Snell 1999).

Added to these changes the quality of employees has also changed. The blue collar workforce are more on contractual jobs and are less in number than the permanent white collar jobs. In the words
of the Chairman of the Bharat Forge, Pune, having workforce of 4000, this company has now 85% white collar compared with 85% blue collar 15 years ago. He further says “We took farm hands and made them into factory workers, and now we take engineers out of university to run the shop floor” (John Elliott, Fortune, 2007 – CNN Money.com).

The nature of employment in the manufacturing sector in Pune is also revealed through the recent report published by MCCIA (Maharashtra Chamber of Commerce, Industries and Agriculture), Pune, a leading Employers Associations, based on survey of 10000 industrial units in Pune District. The report says “Pune Mfg Inc reveals formal employment to be around 500000; however, this data based figure could be on the lower side owing to the presence of contract labour that is not captured in the data at all. Nearly as much or more employment may be generated by the industries through contract”.

The change in the objectives and goals of the business in last few decades also brought the change in the relationship between employer and employee. The new HRM model is composed of policies that promote mutuality - mutual goals. Mutual influence, mutual respects, mutual rewards and mutual responsibility (Walter 1985). The theory propounds that policies of mutuality will elicit commitment which in turn will yield both economic performance and greater human development. Some researches have also assessed changes in the organisation in terms of employer-employee relationship and organisation structure (Allan and Sienko 1997; Fierman 1994; Kitay and Lansbury 1997; Kraut and Korman 1999). Post - liberalisation phase, having brought changes in the economic and business environment across the world, have also significant impact on the relationship on contracts of employment, both formal and informal. Changes in socio-economic environment in the organisation have affected the mutuality of relationships between the employer and the employee in terms of motivation and organisational commitment. The
organisations are trying hard and successfully for adjusting this mutuality of relationship and in turn have enormous implications in terms of sustained competitive advantage based on the ability to access and retain a committed skilled workforce (Kissler 1994, p 335) although it is rather difficult to motivate many of the new generation workforce than their predecessors partly due to change in their value system and higher levels of professional competency (B. Pattanayak 2003, p.11).

With the change in the attitude and style of functioning of the management and business environment the emotional relation of the employees with the employer has shifted negatively. In today’s period employees are as less tolerant as the employer. Since the organisation does not consider and wait much before firing the employees for what so ever may the reason be, the management cannot also expect the employees to remain attached to them when the ample opportunities are available in the job market for the professionals and the skilled ones. As such the commitment on the part of the employees seems to have lessened towards the organisation in present business environment.

In contrast to the earlier employee-employer long term relationship of mutual commitment the employer today cannot afford any guarantee to its employees a clear career path, stability and longevity of job and security of employment for any period. The earlier day’s contract of relationship in the form of employee loyalty in exchange for job security and fair work has broken down (Overman 1998). Now a day ‘career portfolio’ has taken lead over the loyalty and commitment and has set this a trend (Handy 1995). Taking the initiative for job resiliency, developing the skills and flexibility needed for responding quickly to the requirements of the job has been recognised and realised by today’s employees (Beck 2001). Organisational loyalty has taken back seat and front seat has been
occupied by the employees' professional growth loyalty (Levis 1995). Dissolution of the traditional psychological contract existing between employer and employee has been recognised and accepted by the employees now (Hays and Kearney 2001). As thus commitment to self and personal growth in career has taken edge over the organisational commitment known and seen earlier as granted.

Diminishing employee commitment and increased flexibility of employment may be seen and accepted as the consequences of overall powerful and unstable market forces developed in the post globalisation and liberalisation period. This has also overwhelmed the non market institutional structure. All these developments have contrasting effects on employer and employees, increased flexibility for employers and decreasing tenure and job instability for workers (Janet Chew 2004). As expected this situational flexibility of employment may be beneficial for organisations and the business it may be worse for employees as seen today world over during the period of recession leading to job loss or under employment for millions of people.

