

## 5. A Study on Retention and Motivation

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### **Abstract:**

Competent employees are the most important asset of an organization. Losing such an employee is a big loss to the organization and is called turnover. Turnover is voluntary if it is initiated by the employee. It can be functional if it does not adversely impact organization and dysfunctional if it is harmful. Involuntary turnover is initiated by the employer. The turnover is costly and lowers the organization performance. Hence the retention is important and for this a retention plan is made. Retention plan of an organization is a document indicating retention strategies formulated based on employees feedback and motivational theories/ retention research to bring about a planned reduction in turnover in the targeted employee segments. The performance of motivated employees is high and such employees are more productive. Job satisfaction and retention of such employees are higher. Hence an understanding of motivation is very important for managers. Motivation is the process of influencing or stimulating a person to take action that will accomplish the desired goal. To understand the human behaviour in work environment, an understanding of various theories of motivation is necessary.

The motivation theory developed by Maslow is based on human needs. The needs are arranged in the order of their importance or hierarchy from the basic to the complex. As more basic needs are satisfied an individual seeks to satisfy the higher needs. At the lowest level are physiological needs. After physiological needs are fulfilled, people begin to want in succession safety, social, self-esteem and self-actualization needs. Herzberg proposed the concept of motivation factors and hygiene factors.

The motivation factors are those which satisfy and motivate the employees and hygiene factors are those which are not necessarily motivators but its absence in work environment causes dissatisfaction and demotivation. McGregor's theory is based on manager's attitude towards employees. The Theory X managers have more of a negative view of employees while Theory Y managers a more positive one. Training of managers to have positive view of employees will improve retention in the organization. The Theory Z proposes four postulates for motivating employees. These are strong bond between organization and employees, employee involvement and participation, no formal organizational structure and co-ordination of human beings. A number of motivational factors emerge from the motivation theories. Some of the important factors are financial rewards, job characteristics, career development, recognition, management and work life balance.

**Keywords:** Voluntary Turnover, Non- Voluntary Turnover, Retention plan, Retention Strategies, Motivational Factors

## **5.1 Retention:**

The wealth producing organizations need human, financial and physical resources. A reservoir of able employees who are well trained, skilled and competent to deliver the result by completing the given task are the most important asset of an organization.

The performance of an employee not only depends on his ability but also on his motivation level. Hence after hiring, training and remunerating an employee needs to be motivated to perform to his full potential. An organization invests a huge resource in terms of money, time and effort to recruit, select, train, remunerate and motivate them. Losing such an employee is a big loss. An organization not only loses its employee but also his accumulated knowledge. Hence retention of employees is very important for an organization to retain the competitive edge. Employee retention is a process and it aims at creating and fostering an environment that encourages employee to remain with the organization for the maximum period of time as per company policy.

## **5.2 Turnover:**

Losing an employee by an organization is called turnover. Retention improves with lowering of turnover. The turnovers are of two types, voluntary and non-voluntary.

### **5.2.1 Voluntary Turnover:**

It is initiated by employees for various reasons resulting into job dissatisfaction and making the employees to be unhappy at workplace. Some of the common reasons are given below:

**a. Job Mismatch:** This occurs when there is a poor match between the job and the skills of the employee. This can be ensured at the time of recruitment and placement.

**b. Compensation and Benefits:** Some employees initially are not dissatisfied with their compensation and other benefits, but subsequently feel dissatisfaction when comparing with others in their organization and in similar industries.

