

2. Retention and Motivation

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2.1 Introduction:

One of the worst nightmares a manager faces is at the time when his best employee is resigning from the job. The manager is well aware of the aftermath as now he needs to find a replacement who is skilled enough for that particular role in the organization. Finding a replacement will indeed add up to his day-to-day responsibilities and additionally, he might even have to assume that vacant role or find a temporary fix to the situation. Of course, the impact is felt beyond the manager's worries of searching for a substitute after the employee's resignation. One's resignation leave an impact on his colleagues and all other people who are related to him in the organization. Why did he resign from the company? Is our job secured in this organization? Is there a better opportunity in the market at the moment? These are some intriguing questions that peer network prefers to discuss. While some of them might even start mailing their resumes for other jobs in a jiffy. That is why we need to understand chances of an employee leaving the organization, places where we might lack motivation and reasons why an employee might not be satisfied with the job. An understanding of these reasons allows us to frame more clear strategies for retaining employees and thereby reducing the employee turnover rates. For this reason, employee retention and employee motivation must be on a top priority for an HR Manager as well as for an organization. It's not always an organization who needs to be thoughtful about retaining an employee. At times employees also tend to show negativity towards their jobs owing to personal reasons. It usually occurs when employees share personal objective which is different from that of the organization's objective. For example, an employee on a job for only gathering information for his personal gain. Hence, retention strategies must be clearly defined to un-surface such intentions and take decisions in the favor of an organization.

2.2 Retention and Turnover:

The ability to retain an employee is referred to as employee retention. To understand employee retention better, let's look at it from the other direction with the help of a term employee turnover. Employee turnover rate is the rate at which the employees leave the organization. To reduce this turnover rate there are many techniques or strategies which are formulated by the HR manager. Employee turnover rate also hints about the quantum of hiring requirements to keep the net workforce intact.

So, when on one hand, fixing the turnover rates of an organization by hiring helps in stabilizing work & activities carried out in an organization, retention helps to create a pool of mature and experienced employees in the organization.

The employees who're with the organization from a long period of time are a valuable asset to the organization as they understand crucial business cycle of an organization, they've practical hands on experience with various organizational activities and they've their long experience banks on crucial decision-making that's required at various instances during the course of work. Hence, it's in the favor of company to hire, train and then retain their workforce to nurture a mature groundwork with a team of loyal officials.

a. Why Employee Retention?

To hire a new employee the organization must go through several steps of pooling, elimination and selection which is indeed costlier affair than retaining an already existing employee. Post recruitment and selection, training of a new employee will further add to the cost to company compared to keeping existing staff motivated either by offering financial or non-financial aid to the employees whom organization wants to retain.

As employees staying longer in the organization will feel more responsible and also they will feel as a part of the organization which will contribute to the overall vision of the organization. Employees who are with an organization from a long time understands the organization much better and carries a bond of attachment towards it. The employees who stay for a longer duration are familiar with the company policies, guidelines as well as rules and regulations and thus can contribute in further solidifying them more intensely than individuals who are new to the firm.

b. What Do Employees Get When We Retain Them?

- Employee retentions will always increase the employee morale
- Employee becomes more loyal towards the organization

c. What Do Organizations Get When Employees Are Retained?

- Organizations get to have employees who are best among the others.
- Organizations will have cost advantage which happens to take place when you recruit and select a new employee.
- Organizations will save training cost
- Organizations on loyalty of the employees.

Let us understand employee retention with the help of a case study simulation:

A company hired Renu as a team leader who is brilliant, innovative and delivers output within the required time frame. She never interferes in any of the other team leaders' task. Also, she always motivates her team and stay away from unnecessary gossips at the workplace. Renu is always serious about her work and her performance speaks about it. Dushyant, who is her immediate senior never liked her performance as he finds her as his biggest threat and thinks that she may take his position in the organization. He always tries to insult her not motivating her enough which one day made her resign the job. Now there can be two situations where Renu will be either retained or the employer will let her go.

