

**EMPLOYEE RETENTION: AFFORDS LONG-TERM SUCCESS IN
TODAY'S BUSINESS WORLD**

Dr. Giselle A. Castillo, PhD, MBA, BSBM

University of Phoenix - Mentor

Southern New Hampshire University, College for America - Reviewer

Abstract

This research explores the fundamentals and importance of Employee Retention and how retaining employees affords organizations with long-term success in today's business world. Today more than ever employee retention is of essence due to technological advances and the lack of soft-skills and personal/ individualized customer service. The industry for the most part is not of concern; however, the employee, the "face and or voice" of any given organization is; hence, through the retention of skilled, engaged, and motivated employees organizations can remain profitable and competitive.

Keywords: Employee Retention; Employee Satisfaction; Employee Turn-Over; Workforce; Organizational Success.

Introduction

Employee retention is the single most important task for organizations today because it affects business, employees, and shareholders. In addition, it is costly and can also influence performance and productivity rates. Hence, retaining good employees is critical to an organizations long-term success. For this reason, the intent of this study was to examine scholarly research that has taken place within the past decade on issues influencing employee retention. In addition, important trends in the research on employee retention will be described. Last, an evaluation on the implications for researchers aiming to create studies on employee performance and productivity has been conducted.

Employee Retention

Scholarly research indicates that employee retention was less of an issue in decades past; because employees remained with their employers long-term. Furthermore, the process of obtaining and retaining employment did not seem as complicated as it does today. Historically, employees held a "womb-to-tomb" employment system mentality, this type of mentality can be foreseen as a reason coupled with job satisfaction, appropriate compensation (benefits), advancement, well-developed relations, and organizational culture as a means to hold on to employees. Hence, through the retention of skilled and engaged employees organizations can remain profitable and competitive.

Today organizations dance to a different tune in regard to employee retention; because, it has become increasingly difficult to keep employees, organizations have begun to employ strategies to help establish which applicants and existing employees are not only the best fit, skilled, and engaged but also which incentives will motivate them to stay (Barrick & Zimmerman, 2009). Managers in human resources also face the challenge of determining if the candidate is also predisposed to stay. This is no easy task, particularly when the process of finding quality candidates is overextended because of technology.

Technology can be beneficial, but it can also hinder the search for a qualified candidate because on-line application processes often afford hundreds even thousands of potential candidate's accessibility to apply for any given position. This can cause a problem for employers because there is a greater likelihood that applicants will be dishonest when submitting their applications via the Internet; as many applicants are aware that organizations use software to search and decipher key terms on applications and resumes to allocate those most qualified (Wood, Schmidtke, & Decker, 2007).

Unfortunately, a number of applicants are willing to exaggerate their skill sets in order to be invited to an interview. Consequently, such schemes can cause delays for the employer as the organization may waste valuable time interviewing ineligible candidates or furthermore, misuse time and money by hiring and training candidates that are later removed due to misinterpretation or omitting information on applications. Needless to say, the competition is fierce for both the applicant and the organization looking to hire and retain the best qualified individuals.

For this reason, employee retention is considered among the highest employment interaction outcome between workforces and organizations. Ratna and Chawla (2012), recommend that when organizations face potential employee loss, they take the necessary action to encourage employees to stay. Oftentimes, these actions require measures that motivate employees to stay either short-term or long-term.

Factors Contributing to Employee Retention

In the past decade academic research indicates that the primary issues contributing to employee retention are job satisfaction, benefits, advancement opportunities, relationships (intra-company), work environment (organizational culture), and recruitment. These six factors are unanimously shared among employers and employees. Sohail, Muneer, Tanveer, and Tariq (2011) posit that employee retention is an ongoing process in which the organization should commit to retain its employees for a long period. The long term commitment is agreed upon by both the employee and the employer; hence, the concept is to develop a long-lasting employment relationship that will reap benefits for both the employer and the employee. When fostering good relations certain organizational-employee elements must be present. These factors are hence noted in order of most frequently addressed throughout scholarly research literature: (a) job satisfaction, (b) relationships (intra-company), (c) recruitment, (d) advancement opportunities, (e) benefits, and (f) organizational culture.