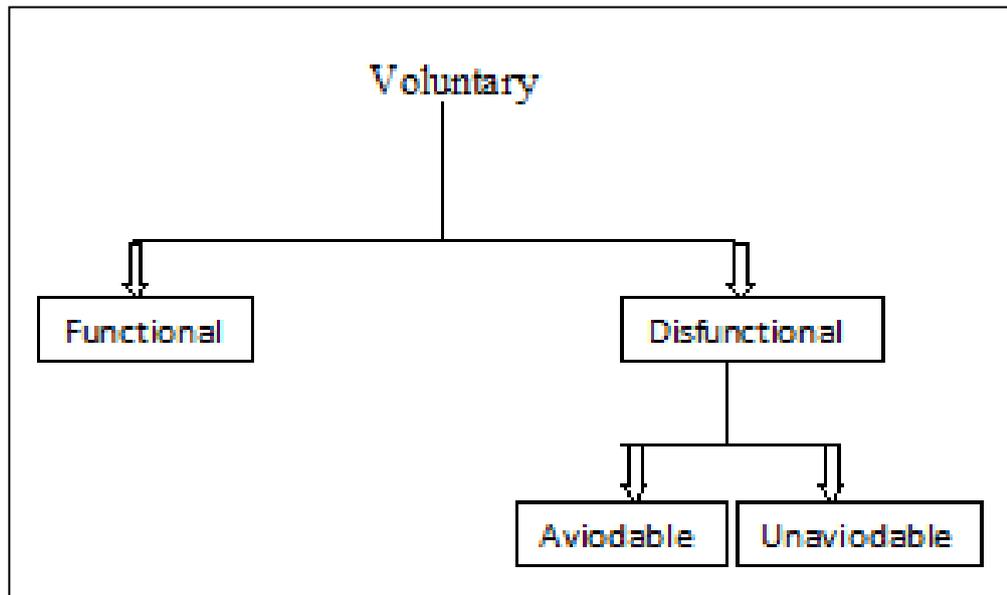
**c. Workload:** When an employee feels he is overloaded, he lacks in job satisfaction and work life balance.

**d. Management:** The causes of dissatisfaction related to management style are perception of unfair treatment, unrealistic expectation by managers, poor communication and leadership.

**e. Career advancement and Growth:** When an employee feels that there is no opportunity in the organization for growth in terms of career advancement and skill development, he is dissatisfied and leaves the organization.

**f. Personal Issues:** Sometimes the health or children issues and relocation of spouse also result into voluntary turnover.

### 5.2.2 Classification of Voluntary Turnover:



**Figure 5.1: Classification of Voluntary Turnover**

- a. **Functional Voluntary Turnover:** This type of turnover does not adversely impact the organization. These are exit of poor performers and employees whose talents are easy to replace.
- b. **Dysfunctional Voluntary Turnover:** This type of turnover is undesirable and harmful to the organization. These are exit of high performers and employees with special skills. To find the replacement of such employees is difficult, costly and time consuming.

The two types of dysfunctional voluntary turnover are given below:

- **Avoidable:** Avoidable turnovers are those which are resulting from causes that can be influenced and controlled.

**Example:** If the reason is job dissatisfaction, the management can address the issue by redesigning the job offering more challenge and opportunities to develop the skills.

- **Unavoidable:** Unavoidable turnovers are those which are resulting from causes over which the organization has no or very little control.

**Example:** If the reason is health problem, the organization can do little.

This distinction between the avoidable and unavoidable voluntary dysfunctional turnover is crucial for an organization while finalizing a retention plan. It is futile and makes little sense to invest in reducing turnover arising from unavoidable reasons.

### **5.2.3 Involuntary Turnover:**

It is initiated by employer and the employee has no choice in this separation. There can be many reasons like retirement, nonperformance etc.

### **5.3 Calculation of Employee Turnover Rate:**

Employee turnover rate of an organization can be calculated as follows -:

$$\text{Employee turnover rate} = \frac{\text{Separation during time period (month)}}{\text{Average number of employees during the time period}} * 100$$

Total number of employees in the midmonth can be taken as average number of employees for the month.

The employee turnover rate is number of employees leaving the organization expressed as a percentage of total employees of the organization for a particular time period.

### **5.4 Cost of Turnover:**

The cost of turnover is of two types -:

- a. **Direct Turnover Costs:** This includes the cost associated with separation of employee, replacement cost and transition cost.
- b. **Indirect Turnover Cost:** This includes loss of production and low performance due to separation.

#### **a. List of direct turnover cost**

- Recruitment cost
- Advertising cost for new position
- Orientation & training of new employees
- Severance cost
- Time to interview for new replacement
- Time to recruit and train new hires

#### **b. List of indirect turnover cost**

- Lost knowledge
- Loss of productivity associated with new employee
- Cost associated with lack of motivation prior to leaving
- Cost associated with loss of trade secret

From the above it is clear that turnover is very important and crucial for an organization. The reasons are given below-:

- Turnover is costly and replacement is time consuming.
- Turnover lowers the organizational performance and it's competitive edge.
- Replacement of employees with special skill is very difficult, time consuming and costly
- It adversely impacts retention.