Situation 1: The resignation by Renu was accepted by the HR manager and she was set free to leave the organization.

Situation 2: The HR immediately intervened Renu's decision, asked her the reason for her resignation and ran a checklist of other several possible issues, which made her think for a change in Renu's workplace. Renu was convinced and motivated and now she can work in the organization further with no hassles.

2.3 Retention Rate:

There is no way to run a sustainable working in an organization without a focus on employee retention calculations. Ignoring retention might just add a noticeable figure on new hiring and acquisitions on the company's annual revenue. Additionally, these hiring might not guarantee of a long-term investment. Hence, it's better to focus on retaining and monetizing on the workforce a company has already. Retention rate can be defined as the percentage of personnel an organization has retained on a given period of time. Better the retention rate, lower is the company's churn rate on hiring and training and development.

Formula to calculate employee retention

The standard formula for calculating employee retentions rate is:

$$\text{Retention Rate} = X/Y * 100$$

Where,

X= the number of employees with one year or more of service Y= the number of staff in those positions one year ago

Note: Positions added during the year would not be counted. There are different reasons why employs leave the organization and there are different Strategies which can be used to reduce this turnover rate. High employee turnover will be costly to the organization. It is a cost to company as well as it effects employees' performance in an organization. Your reputation could also be defamed, with people assuming your organization is a terrible place to work.

Some employee turnover is unavoidable. For example, retirement, relocation etc. cannot be avoided. But monitoring retention rates is absolutely necessary and equally important is to understand why the employees are leaving which can help in safeguarding positive image of a company.

2.4 Employee Turnover:

When an employee leaves and organization and the position now need to be replaced, is the process of turnover. Employers face high turnover rates and the cost often varies by organization and industry.

For example, the Society for Human Resource Management (SHRM) calculated the net average of 15% annual turnover. But the figure changes noticeably for service industries for example turnover rate is 35% for restaurants, 27% for entertainment and recreation, 22% in retail and 22% in healthcare and social assistance.

Organizations must be proactive about managing turnover so that the work environment is not hampered. HR professionals and managers must look for signs, the point of possible turnover among employees. Some of these signs include

- a. Low Interest in getting promoted within the firm
- b. Low motivation to keep managers happy
- c. A reluctance to be involved in long-term work opportunities
- d. Fewer contributions in meetings
- e. Working only enough to get the work done

Following are the 6 main reasons for high employee turnover, and what can be done to reduce it:

a. Poor Growth and lack of development: Opportunity for progressing in your workplace is very important for retaining good employees. If an employee feels trapped in a dead-end position, they are most likely to look towards other job opportunities where they will get satisfaction in terms of development.

b. Extra work hours: It looks feasible at Times of economic pressure; the employees are to take on extra responsibilities. But asking employees to choose between their professional life and personal life will be difficult for someone to agree with or accept. Instead, it will lead to a higher churn rate, as employees will feel annoyed because they are unable to do so.

c. Lack of Recognition: A recent management study by Victor Lipman says that 36% of employees felt so strongly about recognition (or lack of it) that it was “the number one reason they’re considering switching jobs.”

d. Lack of feedback: Many managers aren’t good communicators. They do-not provide feedbacks to the employees when and where required and this gives employees a reason to leave the organization as they feel they have been ignored.

e. Micromanaging the employees: Micromanaging the employees by telling them what where when and how to decide will not give them enough opportunity to innovate. Also doing so will make them frustrated with the lack of freedom, which in turn will contribute to high turnover rate.

f. Poor job fit: Selecting an employee who is not fit for the job will result in doing the same process of recruitment and selection again to refill the vacancy. This results in wastage of time, money, and energy during the downtime, as well as additional recruiting and training expenses.