The instability of employment is leading to competition for excelling in the field by the employees to keep them employable in all times of business condition. This also leads to psychological stress and strain and the risk of burnout along with the empowerment and entrepreneurship for taking risk. Opportunities of employment have also increased for the talented professional coupled with flight of those employees from one organisation to another for career growth. Consequently, organisations will have competition for the best talent available in the market (Porter 2001). Ultimately, the organisations will have to make changes in their policies and practices to attract and retain those talents namely, nature of recruitment, selection process, training, overall benefits, career development, performance appraisal and work conditions. The best combination will have edge and succeed.
1.3 THE EFFECT OF HUMAN RESOURCE PRACTICES (MEASURES) ON RETENTION OF EMPLOYEES

Depending upon the management policies, philosophy, need, long term/short term objectives and genuineness of interest in developing the interest of relationship between employer and employees organisations adopt and develop human resource policies and practices. The measures so adopted may be either for longevity of relationship or may be of immediate current nature as per the faced problems and requirements. Recruitment policy, selection process, training, career development, performance appraisal, compensation system, physical work environment, safety, industrial relations, disclosure of company policies and practices for hiring of less privileged class of people, implementation of the legislation, relaxation and benefits to women and disabled persons are some of such measures which organisations bring into effect out of the various human resource management practices (Delery and Doty 1996; Jackson and Schuler 1995; Oakland and Oakland 2001; B. Pattanayak 2003).

Among the most critical tasks of HR Management today are the attracting, maintaining and retaining the talent for meeting the goals of the organisations. The competence of the people makes the organisational difference as human dynamics play a pivotal role in surmounting obstacles, defusing complex situations and achieving organisational goals or find it difficult to achieve the desired goals. It is because of this reason that some organisations succeed in spite of major obstacles, environmental changes and challenges, while others crumble rather quickly under external pressures (B. Pattanayak 2003). Many human resource behaviour and management theoreticians have advocated for the human resources of the organisations as the only
potential source of sustainable competitive edge and factor for sustenance or peril of the organisations (Becker and Gerhart 1996; Ferris, Hochwarter, Buckley, Cook and Fink 1999; Pfeffer 1994; Wright and McMahan 1992). Human resource practices help in creating the manpower whose valuable and unique contributions may not be imitated by the competitive organisations as the same is difficult. The available academic research (Arthur 1994, Huselid 1995; Tsui, Pearce, Porter and Tripoli 1997) conducted at organisation level also suggests about shaping of employee behaviour and attitudes as outcome of human resource practices effected in the organisations.

Organisational actions in the form of human resource practices and the trustworthiness of the management are interpreted by the employees as indicative of the personified organisation's commitment towards them (Whitener 2001; Delery 1998; Settoon, Bennett and Linden 1996; Ostroff and Bowen 2000; Wayne, Shaw and Linden 1997; Eisenberger, Huntington, Hutchinson and Sowa 1986; Settoon et al. 1996). In turn, the employees reciprocate their perceptions accordingly towards the organisation in their own commitment. The fact, that employees' commitment to the organisation is derived from their perceptions of the employer's commitment and support to the employees, has been revealed through a well established stream of research and studies in social exchange theory (Eisenberger et al 1986; Hutchinson and Garstka 1996; Settoon et al 1996; Shore and Tetrick 1994; Shore and Wayne 1993; Wayne et al 1997). As thus, the commitment behaviour may be viewed as components of fair exchange between the organisation and its employees. 'Employees and the organisations are involved in an exchange relationship' (Pinder 1984) is the postulate of motivation approach on employer-employee relationship on commitment. The attitudes and behaviour, including performance, of the employees reflect their perceptions and expectations in exchange of the treatment and support the employees
receive from the organisation in reciprocating manner. Ostroff and Bowen (2000) in their multilevel model linking human resource practices and employee reactions showed relationships and suggesting that human resource practices are significantly associated with employee perceptions and employee attitudes (Janet Chew 2004). Employee attitudes as employee commitment were associated with the interactions of human resource practices and perceptions (Tsui, Pearce, Porter and Tripoli, 1997).

The new management style of high involvement work practices that promote individual or work group involvement leading to enhancing employee retention have been discussed and advocated by many studies (Lawler 1992; Greenberg and Baron 1997; Arthur 1994; Huselid 1995; Koch and McGrath 1996). The advantages of a high involvement at work are said to include higher quality products and services, less absenteeism, lower turnover, better decision making which in turn result in greater organisational effectiveness (Dennison 1984).

The efforts on employee’s commitment and retention are the considerations from management point of view and as such now, innovative and redefined programmes or measures are constantly and continuously adopted to have positive impact on retentions. Many a time these retention measures are adopted as universally accepted programmes for all in general like flexible work schedule and child care assistance, but only few employees take advantage of those (Perry-Smith and Blum 2000). But at the same time, if the value propositions of those measures are viewed from the individual’s perspective each programme has its different significance. Young employees have more interest in compensation package, career growth opportunities and holidays and vacations, whereas middle aged in the phase of making family are more interested in job security and other benefits. Some persons will have different priority and reactions to each of such
retention measure in the career and life cycle depending upon the phase of life. Sometimes it is gender specific also within the same demographic group, a young women employee may have different priority and need than what young men need and think (Beck 2001). Similarly, the employees having few years left before retirement will be more worried and interested for pensionary, other retirement benefits and medical insurance benefits at this age and for the future.