### **5.5 Retention Plan:**

Retention plan of an organization is a document indicating retention strategies formulated based on employees feedback and motivational theories / retention research to bring about a planned reduction in employee turnover in the targeted employee segments The making and implementation of the plan is discussed stepwise below -:

#### **Step- 1**

The employee turnover analysis is performed to develop retention goals. In this analysis bench marking, need assessment and segment identification is done. These analysis are given below -:

##### **a. Bench marking**

- The employee turnover rate is compared with that of industry & competitor's rate in external bench marking.
- In case of internal bench marking the turnover rate of the organization is tracked over a period of time.
- If the turnover rate as compared to industry is significantly higher and the turnover rate in the organization is showing an increasing trend than it is a problem and needs to be addressed by making a retention plan.

##### **b. Need assessment**

- This is done by assessing the labor market (external need assessment) and organization's future plan relating to growth (internal need assessment) to evaluate the implication of turnover

##### **c. Segment identification**

- Not all voluntary turnovers are harmful to the organization. Turnover of underperformer employees is beneficial, where as that of especially skilled employee is harmful. Hence cost benefit analysis of various segments of employees can be done to identity the segment where the cost of turnover is very high as compared to benefit associated with it. Based on above analysis retention goals are finalized

## **Step-2**

Once the retention goals have been fixed the retention strategies are formulated. There are two types of retention strategies this are given below.

### **a. Broad based strategies:**

- This is finalized based on motivational theories, general principles of retention and best practices adopted by the industry.

### **b. Targeted strategies:**

- These are formulated based on employee satisfaction survey and exit interviews conducted by HR professionals. Targeted strategies are organization specific. The employee satisfaction surveys bring out the extent and areas of dissatisfaction among various segments of employees.
- Exit interviews of those employees leaving the organization give information as to why the employees are leaving. The strategies based on above are finalized and incorporated in the retention plan. Any one or both can be implemented as per requirement.

**Step-3:** Implementation and feedback These strategies are implemented and feedback provided for future reference as per management requirement.

## **5.6 Common Broad Based Employee Retention Strategies:**

The indicative employee retention strategies are classified into three categories -:

### **a. Bottom level**

- Performance appraisal by appreciating and recognizing a well done job.
- Recognizing professional as well as personal important significant events.
- Providing compensatory monetary benefits.
- Providing perks.
- Providing opportunities for skill development
- Providing workplace conveniences and safety measures
- Recreation at workplace
- Employer support in crisis time

### **b. Middle level**

- Performance appraisal by appreciating and recognizing a well done job.
- Benefit program and support for family.
- Providing workplace conveniences and safety measures.
- Providing training and development for personal growth opportunities
- Recognition

**c. High level**

- Facilitating a good work life balance.
- Encouraging and providing opportunities for professional training and development for personal growth.
- Providing an environment of trust.
- Hire the right people for the right job in a right place at the right time at the beginning.

**5.7 Motivation:**

Motivation affects human behavior at work. Some people are more willing and exert more effort than others. Hence motivation is very important for any organization.

**5.7.1 Importance of Motivation:**

- a. The performance of an employ not only depends on his ability but also on his motivation level.
  - $Performance = f(\text{ability} * \text{motivation})$
  - Ability refers to a person's skill and competency to complete a given task. Thus motivation acts as a multiplier. Hence the motivated employees are more productive.
- b. Motivated employees are more involved in their job and are always looking for better way of doing a job.
- c. The motivated employees never compromise on quality. Hence they are more quality oriented.
- d. Job satisfaction of motivated employees is more which results into higher retention. There is a co-relation between motivation and job satisfaction.