Job Satisfaction

As research suggests, continuing generations of employees' and organizations consider job satisfaction the number one incentive in facilitating employee retention. Content and satisfied employees approach their jobs in a motivated, engaged, and committed manner. Yurchisin and Park (2010) believe that if job satisfaction continues to be enforced and maintained through organizational commitment, employees are more willing to stay. Such commitment will not only advocate continued overall job satisfaction it also fosters interest in supporting an elevated level of internal job satisfaction (Shim, Lusch, & O'Brien, 2002).

Lucas, Babakus, and Ingram (1990) describe internal job satisfaction as the degree of self-realization employees experience as an outcome of performing their jobs (Lucas et al., 1990; Shim et al. 2002). However, in certain cases job satisfaction is not solely limited to internal gratification. Hamidia and Phadeff (2011) insist that a multiplicity of factors, such as compensation, coworkers' dedication, relationships with management, and the quality of workplace environments influence job satisfaction also. Not only are these factors directly interrelated to job satisfaction (Resick, Baltes, & Shantz, 2007), they resonate in employees wanting to stay and remain within their organizations.

The underlying assumption is that employees remain with their employers when they are content, inspired, fulfilled, and their principles are congruent with those accentuated by the organization (Berings, De Fruyt, & Bouwen, 2004). Therefore, job satisfaction and shared values support good working conditions and employee retention, which are of much importance to organizations competing to stay in business (MacIntosh & Doherty, 2007).

Relationships

It is no surprise that constituent attachments (relationships) among employees and organizational counterparts, such as managers, shareholders, even clients are the second factor shared among recent research on employee retention. Research shows that effective management and positive peer group relations is interconnected with employee retention. Relationships among coworkers tend to influence employee retention through shared support and encouragement, thereby facilitating attachment to the organization (Hausknecht, Rodda, & Howard, 2009).

Connections with coworkers generate employee satisfaction, which in turn enables employee retention. Lee, Mitchell, Sablynski, Burton, and Holtom (2004) suggested that employees whom feel connected with their organizations by maintaining open lines of communication and relationships to other coworkers are more prone to be motivated to perform than employees with fewer relationships. Hence, these employees would not seek to leave the organization; furthermore, indicating that employees actively participating in their work environments demonstrate not only continued job satisfaction but also loyalty to their organizations.

Continued job satisfaction remains a common trend among the principal factors that contribute to employee retention because through job and employee satisfaction organizations and employees are enabled to foster long-term relationships (Rousseau, 1990). These relationships mostly begin at recruitment.

Recruitment

Because establishing rapport is essential in the recruitment process it is logical that relationships may transpire at this early stage. Studies on recruitment indicate that appropriate staffing and networking is crucial, and one of the most important elements when seeking either short-term (temporary) or long-term (permanent) commitment from a potential employee. Recruitment and retention of knowledgeable employees has become a global issue (Rehman, 2012). Unfortunately, recruitment has come to be a wearisome, repetitive, and disappointing task for many employers. With unemployment rates at a record high and many people desperately trying to find work; recruitment in itself has become discouraging. Disheartening because there are hundreds even thousands of candidates per job opportunity to compete against.

The competition is fierce and candidates are aware of this. In addition, competition sets the stage for candidates to make false claims on their applications and resumes. More so today than in previous years are candidates making untrue assertions in regard to prior employment history, education, experience, and skill sets (Wood et al. 2007). It is simply impossible to distinguish an accurate application from an inaccurate one without spending more time in verifying, conducting background investigations, and interviews. Therefore, sieving among applications is not only time consuming but also costly.