Human Resource Management in last few years has been more strategic in its applications and more focused towards operations of HR practices which support the firm's competitive strategy (Wright and Snell, 1998). Strategic HRM aligns the management of human resources with the strategic content of the business (Walker 1992), organizational values, mission and visions. Strategic HRD involves introducing, eliminating, modifying, directing and guiding process and responsibilities in such a way that all individuals and teams are equipped with the skills, knowledge and competencies they require to undertake current and future tasks required by the organizations (Walter 1992). As such now greater attention is given to measuring and enhancing employee and organizational performance. Affirmative action policies along with equal employment opportunity implemented by the HR managers have contributed greatly to the diversity of the manpower. As strategic measures staffing techniques have become much more sophisticated coupled with expansion of employee benefit systems and making job designs and processes more creative (Hays and Kearney 2001; Oakland and Oakland 2001). As per the Global Services report (2006) deployment of employees is a bigger challenge than attrition or retention. Considerable amount to time has been spent by C-level executives to better manage human resources. Corporations are graduating to asking the next level of questions on human capital management than hiring, retaining and training people in large scales. Attracting and retaining the best talent, though
necessary, are by themselves, hardly enough. The talent must be deployed rightly to maximise value creations for organisation as strategic measure. That, precisely, is the next challenge for organisations (Retention Connection – link to articles on retention – web page)

1.4 MANAGING EMPLOYEE RETENTION – STRATEGIC APPROACH

Managing retention of employees is a constant challenge for any organisation. The awareness of the issue of retention has significantly heightened in the last decade, and from all indications, the problem may be more serious in the future decades, even in slow economic times, most human resource managers find problem in attracting and retaining the talent (JJ Phillip and AO Connell, 2003). As per study conducted during the recession phase of 2001-2003, ninety percent of the 109 executives surveyed said that they were finding it difficult to attract and retain the best people in the organisation (Dell and Hickey, 2002).

Of all the HR policies and practices the most impressive development may be termed as elevation of retention to the strategic levels of the organisation. Retention management has been defined by the researchers on retention as a strategic and coherent process that starts with an examination of the reasons that employees join an organisation (Davies, 2001; Fitz-enz 1990; Solomon 1999). In many organisations executives are creating integrated retention policies using internal and external data to shape focused solutions (Steel, Griffeth and Hour 2002). Many studies have indicated that retention is driven by several key factors and these should be managed congruently namely, recruitment strategy, organisational culture and
structure, pay and benefits philosophy, employee support programmes and career development systems (Fitz-enz 1990). Various studies on HRM practices progressively have indicated that training, compensation and reward sharing can help in reduced turnover and absenteeism, better quality work and better financial performance (Arthur 1994; Delaney and Huselid 1996; Huselid 1995; Ichviowski, Shaw and Prennushi 1997; Snell and Youndt 1995’ McDuffie 1995; Meyer and Allan 1991; Solomon 1992; Snell and Dean 1992). Typical solutions for managing employee retentions can further be summarised with sub-solutions within the key set of factors - strategy for recruitment of new employees, establishing an appropriate work environment, creating equitable pay and performance process, building motivation and increasing commitment (J.J Phillip and A.O Connell 2003).

No employee joins any job and organisation to resign. Hardly any employee decides to leave the organisation for a single reason and event like ignored for promotion, important assignment or for mere monetary considerations. However, any of those causes or events may serve as catalyst for the growing discontent of multiple factors which are the turnover drivers, both external and internal. These turnover drivers may be overall economic growth, slower growth of job seekers, unemployment rate at low levels, shortage of special skills, entrepreneurship, job changes for more favourable climates, need for autonomy, flexibility and independence, need for performance based rewards, need for recognition, participation and contributions, career growth in all directions, desire for competitive compensation, need for work-life balance etc (J.J Phillip, A.O Connel, 2003), better advancement opportunities elsewhere, diminishing job satisfaction, tense work environment, etc (Davies 2001, Oh 1997; Walker 2001).