2.5 Types of Turnover:

Turnover is classified in many ways. One classification uses the following categories for the two types which are not mutually exclusive

- Involuntary turnover: employees are terminated from poor performance or work rule violations or through layoffs
- Voluntary turnover: employees leave by choice

Another view of turnover classified on the basis of whether it's good or bad for the organization:

- Functional turnover: lower performing or disruptive employees leave
- Dysfunctional turnover: key individuals and high performers leave

a. Why employees quit?

Employees leave the organization for many reasons only some of which can be controlled by the organization, another classification uses the following terms to differentiate turnover:

- Uncontrollable turnover where employees leave for reasons outside the control of the employer
- Controllable turnover where employees leave for reasons that could be influenced by the employer

b. Why Employees Stay (Key Drivers)?

Before we try to discuss different strategies, which helps to retain an employee, let's focus on the key drivers of that makes an employee stay:

- Healthy work environment
- Rewards and recognition
- Flexibility
- Scope for growth and development
- A healthy relationship with the manager
- Competitive compensation

These are the primary expectations of an employee from a organization. These drivers help to build a positive mindset about an organization and helps building a strong sense of confidence in an employee.

2.6 Retention Strategies:

Retention strategy starts from the point when employee enters the organization till the point when he leaves the organization

- a. Recruiting or hiring the best employee who is suitable for the job that is, right person for the right job
- b. Train frontline managers and administrators under whom employees will be working
- c. Orientation and onboarding of employees should be taken care of as this is the first step in employee enters the organization and he should not feel that has entered a strange organization
- d. Work environment should be conducive, and employee's energy must be directed towards productive action plans and execution. Grapevine or office politics are better off table for a good workplace.
- e. There should be positive balance between the professional and the personal life of employee. This can be followed by understanding the concept of work-life balance
- f. Training and development are the factors which always shows the employees that their career is running at a good pace.
Employees should always be trained for the challenges in the work environment which will let him develop in the long run
- g. Performance evaluation is the most important to any employee who is working in the organization as this helps the employees to understand how they have performed and extra effort to need to put on so that they can meet the standards of performance appraisals in the organization.
- h. Keeping employees informed about the next move of the organization, priority goal setting or any mergers or acquisition falls in the good faith of an organization.
Doing so, an organization earns crucial time during which an employee adjusts to the new work environment and might as well suggest a change for good.
- i. Acknowledging an employee's big and small achievements reassures them that company is watching and recognizing their hard work. This in turn makes them feel responsible about their duties and helps them to developing stronger connections with the company's values.

We can always use the following inexpensive techniques to convince employees to stay back in the company:

- Hiring right person for the right job.
- Providing Common employee benefits and compensations that they deserve.
- Employees always need appreciation and recognition for the work they perform.
- Praising the employees for their performance will motivate them.
- Benefits tailored for their individual needs
- Flexi work schedule

2.7 Exit Interviews:

Sometimes an employee leaving the organization is the only valid option. In such a case, manager must conduct an exit interview which is of a very crucial importance to get many insides which otherwise goes unnoticed.

It helps a manager to understand an employee's experience with the company, the work environment which might've hindered the employee's performance, ill management practices and silent wars between departments.

2.8 Herzberg's Two-Factor Theory:

Frederick Herzberg's proposed "Two-Factor theory" in which he explained the correlation between employee retention and employee motivation. As per Herzberg, an employee's motivation is influenced by two sets of factors in the workplace. These factors can either drive a positive or a negative change in motivation level of an employee. The very first factor is the hygiene that facilitate motivation at a workplace.

The Physiological needs that an employee anticipate being fulfilled in an organization is hygiene factor. Its absence leads to employee dissatisfaction. Some of the examples of hygiene factors are compensation as per satisfaction, working conditions and job security. Additionally, the quality of leadership and supervisors & peers' relations also have an effect on job satisfaction. Secondary factors are called motivators. Herzberg mentions that employee motivation depends on condition of job and comprises of factors that helps an employee to perform better. Some examples of motivational factors can be rewards and recognitions, employee achievement, responsibility, job satisfaction, growth opportunities, etc.