Nonetheless, regardless of time constraints and cost, organizations are compelled to seek out and compete for the small number of well qualified individuals, who are time and again presented with a number of jobs by numerous employers (Holtbrügge & Friedmann, 2010). Evidence suggests that achieving a suitable fit between person (potential employee) and organization can support increased employee retention intentions and turnover (Michael, 2009). Subsequently, the challenge is not solely in attainment of employees who are suitable for the job but also in retaining them in the organization thereafter (Thornton, 2008).

Advancement Opportunities

In view of the fact that retaining employees in the organization is so crucial that human resource departments strategize adequate advancement opportunities. An advancement opportunity does not necessarily mean a job promotion. Employees are seeking to grow personally and professionally. Hence, incorporating career development plans to support employee advancement can generate employee retention. According to Vos and Meganck (2009) career development plans play a fundamental role in the retention of employees.

Through career development, employees are afforded the opportunity to continue their education, learn new skills, and refine proven skills. Career development enables employees to

excel their entire potential (Rehman, 2012). Much of the research on advancement opportunities as it relates to employee retention suggests that employees consider this a form of progression essential to his or her career growth and goal attainment. This motivates employees to stay on with an organization and inspires him or her to build a career in an organization that not only extends them such an opportunity but also encourages a prosperous career (Nwokocho & Iheriohanma, 2012).

Benefits (Extrinsic Rewards)

Comparable to advancement opportunities, extrinsic rewards, such as monetary compensation alone will not retain employees. New findings have uncovered that retention of employees has developed into a challenging task for organizations, as more employees become interested in organizations that offer various types of incentives (Micheal, 2009). Intelligent employers use a variety of monetary and non-monetary reward strategies to retain employees. Such strategies include total employee compensation packages that afford employees with generous salaries, benefits, bonuses, training, and stock options.

In addition, these packages may also provide employee assistance programs, which include daycare of children (supervision), supportive services for the needs and care of seniors (eldercare), rebates on purchases, and discounts on services ranging anywhere from every day necessities to utility bills. Packages that offer employees unwavering support whether it be personal or professional stand to promote employee retention.

Whereas benefits (extrinsic rewards) are essentially foreseen as incentives of employment, such fringe benefits can be both useful to the organization that offers them as they are to the employees who receive them. It is no surprise that when employees are critical about receiving fair recognition and compensation for their efforts they may consider or leave when such opportunities to receive better rewards exist elsewhere. Hence, benefits, and the opportunity to advance within an organization are directly related to whether an employee stays or goes (Hausknecht et al., 2009).

Organizational Culture

Organizational Culture is described as a set of key characteristics that distinguishes one organization from another (Robbins & Judge, 2008). Robbins and Judge (2008) argue that specific characteristics, such as innovation, attention to detail, people, team orientation, and organizational stability promote differentiation among organizations. It is these differences that heightened employee retention. When employees feel that their beliefs systems, values, and trust are aligned with those of the organization, they chose not to leave. Furthermore, research strengthens the belief that employment retention is extremely affected by organizational culture (Hausknecht et al., 2009) because through organizational culture employees are afforded the opportunity to develop team cohesion, morale, motivation, efficient and productive work performance, and the drive to meet goal achievement. These factors seriously can impact whether an employee decides to stay or leave an organization.

Importance of Employee Retention Cost

Employee retention is vital because it helps to decrease turnover rates and cost acquired by an organization in need of retaining capable employees from getting recruited by other organizations. In a study conducted by Ballinger, Craig, Cross, and Gray (2011), the researchers found that the expenses acquired in employing and training new personnel are estimated to range from 25% to 500% of an employee's earnings. This percentage is dependent on who is being replaced- the higher the position the higher the expense (Morrison, 2006). Consequently, organizations are not only looking at spending a great deal of money but also at risk of losing valued employees- particularly those who are productive, engaged, and effective within the organization; simply stated employee retention is expensive (Ballinger et al., 2011). Hence, employee retention can be cost-efficient when taking into consideration the typical organizational expenses associated with employee retention, such as hiring, productivity, and training costs as noted above.