Various studies have been conducted worldwide on the turnover as a phenomenon. Through multivariate models, combining a number
of factors contributing to turnover and on testing those models empirically the researchers in general have attempted to predict why individuals leave organisation. A number of studies are based on small number of variables only explaining often a small amount of variability in turnover. A common criticism of studies related to turnover is that they do not adequately capture the complex psychological process involved in individual turnover decisions. As per the recent study on turnover in New Zealand, Boxall et al. (2003) have confirmed that motivation for job change is multidimensional and that one factor alone cannot explain it. Through consistent research now it has been accepted that turnover is dependent on a number of factors. A Meta-analysis of some 800 turnover studies conducted by Ham and Griffeth in 1995 and subsequently updated (Griffeth et al. 2000). The analysis confirms that job satisfaction, organisational commitment, comparison of alternatives and intention to quit are some of the well established causes of turnover.

Since, the turnover is conspicuous systemic problem and symptoms of ineffective retention management, organisations need to analyse and understand as to what reasons and factors lead the employees towards commitment and loyalty to the organisation, being productive at the same time. According to the need of the organisation, as identified through the turnover studies, it should design the jobs, systems and organisation, which are more of supporting nature than of inhibiting ones. The solutions should match the needs. When attempting to match solutions to need five key issues are considered important, avoid mismatches, discourage multiple solutions, select a solution for a maximum return, verify the match early and check the progress of each solution.

Retention solution also lead to commitment, meaning understanding that employees need to have a stake and participation in their job and that employees respond positively when the employers
pay attention to their needs and involve them (Benkhoff 1997; Dobbs 2001). The Hawthorne experiment conducted at Western Electric sixty years ago too had the same findings (Parsons 1992). The movement towards participative management may be traced back in the late 1970s, the credit is largely given to the results of these test. The principles and practices of participation of employees in management of the organisation are being reflected in many current productivity and quality programmes (Fitz-enz 1990). Participation in management might lead to higher productivity if it contributes to workers perceiving that increased effort will lead to increased performance, increased performance will lead to satisfaction of important needs, and the satisfaction obtained from this effort is sufficiently great to make effort worthwhile. Finally, participation may also affect the psychological bargain between the organisation and its employees (B. Pattanayak 2003).

Since every individual or group of individuals forming a demographic character have different needs and expectations from the organisation the causes of turnover would also be different for different groups and so the choice of retention programme and the solution would be different and target oriented. As thus, to achieve the best available suited retention programme organisations need to identify and apply the retention solutions relevant to each of the employee group. Then only the strategies on application of those retention programmes should be focussed. Detailed and relevant information can be gathered for each category of employees through the current and former employees on their views and perceptions as to why employees stay or leave the organisation. The success of the prescriptions of the measure will depend on how focussed was the diagnosis of the causes. The more focussed the analysis, the more focused the prescriptive actions may be (Cavouras 2001).
Various methodologies are used to gather the desired information. Commitment and intention of retention are gathered more through the designed employee's survey. Interviews with the HR executives and survey findings of the existing employees facilitate in knowing perceptions of the employees on relevant programmes and measures. Whereas, exit interviews and follow up surveys with the former employees of the organisation are also being utilised to gather more accurate and relevant information for analysis and application of the right measure.

Through a case study titled ‘Managing People and Change. Comparing Organisations and Management in Australia, China, India and South Africa’ published as Research Paper by Jenice Jones and Terence Jackson (2001) following findings are noted.

(a) Australians managers are more motivated by autonomy and uncertainty in their jobs than their Chinese and Indian colleagues, and compared to the Indians, more motivated by personal development opportunities. They are also more motivated by achievement than are Indian managers.

(b) In contrast to South African and Indian Managers, Australians are less motivated by ambition.

(c) Compared to their Chinese, Indian and South African counterparts, Australian managers indicate a significantly higher commitment to ethical principles with lower commitment to business objectives regardless of means and a lower commitment to organisations, results, work and relatives.
(d) Australian Managers are more achievement oriented than their Chinese and Indian colleagues and significantly less status oriented than managers from China, India and South Africa.

(e) Australian managers rely less on hierarchy than to their Indian and South African colleagues and less on rank than to the Chinese but are on par with other nationalities.

(f) Australians are less egalitarian than their Indian and Chinese counterparts but communicate and provide information more openly. They are less confrontational than Chinese and South African manager.

