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Retention

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Abstract
Employee retention in the 21th century reflects how companies keep their employees motivated and well prepared for the challenges in the workplace. In this paper, I apply the concepts of motivation and how employers keep their employees. I also emphasize the costly effects of a employee leaving the organization, both as a dollar and emotional standpoint.

Keywords
employess, HRM, resources, retention, business, theory, work, rule, generations, training, motivator, hygiene, managing, analysis

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ABSTRACT

Developing retention programs is an area that employers often overlook. The aim of this paper is to highlight the important reasons, theories, and concepts that can help an employer develop a retention program. This is done by examining employer turnover, Herzberg's Motivation-Hygiene Factor, generational differences, and the Join-Stay-Leave Model. Upon examination of those ideas, employers can develop programs and tools tailor to keep the best and brightest employees in their organization.

When you hear the word "retention" in the business world, what do you think of? You might recognize retention from a customer's point of view when a business is making the efforts to hold onto their assets in order to maintain a loyal customer base. Retention can also be applied to Human Resource Management or HRM. HRM supervisors can develop successful retention programs by analyzing employee turnover, turnover direct & indirect costs, psychological theory, generational differences, and the Join-Stay-Leave model. By understanding the concepts, supervisors can then develop and measure a proper retention program their businesses. The application of the concepts behind retention can help an employer develop a successful retention program.

Employee retention is the "efforts by a business to maintain a working environment which supports current staff in remaining with the company" (Business Dictionary). In simple terms, employee retention is the ability for a business to retain its employees. The ability to retain employees comes with challenge. The beginning the challenge is employees leaving a company.

Employee turnover "occurs when employees leave a business and have to be replaced" (Mathis 65). Retention is when businesses design programs to keep their employees. When a business encounters high turnover. "The leadership vacuum makes it virtually impossible for companies and government agencies to produce future leaders who enhance organization growth and financial efficiency" (Saint Francis University). Employers first have to figure out why their employees leave the business and also what costs do employers incur when employees leave. Employees leave their companies for many reasons. These reasons include: "job dissatisfaction, poor management, non-competitive pay, lack of praises and rewards, avoidance of fringe benefits, and not hiring the best fit for the job" (Mathis 66). Turnover occurs when the employee leaves the company. There are four types of turnover: voluntary, involuntary, functional, and dysfunctional. Voluntary turnover occurs when the employee leaves by his/her choice. Voluntary turnover can occur due to "job dissatisfaction, pay and benefits, supervision, geography, and personal/family reasons" (Mathis 66). Involuntary turnover occurs when the employer chooses to terminate the employee. Involuntary turnover can occur at any level of the business. The factors that can contribute to involuntary turnover are: "work-rule violations, excessive absenteeism, and performance standards that are not met by employers" (Mathis 66). Functional turnover occurs when less reliable and under-performing employees leave the company. This represents a positive outlook for the company because the loss of these workers can provide better efforts to increase efficiency and productivity in order to complete work objectives. Dysfunctional turnover occurs when key employees with unique skills leave the company.This represents a negative effect on the company because the “cost of replacing these employees exceeds the benefits” (Kraft).

The fact that losing an employee can bring a huge financial burden to a company. The financial burden includes direct and indirect costs.

<u>Direct Costs</u>

- Recruitment
- Advising
- Orientation
- Training
- Severance
- Testing
- Interviewing

<u>Indirect Costs</u>

- Lost knowledge
- Loss of productivity
- Lost morale
- Loss of trade secrets

Both direct and indirect costs are crucial because the employer is losing the time out of its day-to-day business in order to hire a new employee. Every time a business loses an employee, it costs “6 to 9 months’ salary on average” (Merhar). This means that the money from the ex-employee is being put back into recruitment and training, instead of being put toward business investments. The Center for American Progress studied the average costs of a business losing employees. “The cost of replacing a $10/hour employee is $3328” (Boushey). The “cost of replacing a $40000 manager is $8000” (Boushey). The “cost of replacing a $100K CEO is around $210K” (Boushey). After analyzing the costs of losing an employee, a supervisor can then apply an age-old theory of how an employee is satisfied as their job level.

Herzberg's Motivator-Hygiene Theory was developed by psychologist Frederick Herzberg, who “theorized that job satisfaction and job dissatisfaction are independent of each other” (Herzberg). The Motivator-Hygiene Theory distinguishes between motivators and hygiene factors. Motivators give positive satisfaction from the job while hygiene factors give negative job satisfaction. Examples of motivators are challenging work, recognition of achievement, responsibility, opportunity, meaningful work, and inclusion in decision making. Examples of hygiene factors include job security, salary, fringe benefits, work conditions, good pay, paid insurance, and vacations. Hygiene factors include these examples because job disaffection happens when these factors are present. Herzberg referred to hygiene factors as “KITA” or “kick in the ass” because of employers’ incentives or threat of punishment; an example of KITA is when an employee is performing terrible and then loses his/her benefits. The goal of the motivator hygiene factor is the elimination of dissatisfaction and to increase satisfaction through motivation. The figure below introduces the four scenarios that Herzberg’s theory analyzes.