Personnel

Organizational expertise is affected when employees leave an organization as they take years of experience and knowledge with them. This effects organizations in a negative way, especially if the former employee leaves to work for a competitor. Last, consumer relations are a fundamental component in employee retention as many clients do and continue doing business with organizations because of his or her relationship with employees. Sichtmann and von Selasinsky (2010) argue that relationships with clientele can be an important means for gaining competitive advantages; however, as soon as an employee departs, the associations that employee built for the organization can be severed, which possibly may lead to impending loss of business and revenue.

Trends in employee retention scholarship (Research)

Research suggests that there is no apparent disparity among key trends and contributing factors involving employee retention within organizations in the United States. Both trends and factors work accordingly to benefit the organization and employee(s) that the organization is attempting to retain (Thornton, 2008). Inclusively, when benchmarking scholarly work conducted in the past five years both national and international research revealed similar use of terminology, descriptions, definitions, and arguments for strategies associated with employee retention. This suggests that the fundamental aspects of employee retention depicted in present studies not only originate from seminal work, studies, and conceptual framework conducted over 20 years ago but is also implemented outside the United States.

Subsequently, this indicates that the collective trends for employee retention throughout the years continues to be associated with deep-seated employee concerns, such as job satisfaction, internal-external business relations, working environment, appreciation, recognition, benefits, and advancement opportunities. On the other hand research also suggests that as

organizational growth continues to progress, employee concerns are becoming even more serious as organizations are striving to deal with growth through experienced personnel (Nwokocha & Iheriohanma, 2012). Therefore, one can suggest that a new set of employee retention trends be incorporated to help retain experienced and content employees. The idea of incorporating new trends would help retain experienced employees and also help enlist and seek out potential candidates that are eager and enticed to work in an organization that demonstrates the value of organizational-employee relationship and collaboration.

Oftentimes employee retention is dependent on the total work environment an organization offers their employees. Hence, by demonstrating that employees are valued and that organizational-employee relationships and collaboration do exist both organizational and employee (personal) goals can be met. First, an organization should establish a retention plan that supports both the organization's human resources process and strategic business plan (Nwokocha & Iheriohanma, 2012). Implementation of such a plan allows mutual focus on meeting the needs of employees, and supporting the future direction of the organization.

Second, the integration of employee involvement in the organization's decision-making process affords employees with the opportunity to gain a professional and personal stake in the organization's overall success (Nwokocha & Iheriohanma, 2012). Attainment of professional and personal involvement helps employees secure their reliability, dedication, and ensure their security within an organization, which enables unification of organization-employee relationships and strengthening of work environment.

Third, implementing individualized compensation plans to fit diverse needs, which protect the broad range of compensation: salary, bonuses, seniority awards, performance and productivity rewards, and fringe benefits. Lee et al. (2004) suggests that individualized compensation plans save money, time, and offer the company long-term reliable assistance from those who know the organization well. Attractive compensation plans often equals increased job satisfaction, balanced work-life, and employee retention.

In addition, to compensation plans that offer monetary incentives; organizations can include a career development plan that affords employee-workforce growth and balance. Morrison (2012) posits that through career development plans organizations can address "performance gaps" (learning needed to meet performance standards for a current task or job), "growth gap" (learning needed to achieve individual career goals) or "opportunity gaps" (learning needed to qualify for an identified new job or role within the organization). Subsequently, through career development an organization can improve workforce performance and productivity by encouraging both personal and organizational goal attainment, and motivation, which affords the organization with the ability to retain knowledgeable and satisfied employees (McNamara, 2012).

Implications for studies on employee performance and productivity

Performance can be defined as an action and the ability of completing any given action in an efficient and constructive manner. Robbins and Judge (2008) define productivity as a “performance measure that includes effectiveness and efficiency” (p. 27). Hence, productivity and performance work hand-in-hand. In business, the productivity of an employee is directly correlated to the effectiveness of the employees’ performance; therefore, it is advisable that researchers devising studies on employee performance and productivity not only consider the relationship between the two but also take into consideration that job satisfaction, employee-organizational relationships, recruitment, benefits, and advancement opportunities are interconnected.