1.5 KEY FACTORS FOR ORGANISATIONAL COMMITMENT

As observed the difference in the motivational approach among the nationals the various groups within the same nation, industry and the organisation also have different commitment level. However, several research studies suggest that the work practices having high involvement will enhance employee retention (Arthur 1994; Huselid 1995; Koch and McGrath 1996). Simultaneously, some of the key factors as mentioned below are being adopted by the organisations to address the issues related to organisational commitment and retention (Beck 2001; Stein 2000; Parker and Wright 2000; Clarke 2001; Arnold, Dovey 1999; R Sukumar 2006)

1.5.1 PERSONAL GROWTH

The Organisation that constantly fills vacancies by hiring from outside is certain to face retention problem Employees who realise that they are unlikely to be promoted to fill the vacancies will leave the
organisations sooner possible. Growing your own is a sound strategy (R. Sukumar 2006). Importance of this area is increasing among the organisations as the nature of a professional career continues to transform from one of hierarchical progression within the organisation to a more multi-organisational work experiences involving the continual acquisition of skills and knowledge. This has been called the ‘Protean Career’ (Arnold 1999) and prioritises psychological success through personal growth over vertical success through loyalty and tenure (Talent Drain 2006).

Most of the present day successful organisations are adopting the measures like training, job rotation, job enrichment, etc for providing opportunity to its professional and talented employees towards personal growth.

1.5.2 CHALLENGING JOB ASSIGNMENT

This factor is closely linked to ‘Personal Growth’ in a way that people tend to learn and develop more when they are intrinsically interested in the work they are doing (Talent Drain 2006). Talented employees are more interested in the jobs which are more challenging, have pride in doing those and giving impact to the results. As strategic retention measures the organisations are redesigning work, relationships, workflows and teams to create more exciting and challenging work (Beck 2001; Clarke 2001; Guest 1999; Messmer 2000; Stein 2000).

1.5.3 RECOGNITION AND REWARDS

Human beings in general psychologically and emotionally feel good if their efforts are recognised and feel further better if rewarded for such recognised efforts. In the organisations employees feel
elevated and tend to stay where they feel that their efforts, capabilities, contributions and performance are recognised, appreciated and rewarded although not monetarily. A sense of accomplishment is developed in them. On this key factor of retention measure it is worth noting that non-monetary recognition and rewards get upper position among the talented professionals. This recognition may be from any source, team members and peers, managers, top management, customers and others. Opportunities to participate, influencing decision making and participating in the management process are particularly important (Boyd and Salamin 2001; Davies 2001).

1.5.4 WORK RELATIONSHIP

Employees develop both formal and informal relationship while working in the organisation. This work relationship may be within the group on the assigned job, within the organisation and involves relationship and opportunities for working and social interaction both during the job and after the job. Relationship within the team have been universally considered as one of the most important aspect of the organisational culture which leads the employee to continue to remain with such team and ultimately in that organisation. Employees stay when they have strong relationships with others with whom they work (Clarke 2001). The organisations having positive outlook encourage team building, project assignments involving work with peers and opportunities for social interactions both on and off the job (Jones Sanchez, Parmeswaran, Phelps, Shoptangh and Williams 2001).

1.5.5 WORK LIFE BALANCE

As observed while analysing the causes of turnover, different employee groups have varied level of significance and importance on various factors. Accordingly, some of the employees in the same
organisation may have personal priorities or circumstances making difference in decision between staying and leaving the job. Experience says that individuals stay with the organisations which is of caring nature and considers their career priorities (life stage needs), health, location, family, dual-career and other personal needs (Gone and Googins 1992; Kamerman and Kahn 1987). As retention solutions many organisations are providing flexible schedules and work arrangements, and helping the employees in various ways to manage their work and personal life relationships (Perry-Smith and Blum 2000; Soloman 1999).

1.5.6 COMMUNICATION

Among the various key factors of retention measures communication has been considered as one of the most important aspects of organisational policies and practices. Effective communication strengthens employees’ identification with the organisation and builds trust among employees. Organisations communicate with their employees for providing information on values, mission, strategies, performance and results which have positive impact on employees (Gopinath and Becker 2000; Levine 1995). Various target audiences need different information and the medium of communication is also different.

1.5.7 COMPENSATION

Compensation is considered as single most important factor for any employment in any given time across the world. It is considered to be the first factor for attracting to the job and continuance in the job. Organisations offer pay packages to their employees superior to the prevailing rate in the market for retaining the talented ones. Increased compensation may be in the form of special pay, premiums, stock
options or bonuses. Base pay reflects fair pay whereas supplemental compensation package are result of individual, team or organisational performance and success (Parker and Wright 2001; Stein 2000; Williams 1999).