**5.7.2 Concept of Motivation:**

Motivation is derived from the word "MOTIVE" which means the specific reason for performing a specific action. Motive is internal to man and is externalized by behaviour which is a series of activities directed to achieve a goal. Goals are anything which will alleviate a need and reduce the intensity of a motive. Need is a feeling of lackness for something and human being tries to get lackness removed. Motivation is the willingness to exert high level of effort toward organizational goals, conditioned by the effort ability to satisfy some individual need. Hence motivation is the process of influencing or stimulating a person to take action that will accomplish desired goal. It may be noted that to which stimulus the employee will respond and what behavioural outcomes they exhibit is difficult to predict. But an understanding of process, nature and theories of motivation will be helpful in this.

### **5.7.3 Nature of Motivation:**

- a. Motivation is internal to man and can't be seen but is externalized via behaviour.
- b. Different behaviours may result from a single motive and different motives may result into a single behavior.
- c. Motives can emerge, vary in intensity and may disappear with time
- d. Environment at a point of time may either trigger or suppress motives.

### **5.7.4 Process of Motivation:**

Stepwise process of motivation is as follows:

**Step-1:** Individual identifies his needs. These needs may be physiological, psychological or social.

**Step-2:** Individual searches for ways to satisfy the needs.

**Step-3:** Individual engages in goal directed behaviour.

**Step- 4:** Individual performs or acts in this direction.

**Step-5:** Individual either gets rewarded or punished.

**Step- 6:** Individual reassess his needs deficiency.

### **5.7.5 Theories of Motivation:**

There are several theories of motivation based on different approaches. Some of the important theories are discussed below -:

#### **a. Maslow's Need Hierarchy Theory**

This is the simplest and most widely discussed theory and was proposed by ABRAHAM HAROLD MASLOW. Human needs are many but in this theory they are arranged in the order of their importance or hierarchy from the basic to the complex. At the most basic level is physiological needs. Once the basic level needs are minimally satisfied an individual seeks to satisfy the higher level of needs. In this theory the human needs are grouped into five categories starting from the basic or lowest need to higher level of needs and are discussed below-:

- **Physiological needs:** These are basic needs of human being and include food, shelter, clothes, air, water etc. This basic need has to be fulfilled first. Once physiological needs are satisfied they cease to be the motivators. Physiological needs can be correlated to employee's salary, benefits and working condition.

- **Safety needs:** Safety or security needs become motivators once the physiological needs are satisfied to a reasonable level. An individual seeks a reasonable degree of continuity, stability and order in his life. Safety needs can be co-related with economic security, job security, safe working condition etc.
- **Social needs:** Man is a social animal. Hence he seeks affection, belongingness and companionship. Social needs can be co- related with friendly supervision, compatible work group, group acceptance etc.
- **Esteem needs:** After the above three needs are satisfied the esteem needs become motivators. These needs are concerned with self-respect and esteem from others. Achievement gives self-respect.

Recognition, award, status etc gives esteem from others. In the organizational context self-esteem needs are related to job title, recognition, challenging work etc.

- **Self-actualization needs:** This is the final step in this need hierarchy model and comes into force after all the four level needs are satisfied. The full utilization and exploitation of one's talents, capacity and potentialities lead to satisfaction of self-actualization needs. This can be co-related with desire for excelling in one's job, successfully managing an important unit etc.

#### **b. Herzberg's Motivation- Hygiene Theory:**

This theory proposed by Frederick Herzberg is also known as two factor theory. Based on his studies on the factors that caused satisfaction and dissatisfaction in work environment he proposed the concept of motivation factors and hygiene factors. The motivation factors are those which satisfy and motivate the employees. The hygiene or maintenance factors are those which are not necessarily motivators but its absence in work environment causes dissatisfaction and demotivation.

- **List of Motivation Factors:**

- a. Achievement
- b. Recognition
- c. Work itself
- d. Responsibility
- e. Advancement
- f. Growth

- **List of Hygiene or Maintenance Factors:**

- a. Company policy and administration
- b. Supervision
- c. Interpersonal relations
- d. Working conditions
- e. Salary
- f. Status
- g. Security

As per this theory hygiene or maintenance factors prevent job dissatisfaction but do not provide motivation to workers and correspond to Maslow's lower order needs like physiological, safety and social needs.

Whereas the motivation factors are related to the esteem and self-actualization needs. Hence the retention plan must not only consider the hygiene factors but also the motivation factors.