2.9 Motivation:

Definition: Employee motivation is defined as the enthusiasm, energy level, commitment and the amount of creativity that an employee brings to the organization on a daily basis. The word Motivation origins from, "movere" that means "movement" in Latin. Hence, the word motivation describes a transition of behavior which after channelizing in a proper direction leads to achievement of desired goal.

2.9.1 Types of Motivation:

Motivation can be interpreted as the level of engagement of an employee with organization's set goal or objective and if the employee feels empowered towards it. Motivation can be of two types based on its source of origin

- a. Intrinsic motivation
- b. Extrinsic motivation

a. Intrinsic Motivation:

Intrinsic motivation origins from within and its drivers are purely based on one's sense of responsibility and achievement. The employee feels good about the given job and takes pleasure in accomplishing goals involved in completion of that task. The strongest motivational factors are an individual's deep-rooted beliefs. Employees with such strong belief systems demonstrate common qualities like curiosity, honor, acceptance, and desire to succeed. Praising an employee's work results in higher intrinsic motivation, so does positive feedback to them. However, this motivation needs to be moderate. There's a high chance of an employee losing interest on over praising. A manager, supervisor or a leader, should be intentional with these feedback or praise making sure it is empowering and the employees understand expectations.

b. Extrinsic Motivation:

Extrinsic motivation originates from external factors such as rewards and recognition. There could be cases when an employee totally lacks internal motivation and only external motivation proves to be fruitful in those cases.

Research suggests that extrinsic rewards might motivate an individual to acquire a new skillset. Rewards like bonuses, perks, awards, etc. can encourage an employee or offer a tangible response. Extrinsic rewards need to be handled with care as they can dramatically increase an employee's expectations and soon their performance might be on a vertical fall on underachieving these rewards.

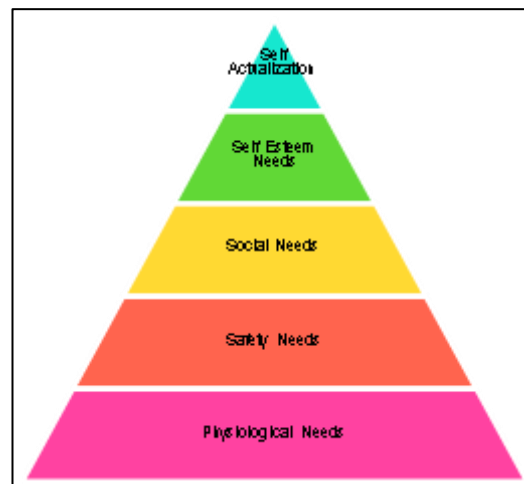


Figure 2.1: Extrinsic Motivation

2.9.2 Motivational Theories:

a. Maslow's Theory of Needs:

Maslow proposed that humans are motivated by needs. He created a pyramid of 5 different levels each with unique need. The needs were arranged on priority basis i.e. the base of the pyramid being the most crucial followed by next higher. Maslow proposed that when one need is satisfied it ceases

In Context to Workplace, it can be interpreted as

- **Physiological Needs:** Regular salary, safe working environment, lunch breaks, and coffee/tea machines.
- **Safety Needs:** Retirement plans, sick leaves, health and wellness programs, insurance plans, job security.
- **Social Needs:** Teamwork, group projects, social gatherings to encourage communication among employees.

- **Self-esteem Needs:** Rewards to appreciate and value employees.
- **Self-Actualization Needs:** Challenging work, promotions, and training programs to advance their career and enhance their skills.

b. Nudge Theory:

Nudge theory is a prominent concept in behavioral economics and it also turns out to be a great reference to boost motivation.

A nudge can be defined as any part of the decision that alters people's behavior in an expected way without countering any options or noticeably shifting their economic incentives. For an action to be a nudge, the intervention must be easy and cheap to avoid.

Countering the reinforcement concepts, nudge theory proposes that employee's behavior can be altered without forcing a change on them. Managers can simply 'nudge' or influence the employees towards the right decision.