1.6 TURNOVER OF EMPLOYEES - STILL A MYSTERY

With all these retention measures organisations are trying hard and striving to reduce turnover of employees and retain the professionals and talented employees. Despite these retention measures and HR practices employees leave the organisations they are working. Why employees continue to leave? What are those unknown factors within the retention strategies, within and outside the organisational ambit? These critical questions still remain unanswered.

1.7 LITERATURE ON HUMAN RESOURCE MANAGEMENT

There is a plethora of literature on Human Resource Management worldwide. There are research publications on best practices and measures including highly successful ones. Although all these measures are considered effective in retention of employees in different sets of the condition and group of employees, there is hardly any consensus among the scholars and researchers once the question is raised regarding the practices and measures which can be defined as ideal type to combat the turnover of employees in any HRM system universally. In India situation is still different if the availability of research publication and literature on turnover of employees and retention measures thereof is considered. Since these issues are comparatively newer phenomenon there is lesser number of research studies on turnover and retention. In recent years some in-house studies or studies by the expert groups for IT industries have been
conducted, the findings of those have been reported either in the newspapers or the magazines as short reports and articles. In-house studies are mostly treated as confidential document for their own consumption. These reports are neither shared with others nor published for knowledge to the rest of the world.

1.8 LITERATURE ON RETENTION IN MANUFACTURING SECTOR IN INDIA

When it comes to the manufacturing units in India there is further dearth of literature on turnover and retention issues. Due to sudden opening of opportunities in more lucrative and attracting career and benefits in the neighbouring organisations in the form of IT companies and service sectors the manufacturing sector in India seems to have been caught unaware and unprepared to face such situation of turnover of the professionals and talents. As the problem is relatively new the solutions as retention measures are in the nascent stage, and thus is little or no research on the retention measures. The evaluation of retention measures is quite unheard till now among the manufacturing units in India. The status of such research studies within the manufacturing units in the industrial hub of Pune in India is no different than others in the country.

Given these situation and status of evaluation research studies it is perceived that a detailed study on the evaluation of retention measures adopted by the manufacturing units in Pune would be beneficial to the development of the knowledge in this so far unexplored area of research. Consequently, the need to address this situational status of research that has developed an urge to study in this field of research, and so is the purpose of this study.
1.9 PURPOSE OF THE STUDY

The purpose of this study is to evaluate the retention measures adopted for their valuable and professional employees by the manufacturing units in and around Pune, India. The success or effect of the retention measures by select units in the manufacturing sector will be evaluated through examination of relationship between the retention measures and retention of the employees. It will also evaluate and identify the retention measures which strongly influence the decision of the desired category of employees to stay in the job for whom organisation is interested and sincerely applying the selected retention measures for retention.

The analytical results reached through the evaluation study will assist the organisations in the development and effective adoption of the specific retention measures for retaining the employees. Since retention measures programme for employees are highly important and strategic tool for the organisations, effective adoption and careful application of those may facilitate the employer’s chances of improving the process of selection of employees who will develop as more committed through the employment period along with the continued application of the right choice of the retention measures. This will ultimately improve the possibility of retention of the professionally qualified, skilled and motivated employees by the organisations.

1.10 SIGNIFICANCE OF THE STUDY

The consequences of the turnover of employees are negative both for the employees and the organisation. The major categories of
negative effect may be summarized as: high financial cost, survival as the issue, exit problems and issue, productivity losses and workforce interruptions, service quality, loss of expertise, loss of business opportunities, administrative problems, disruption of social and communications networks, job satisfactions on remaining employees and image of the organisations. Similarly the negative impact of turnover on individuals (employees) include loss of employment benefits or job seniority, stress associated with the transition and change, financial difficulties, loss of social network, relocation costs, wasted efforts and uncompleted projects and career problems (J.J Phillips and A.O Connel, 2003). Loss of key talent results in the stripping of valuable human capital, critical skills and institutional memory (Entrekin 2001).

Along with the loss of productivity the organisation also lose the knowledge bank possessed by the talented employees, which can be competitively beneficial to them. Highly involved and performing employees have knowledge of the industry, customer, product requirements, process, and strength and weakness of the business. The information held in the mind of those employees form significant part of corporate equity (Gutherie 2001, Hom and Griffeth 1995; Huselid 1995; Oh 1997). Development of core competencies in order to enhance corporate competitiveness and performance level has been the concern of considerable interest through management literature (Prahlad and Hamel 1990). Such being the importance of the turnover and retention issues of employees and employers retention of valued employees has assumed the status of strategic issue for the management and of advantage to the competitive business.