### **c. MCGREGOR'S Theory X AND Theory Y**

This theory provides us as to how management style can impact retention of employees. It provides two distinct views of human being. The first is basically negative view labeled Theory X and managers who believe this are Theory X managers. The other one is basically positive view labeled Theory Y and managers who believe this are Theory Y managers.

#### **Theory X Assumes Following Beliefs about Human Nature:**

- Most people dislike work and will avoid it. They work as little as possible.
- Most people lack ambitions, avoid responsibility and need to be directed.
- The average people are inherently self-centered. They are basically indifferent to the needs of organization. They will work towards company goals only when threatened with punishment.
- The average people by nature resist the changes.
- The average people are not very sharp and bright.

Managers believing Theory X adopt authoritarian management style and try to control and closely supervise their employees.

#### **Theory Y Assumes Following Beliefs about Human Nature:**

- Most people by nature want to work and make effort to attain organization goals.
- People want to assume, accept and welcome responsibility.
- Most people will use imagination and ingenuity in solving company problems and want their organization to succeed.
- People will apply self-direction and control in pursuit of company objectives.
- Most of the people have need for achievement and recognition. Commitment to objective is a function of expected rewards.
- The full intellectual potential of an average human being is partially realized.

The Theory Y suggests a co-operative management style attempting to get maximum output with minimum amount of control and direction. McGregor tried to outline the extremes through his Theory X and Theory Y. In reality most of the persons share the traits of both the theories. As can be seen the Theory X managers will find it difficult to retain the employees. Hence there is need to provide training opportunities in the area of management to enable managers to motivate the employees. Such training should be a part of retention plan.

**d. Theory Z:** This theory was propounded by Urwick, Rengekar and Ouchi. In this Z does not stand for anything special but is the last alphabet in English language. This theory has four postulates and is based on Japanese management practices adopted by American companies.

These postulates are -:

- a. Strong bond between organization and employees
- b. Employee involvement and participation
- c. No formal organizational structure
- d. Co-ordination of human beings

The above postulates are indicative and have limitations but can be implemented to the extent possible and practical. Maruti Suzuki in India applies these postulates.

### **5.7.6 Motivational Factors Influencing Employee Retention:**

Based on various theories of motivation and various retention studies the major motivational factors influencing employee retention are as follows -:

**a. Financial rewards**

Financial rewards cover the basic needs of income to survive. It gives a feeling of stability, economic security and recognition of his skills. The financial reward such as money is still the primary incentive for employees in the present economic environment. However the money is not a motivational factor in the long term.

**b. Job characteristics**

It is the degree to which the job provides substantial freedom, independence and discretion to the individual to schedule work and determine the procedures used in carrying it out. The job design should incorporate the above characteristics.

The employees want to take on challenging tasks relevant to organization. Repetitive tasks are demotivators and the tasks that are challenging and provide opportunities for learning are great motivators.

The failure to utilize fully the skills and knowledge of employees make them unhappy and unsatisfied. The existing job can be enhanced and made challenging by job enrichment and job enlargement.

**c. Career development**

Various skill development programmes for employees enable them to accept more challenging jobs and enhance career opportunities.

**d. Recognition**

Every employee has a need to be recognized. When people are appreciated they are more productive, satisfied and they don't leave the organization.

**e. Management**

Management practices directly affect employee turnover. The friendly supervision, developing a trusting relationship, paying attention to the aspiration of employee, proper communication etc motivates the employee and increase retention.

**f. Work life balance**

One of the important retention factors is facilitating a good work life balance. The conflict between work and career on one hand and family/ private life on the other can be minimized by a good work life balance policy by organization. This reduces employee stress as well as turnover.

**5.8 Conclusion:**

Retention of competent, skilled and well trained employees is critical for the survival of an organization in this competitive environment. Employee retention process aims at creating and fostering an environment that encourages employees to remain with the organization for the maximum period. The retention plan of an organization is a document indicating retention strategies to be implemented for improving the retention of its employees. Motivated employees are more productive, satisfied and loyal to the organization. Hence an understanding of various motivation theories is very important for managers. This helps them to motivate and understand the behaviour of employees in work. From the above theories/ research a number of motivational factors emerge which improve retention and performance of the employees.

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