2.9.3 Ways to Motivate an Employee:

Motivation plays an important role in satisfaction of an employee in the organization because an employee will only be satisfied when he gets enough motivation whether monetary or non-monetary for his performance and this eventually helps organization to retain their employees. There are many ways using which an employee can be motivated:

- a. Conducting employee motivation surveys helps to populate an estimate of reasons why employees feel motivated as well as reasons for their demotivation
- b. Employee satisfaction survey is yet another powerful tool that helps to minutely access factors at the workplace and how an employee feels about them.
- c. Boosting the moral of the employee and bringing them back to the track because no employee should be criticized or neglected as it demotivates them. If any employee fails to perform, motivational emails can be sent to them end they can get another opportunity to perform well.
- d. Engaging the employees in productive tasks which are necessary for their overall career development.
- e. Handing over responsibilities as well as accountability makes an employee feel more empowered about their job which further adds to their motivation.
- f. The management should always show concern and care for all the employees of their organization.
- g. To stay motivated the employees must feel secure at the workplace
- h. Proper feedback, suggestions and ideas should be taken into consideration from each and every employee whenever any change has to be made in the company policy.
- i. Employees should be consistently given enough recognition for the performance in front of all other employees as well as the management. This motivates other employees to gear up for future.
- j. Performance appraisals are also very important to motivate the employees as appraisals at regular intervals prove to be an effective way to retain the employees.

2.9.4 Importance of Motivation:

Self-realization is a very human thing. It is in our basic nature to care and nurture something and see it getting flourished. Same applies our own self-concept. As a human when we're motivated, we develop a positive perspective and it in-turn reflects on the kind of work we do and things we accomplish.

Motivation has a crucial role in human life. Be it in improving personal self or one's professional role. Motivated employees are enthusiastic, and they take up responsibilities on their own. Additionally, they are innovative and go-getters.

2.9.5 Motivated Employees Ensure:

- a. Positive atmosphere within the organization
- b. Happy co-workers and a safe working environment
- c. Keeps their client happy and satisfied
- d. Better achievers than the non-motivated counterparts The Founder of Aperio Consulting Group, Kerry Goyette says:

“It's a misunderstanding that one can motivate their employees, employees are motivated already. The key is to unleash their motivation. “You can't motivate other people. You can inspire (which is temporary) but you can't motivate (which is more meaningful and lasting). Leaders waste tremendous amounts of energy and time trying to motivate people they're already paying to do the job. Instead create a space where self-motivation is expected, encouraged, and incentivized.

Motivation is not only about the quantity and energy, but it is also about the quality.

2.10 Key Takeaways:

1. The ability to retain an employee is referred to as employee retention.
2. Retention is fruitful in many different ways for an organization as it saves hiring cost, training and development cost and banks on mature experienced employees in an organization.
3. Employee turnover rate is the rate at which the employees leave the organization.
4. Employee turnover rate hints about the quantum of hiring requirements to keep the net workforce intact. Retention helps in building a pool of mature and experienced employees in the organization
5. Employees staying longer in the organization feels more connected and responsible to the organization which contributes to the overall vision of the organization.
6. Retention rate is the percentage of employees a business retains over a given period of time.
7. A high retention rate logically would show that a business has a low churn rate.
8. Employee motivation is defined as the enthusiasm, energy level, commitment and the amount of creativity that an employee brings to the organization on a daily basis.
9. An individual's deep-rooted beliefs are usually the strongest motivational factors also known as intrinsic motivation.

10. Extrinsic rewards need to be handled with care as they can dramatically increase an employee's expectations.
11. Maslow theory of needs and Nudge theory are two prominent theories of motivation.
12. Motivation can be induced in an employee with the help of various motivational tools and surveys.
13. Motivation is equally important for a human's personal needs as well as for contributing his/her efforts towards an organization.
14. Motivated employees are go-getters.
15. Motivation is not only about the quantity and energy, but it is also about the quality.