As per the available literature on retention measures in India, manufacturing sector in India and manufacturing units located in and around Pune in the State of Maharashtra, India, there does not seem to be available on record to the best of knowledge of the researcher,
any empirical research study on the evaluation of retention measures adopted by the manufacturing units in and around Pune. Due to non-availability of any systematic study or unavailability of literature for such studies some of the unexplored issues on retention remain unanswered, like whether the select organisations are following 'best practices fit all', whether the retention measures adopted have any impact on turnover of employees, whether different retention measures have differential effect on the groups of employees, what is the perception of the employees on those adopted retention measures, how similar or different is the effect of retention measures in the manufacturing units in Pune than the universally found relationships of HR practices with the retention and so on. These unexplored areas of the evaluation of retention measures warrant a systematic study with the help of available theoretical model of HRM-retention relationship and HR Architecture based on universal studies.

Further, it has been observed that the manufacturing units in and around Pune are facing common and severe problems of turnover of employees due to following factors:

1. Existence of all major national and international IT sector units in and around Pune offering very attracting compensation package, accelerated career growth, modern work environment, other benefits, foreign assignments and various facilities attractive to the young engineering graduates and professionals.

2. Emerging trend of expansion of telecom sector in Pune providing exciting job offers to technical and professional personnel.

3. Existence of various other service providers increasing the job opportunities to the emerging talents in the job market.

4. Higher flight of key employees from manufacturing sector to high paying IT industries, telecom industry and other service providers.
5. Comparative low compensation package and subsidiary facilities in manufacturing industries as compared to the IT sector, telecom sector and other service providers.

It has also been shown as a matter of concern during various meetings and seminars conducted by various institutions and corporate body in Pune regarding the difficult situation being faced by most of the manufacturing units in Pune due to above factors. It has now been experienced as a threat to the manufacturing units to retain the talents with them. And as thus, the manufacturing units have started of late the various retention measures to lower the rate of turnover of employees and so to retain their desired employees despite the competition faced by them with the existence of high compensation paying IT sector, telecom sector and other service providers.

As regards location of manufacturing units in Pune the report of the survey conducted by MCCIA, the representative body of the industries, commerce and agriculture in Pune district, is worth considering. There are about 12500 formal sectors manufacturing driven, industrial units in Pune. There are distinct hubs of industrial activities within the district; most of the manufacturing industries are concentrated in and around the Pimpri, Chinchwad and Bhosari MIDC. There are several smaller industrial hubs that have formed around this MIDC area; these are at Tathavade, Chikhali, Moshi, Khadki, Dighi, Nigdi etc.

The other big belts where the industry is concentrated are the Pune Chakan route (Moshi, Chimbli, Kuruli, Khed, Mahalunge), the Pune-Mumbai belt (from PCMC, Khadki, Dehu, Pirangut and Urawade, Urse, Ambi, Talegaon, Kanhe, Takwe up to Lonavala), the Pune-Nagar belt (Kharadi, Wagholi, Koregaon Bhima, Sanaswadi right up to the
Table 1.10.1

(Distribution of manufacturing units in around Pune)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Broad Areas</th>
<th>Percentage of units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PCMC (Pimpri – Chinchwad Municipal Area)</td>
<td>38.4%</td>
</tr>
<tr>
<td>2</td>
<td>Pune- Talegaon- Lonavala</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>Pune-Alandi Markal- Moshi- Chakan</td>
<td>13.5%</td>
</tr>
<tr>
<td>4</td>
<td>Pune- Nagar Road- Ranjangaon</td>
<td>8%</td>
</tr>
<tr>
<td>5</td>
<td>Pune- Katraj- Khed Shivapur- Satara</td>
<td>4.5%</td>
</tr>
<tr>
<td>6</td>
<td>Hadapsar- Phursungi- Saswad</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>Pirangut- Urawade</td>
<td>3%</td>
</tr>
<tr>
<td>8</td>
<td>Jejuri</td>
<td>0.8%</td>
</tr>
<tr>
<td>9</td>
<td>Baramati</td>
<td>1.9%</td>
</tr>
<tr>
<td>10</td>
<td>Kurkumbh</td>
<td>0.5%</td>
</tr>
<tr>
<td>11</td>
<td>Junnar</td>
<td>0.5%</td>
</tr>
<tr>
<td>12</td>
<td>City industrial estates and areas</td>
<td>12.2%</td>
</tr>
</tbody>
</table>
MIDC at Ranjangaon). In fact, there almost exists a golden industrial triangle between PCMC, Talegaon and Ranjangaon within which industrial development seems to be taking place at a feverish pace.