These factors all effect employee performance and productivity. An additional alternative would be the integration of performance assessments and evaluations; similar to those presently conducted by many organizations. Jordan and Audia (2012), suggest that through performance assessments and evaluations researchers are afforded the ability to determine how employees perceive (a) their own performance and productivity levels, (b) distinguish among motivating factors to help increase performance, (c) discourage factors that influence decreased performance, (d) differentiate how these variables effect employee turnover, and (e) retain employees.

Conclusion

The review of seminal and current literature on employee retention acknowledges that organizations need to focus on retaining skilled and engaged employees to remain profitable, and competitive. Hence, employee retention can become a challenge for many organizations that are not willing to listen, value, and support their employees. Businesses today should not solely incorporate a "money making" mentality, but also consider the ramifications of productivity, revenue, and experience loss when employees leave to pursue other career options. Furthermore, organizations must not only focus on strategies that create and support a workplace that attracts, retains, nurtures, effective and motivated employees; they must embrace the notion that employee retention predicts the approach in which decision-making behaviors allow them to preserve their most experienced employees (Gberevbie, 2008).

For this reason, many organizations need to focus on safeguarding potential employee loss by acknowledging and understanding what their employees need, and what employees find professionally appealing. Oftentimes, recognizing, valuing, and supporting employees by offering distinctive incentives is the deal breaker needed to retain an employee. Furthermore, when organizations demonstrate an understanding of the key factors that contribute to employee retention and show appreciation for deep-seated employee concerns, such as job satisfaction, internal-external business relations, working environment, appreciation, recognition, benefits, and advancement opportunities; organizations are better equipped to develop and implement factors that will assist to retain employees long-term.

References

- Ballinger, G., Craig, E., Cross, R., & Gray, P. (2011). A Stitch in Time Saves Nine: Leveraging Networks to Reduce the Costs of Turnover. *California Management Review*, 53(4), 111-133.
- Barrick, M. R., & Zimmerman, R. D. (2009). Hiring for retention and performance. *Human Resource Management*, 48(2), 183-206.
- Berings, D., De Fruyt, F., & Bouwen, R. (2004). Work values and personality traits as predictors of enterprising and social vocational interests. *Personality and Individual Differences*, 36, 349–64. doi:10.1016/S0191-8869(03)00101-6
- Gberevbie, D. E. (2008). Staff Recruitment, Retention Strategies and Performance of Selected Public and Private Organizations in Nigeria. Unpublished Ph.D Thesis. Covenant University, Ota
- Hamidia, M., & Phadeff, T. (2011). Conceptual Framework on the Relation Between Human Resource Management Practices, Job Satisfaction, and Turnover. *Journal of Economics and Behavioral Studies*, 2(2) 41-49.
- Hausknecht, J. P., Rodda, J., & Howard, M. J. (2009). Targeted employee retention: Performance-based and job-related differences in reported reasons for staying. *Human Resource Management*, 48(2), 269-288.
- Holtbrügge, D., & Friedmann, C. B., & Puck, J. F. (2010). Recruitment and retention in foreign firms in India: A resource-based view. *Human Resource Management*, 49(3), 439-455.
- Jordan, A.H., & Audia, P.G. (2012). Self-Enhancement and Learning from Performance Feedback. *Academy of Management Review* , 37(2), 211–231.doi.org/10.5465/amr.2010.0108
- Lee, T. W., Mitchell, T. R., Sablinski, C. J., Burton, J. P.,& Holtom, B. C. (2004). The effects of job embeddedness on organizational citizenship, job performance, volitional absences, and voluntary turnover. *Academy of Management Journal*, 47(5), 711–722.
- Lucas, G. H., Jr., Babakus, E., & Ingram, T. N. (1990). An empirical test of the job satisfaction turnover relationship: Assessing the role of job performance for retail managers. *Journal of the Academy of Management Science*, 18(3), 199–208.
- MacIntosh, E., & Doherty, A. (2007). Extending the scope of organizational culture: The external perception of an internal phenomenon. *Sport Management Review*, 10(1), 45–65. doi:10.1016/S1441-3523(07)70003-7
- McNamara, T.K. (2012). Access to and Utilization of Flexible Work Options. *Ind Relat*, 51(2), 936–965.doi:10.1111/j.1468-232X.2012.00703.x
- Michael, A. E. (2009). Investigating Relationships between Person-Environment Fit, Job Satisfaction, and Turnover Intentions in Cyprus. *Proceedings Of The Northeast Business & Economics Association*, 125-129.
- Morrison, A (2006). “A contextualization of entrepreneurship”, *International Journal of Entrepreneurial Behaviour & Research* Vol. 12 No. 4, 2006 pp. 192-20.