High Hygiene, High Motivator: when employees are highly motivated and have few complaints (NetMBA).

High Hygiene, Low Motivation: when employees have few complaints but are not highly motivated; the job is viewed as a paycheck (NetMBA).

Low Hygiene, High Motivator: employees are motivated but have a lot of complaints; a situation where the job is exciting and challenging but salaries and work conditions is not up to par (NetMBA).

Low Hygiene, Low Motivator: unmotivated employees with lots of complaints (NetMBA).

Herzberg's Theory concluded that only internal factors can be motivating factors for employees. Removing management control and increasing employee authority, responsibility, and autonomy is one example of an internal factor. Another internal factor is to allow employees to design their own natural work unit. Another internal factor is for employees to directly providing regular feedback to each other instead of supervisor feedback. A final internal factor is for employees to encourage themselves to take on new and challenging tasks. After looking behind the human mind at work, a business can then find our people of different ages work together in the same space.

A human resources manager must understand the differences between generations in order to understand each generation's differences in motivation and engagement. Understanding the generational gap of employees can drastically reduce costs for employers. "The first few minutes of a new employee orientation, if done right, can lead to happier and more productive workers, and ultimately, increased satisfaction. Unfortunately, a lot of companies do it wrong" (Forbes). After analyzing the basic concepts of what makes an employee who he or she is, the HRM supervisor can create a model to decipher why the employees chooses the organization to work for.

Business needs to understand why employees join, stay, and leave the organization. The Join-Stay- Leave Model is a proper way to implement a retention program. Marcus Buckingham reports that employees join because of the company vision; stay for the people; and leave because the work is unchallenging and boring (Buckingham). Employees join a company due to the attractiveness of the position that the company offers for work. Employees want a company to be "honest, reliable, and secure" (Randstad's Workforce360). New employees are more likely to be retained when they are given a realistic job preview during recruitment and selection. Employees stay within a company because of the creation of relationships and connections with other people. Employees leave the organization because to the low satisfaction and commitment the job becomes. The Join-Stay Model is the last step to help gather employee data in order for a HRM supervisor to develop a retention program.

Employee gaps in job satisfaction and age gaps is the leading cause of employee turnover. To counter turnover, an HRM supervisor must develop a retention program(s). These programs include: orientation, coaching, mentorship, compensation, recognition & rewards, work-life balance, training & development, communication & feedback, change, teamwork, and collaboration. A company's first priority is to find the cause of retention, and in response, to create a unique program. "Employees will become frustrated and may stop trying if they see no clear future for themselves at your company" (The Wall Street Journal). A Career Development Program can help businesses tailor career development opportunities to employees by creating surveys, discussion boards, and instructors in order for employees to better understand their own goals for personal development. "Require your managers to spend time coaching employees, helping good performers move to new positions and minimizing poor performance" (The Wall Street Journal). The creation of an Executive Coaching Program allows the leaders within the organization to build competencies. The program also allows managers to find the strengths, opportunities, and weaknesses of the employee in order to provide assistance within these areas. "It costs between $15000 and $25000 to replace a millennial employee" (Schawbel). "91% of millennials expect to stay in a job less than 3 years" (Forbes). Employers can better define Orientation Programs because the employee's perception of the business during the first few minutes to six months can have a drastic effect on his/her motivation for the job. A Mentorship Program can offer new hires guidance from experienced staff because the experienced staff comes with a wealth of knowledge and wisdom. Employee Compensation Programs eliminates a hygiene factor because the program provides fringe benefits that include bonuses, paid time-off, health benefits, and retirement plans. A Rewards System allows the employee to feel appreciated for what he or she does. A gift, sincere email, or an extra day off are all examples of a Reward System. "A healthy work-life balance is essential, and people need to know that management understands its importance" (Half). Employers can reduce employee 'burnout' by implementing Work-Life Programs, which allows more job satisfaction. Vacation time, days-off, and flexible work schedules are examples of work-life balance. Communication Programs is essential because direct reports on a regular basis can allow employers to see improvement, ask questions, raise concerns, and create ideas. Change Programs allows the current staff to be informed of organizational changes face-to-face in order to avoid rumors. Teamwork Programs allow people to achieve more together rather than individually. Team Collaboration Programs allow employees to collaborate milestones in life for both the individuals and the team. An example of team celebration could be meals, travel time, sports events etc. Along with the development of a retention program, an HRM supervisor can develop tools to help hear the feedback of the intended program.

Employers can create tools in order to help better understand employee retention. Employee surveys can help business better understand an employee's motivation, engagement, and satisfaction. This will help the employer create retention programs in order to combat any issues affecting employee retention. Exit Interviews can help employers understand the triggers of an employee's desire to leave the company. Employers can then use the information provided by exit interviews in order to create the necessary programs and changes needed for a company to retain its top talent.

Employers that takes advantage of the onslaught of employee turnover can create several programs and tools to help keep the best and brightest in the organization. Creating one or several retention programs can therefore reduce costs and employee dissatisfaction. The successful turnout from the retention programs comes with heavy research the theories and concepts about what an employee thinks and does.

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