The table 1.1 is indicative of where the main industrial activity in Pune district is concentrated, showing clearly that the manufacturing units are not concentrated in Pune alone, rather these are located as a cluster in Pune and around Pune, and providing significance for selection of manufacturing units located in around Pune for the research study.

As logical steps towards accomplishing the desired aims and objectives of this study for evaluation of the process and practices that organisations have adopted to retain their employees, key research questions were formulated to guide this research studies.

1.11 RESEARCH FOCUS:

Based on the background of the purpose and significance of the study the research focus has been derived and may be summarised to find the answer to the following.

1. Whether there is any influence and effect of the retention measures adopted by the select organisations for encouraging the employees to stay with them?

2. What are those retention measures which were more influential for retention of employees, if the answer to point 1 above is affirmative?

The research focus further provides direction for setting the research questions which in turn functions as back bone for the course of entire research study.
1.12 RESEARCH QUESTIONS:

Phase One - Pilot study

1. Whether the organisations are facing problem for turnover of employees?
2. Has the turnover been considered as an issue by the top management/employers?
3. What is the size of the organisation and categories of employees?
4. What categories of employees are considered by the organisation as important for retention?
5. Have such core employees for whom retention is thought, are having different needs than the rest of the employees?
6. Whether those organisations have already adopted retention measures?
7. What are those adopted retention measures?

The information and results of this phase formed the basis for selecting the units for study, further interview of the HR managers, defining the employee for the research study and developing questionnaire for survey of employees.

Phase Two – Interview with HR Managers

8. Are the retention measures playing important role and linked with retention?
9. How the retention measures are managed in the organisations?
10. On which group and category of employees the retention measures are being implemented?
Results of this phase of study helped in selection and collection of data in respect of all the existing and former employees, and also for development of the questionnaire.

**Phase Three – Evaluation of data in respect of employees for previous five years both in respect of existing and former employees**

11. What is the rate of turnover during last five years?
12. Which category of employees (demography) had the highest and lowest turnover in the organisations during last five years?

Evaluation of census data in Phase 3 helped in knowing the status of turnover in the organisations and among the group of employees within the organisations and formulation of questionnaire for survey of employees.

**Phase Four – Survey of Employees**

13. Which retention measures influence the employee's decision to stay in the organisation?
14. Whether these correspond to the perception of the employers on retention measures being influential?
15. How the employees can be encouraged to remain in the organisation?
1.13 CONCLUSION

This research study is a four phased or stages of study, (1) Preliminary survey of the organisation, (2) Interview of the HR Managers and review of the in-house publications of the organisation, (3) Evaluation of census data in respect of the existing and former employees and (4) survey of employees through questionnaire. The study evaluated the effect of the retention measures adopted for employees retention by the select organisations.

This chapter described the importance of retention in context of the Human Resource Management. It also explained the objectives, purpose and significance of the research and identified the research questions. An overview of the 'Thesis 'has also been presented in this chapter giving description of the structure and contents of the thesis.

1.14 THESIS OVERVIEW

This thesis on research study on the topic 'An evaluation of the measures adopted for retention of employees by select manufacturing units located in and around Pune' is comprised of seven chapters out of which the chapter one has been dealt on the introduction. Chapter Two provides an overview of the literature relating to the retention and the HR practices and factors that might have impact on the retention of employees. A range of variables needing considerations while evaluating the influence of the HR factors and practices as measures on retention has been illustrated in it. This chapter also offers the conceptual studies on the various Human
Research Management aspects, models and architecture which have been helpful and instrumental in designing the methodology of the studies and arriving at the conclusion of the studies.

Chapter Three narrates about the research methodology adopted in this study at various stages, steps and phases 1 to 4 dealing with preliminary enquiries, interview, and census data study and the employee survey respectively. It also describes the constructs and their operationalisation.

Chapter Four deals with the results and discussions based on the findings arrived through the analysis of the data and information collected in different phases of research study. The summary and conclusion as the result of entire study has been presented in Chapter Five of the thesis.

The list with details of the references through books, journals, articles, etc. consulted for this research study has been recorded in Chapter Six. At the end of the thesis the questionnaires for the organisations and the employees, basic statistical information of the organisations, working sheets for statistical analysis, etc. as Annexure to the thesis have been placed in Chapter Seven.