- Nwokocha, I., & Iheriohanma, E.B. (2012, August). Emerging Trends in Employee Retention Strategies in a Globalizing Economy: Nigeria in Focus. *Asian Social Science*, 8(10), 198-207. doi:10.5539/ass.v8n10p198
- Ratna, R., & Chawla, S. (2012). Key Factors of Retention and Retention Strategies in Telecom Sector. *Global Management Review*, 6(3), 35-46.
- Rehman, S. (2012). A Study of Public Sector Organizations with Respect to Recruitment, Job Satisfaction and Retention. *Global Business & Management Research*, 4(1), 76-88.
- Resick, C. J., Baltes, B. B., & Shantz, C. (2007). Person-Organization Fit and Work-Related Attitudes and Decisions: Examining Interactive Effects With Job Fit and Conscientiousness. *Journal Of Applied Psychology*, 92(5), 1446-1455.
- Robbins, S.P., & Judge, T.A. (2008). *Organizational Behavior* (13th ed.). Upper Saddle River, New Jersey: Prentice- Hall Inc.
- Rousseau, D. M. (1990). New hire perceptions of their own and their employer's obligations: A study of psychological contracts, *Journal of Organizational Behavior*, Vol.11, pp 389-400.
- Shim, S., Lusch, R., & O'Brien, M. (2002). A hierarchical model of values, leadership, job satisfaction and commitment: Human resources management implications for the retail industry. *Journal of Marketing Channels*, 10(1), 65-87.
- Sichtmann, C., & von Selasinsky, M. (2010). Exporting Services Successfully: Antecedents and Performance Implications of Customer Relationships. *Journal Of International Marketing*, 18(1), 86-108. doi:10.1509/jimk.18.1.86
- Sohail, N., Muneer, A., Tanveer, Y., & Tariq, H. (2011). Loosing Your Best Talent: Employee Retention the Dilemma of Textile Industry, A Case Of Textile Sector. *Interdisciplinary Journal Of Contemporary Research In Business*, 3(8), 896-906.
- Thornton, G. (2008). Recruitment and retention: the quest for right talent. *International Business Report*. (p. 1). Retrieved from: www.internationalbusinessrepot.com
- Vos, D. Ans., & Meganck, A.(2009). What HR managers do versus what employees value exploring both parties' views on retention management from a psychological contract perspective, *Personnel Review*, Vol.38, No.1, pp. 45-60.
- Wood, J.L., Schmidtke, J.M., & Decker, D.L. (2007). Lying on Job Applications: The Effects of Job Relevance, Commission, and Human Resource Management Experience. *Journal of Business and Psychology*, 22(1).
- Yurchisin, J., & Park, J. (2010). Effects of Retail Store Image Attractiveness and Self-Evaluated Job Performance on Employee Retention. *Journal Of Business & Psychology*, 25(3), 441-450. doi:10.1007/s10869-010-9161-x