

## RETENTION STRATEGIES FOR TALENT

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### A B S T R A C T

**An idea can turn to dust or magic, depending on the talent that rubs against it.**

**-- William Bernbach**

This paper looks at the issues and challenges facing Indian organizations with regard to talent and its management, a topic which is particularly relevant at time when the world is facing a 'talent crunch'.

In today's business climate, where growth is largely a product of creative and technological advancements, human capital is one of a company's most valuable assets. To obtain a competitive advantage, companies must attract, retain, and engage talented employees. However, this task is becoming increasingly difficult. Retention of talent and maintaining a motivated and contented workforce are, perhaps the biggest challenges before the HR professionals. It has become more significance and assumes greater importance in era of open economy and cutting edge competition. Corporates and HR professionals are busy devising new and innovative management practices and ideas towards keeping their personnel motivated, satisfied and always available for giving their best efforts towards achieving organizational goals and objectives

Talent has become a resource that must be managed because it is an increasingly scarce resource. More and more, the financial value of our companies depends upon the quality of talent. Technology has enabled greater access to information and is forcing us to move "at the speed of business." Adding to these challenges is the fact that an increasing number of organizations are expanding globally.

Retention is a big and a constant challenge for every organization today whether to talk of any corporate sector or any educational institution. It is a Herculean task for most organizations in

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the modern era of globalization and competitive business. Successful organizations realize employee retention and talent management are integral to sustaining their leadership and growth in the market place. Becoming an employer of choice by retaining high caliber employees in today's labour market should be the highest priority. HR professionals all over the world are breaking their heads to formulate Retention Strategies but nothing is working-out in their favour.

**Paper Type:** Literature Review

**Key Words:** Talent, Talent crunch, Management, Technological advancements, Competitive advantage, Retention, Globalization, Organizational goals, Retention Strategies, Labour market.

## Introduction

Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. A strong retention strategy becomes a powerful recruitment tool.

Retention of key employees is critical to the long-term health and success of any organization. It is a known fact that retaining your best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning.

Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidate search are involved. Hence failing to retain a key employee is a costly proposition for an organization. Various estimates suggest that losing a middle manager in most organizations costs up to five times of his salary.

Intelligent employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the Indian scenario; however, things have changed in recent years. In prominent Indian metros at least, there is no dearth of opportunities for the best in the business, or even for the second or the third best. Retention of key employees and treating attrition troubles has never been so important to companies

In an intensely competitive environment, where HR managers are poaching from each other, organizations can either hold on to their employees tight or lose them to competition. For gone are the days, when employees would stick to an employer for years for want of a better choice. Now, opportunities abound.

It is a fact that, retention of key employees is critical to the long-term health and success of any organization. The performance of employees is often linked directly to quality work, customer satisfaction, and increased product sales and even to the image of a company. Whereas the same is often indirectly linked to, satisfied colleagues and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning.

Employee retention matters, as, organizational issues such as training time and investment, costly candidate search etc., are involved. Hence, failing to retain a key employee is a costly proposition for any organization. Various estimates suggest that losing a middle manager in most organizations, translates to a loss of up to five times his salary. This might be worse for BPO companies where fresh talent is intensively trained and inducted and then further groomed to the successive stages. In this scenario, the loss of a middle manager can often prove dear.

*In fact, some reports suggest that attrition levels in IT companies are as high as 40 per cent. The only way out is to develop appropriate retention strategies.*

*Though BPO industry shoots ahead at 40 to 50 per cent a year, it is now losing 35 to 40 per cent of its 350,000-odd employees as well.*

In India there are few sectors where the attrition level is much larger compared to other sectors. For example: IT sector and BPO. Whereas there are organizations like Air India, HAL, DRDO, BARC where the attrition is nearly 5% or less than that.

Employee Retention Strategies helps organizations provide effective **employee** communication to improve commitment and enhance workforce support for key corporate initiatives.

## RESEARCH METHODOLOGY

### Objective of the study:

1. To gain a better understanding of current thinking related to the job-hopping, an extensive review of current articles relating to job-hopping was conducted
2. To be acquainted with current Retention Strategies followed by Organisations.

### Research Method:

This study is based on desk research in addition to field research. The theoretical knowledge is based on books, e-books and other publications. The author also used articles on the Internet, as an additional source

**Research Tools:** For analyzing the factors affecting to the research topic simple statistical tools were used viz., Mean, Median, and Standard Deviation respectively

### Sources of the data

The main source of the desktop research was the internet, whilst other sources included articles and reading material research studies.

### Review of Literature

According to recent study, in every industry, companies face the challenge of retaining the talent (Siegfried 2008). Retention strategy is a challenge to organization and is the critical to the long-term growth and success of the business (Siegfried 2008). Retaining key talent and keeping productivity high will surely help the organization to succeed and get back into growth mode..

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Employee retention is beneficial for the organization as well as the employee. Employees today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees.

Retention involves five major things: Compensation, Compensation, Growth, Relationship, and Support.

Organization attracts and retains talent by Effective recruiting is the beginning of effective retention; therefore, keeping employees starts with a recruitment strategy which includes identification of key positions and turnover risks associated with these positions and competency behavioural-based selection criteria that support the retention strategy and business drivers which are based on identified organizational capabilities that are required for success. Companies where career advancement is based on talent more than tenure and age will compete most successfully in their markets. New recruits into a talent pool, with the potential for leadership positions in the future, often bring their own expectations of the business. New talent must be inducted with care, sometimes through a carefully designed programme undertaken months prior to the actual joining date. It is important to avoid bringing new people into old ways of working and thinking unless you are confident that that is what adds value to the business.

Attracting knowledge workers is recognized as a critical success factor by organizations. In order to succeed in the war for talent many organisations realize they need to brand themselves as employers of choice. It is often said that a company is only as good as its people and that talented employees are the driving force behind every successful company. Knowledge workers are seen as a source of competitive advantage in a world in which most processes and systems have been standardized across industry participants (Templer & Cawsey, 1999). Tulgan (2001) defines knowledge workers as any employee that uses knowledge to add value to a business process. A company's ability to attract and retain knowledge workers is therefore a critical component in determining its present and future success. Attracting and retaining intellectual capital – a cadre of highly skilled, independent, internationally marketable and mobile individuals – is a critical feature of globalization (Paul, 2000). To remain competitive, companies need to ensure that they position themselves as an employer of choice. Knowing what knowledge workers are looking for when selecting an employer, is a first step to ensuring that a company strives to satisfy these needs so as to attain the status of an employer of choice.

Designing of retention strategies that are organisation-specific would be determined by factors like corporate competitive strategy, importance of human resource as a driving factor and the immediacy of the situation. Retention strategy of any organisation may have the following

dimensions:

(i) Whom to retain,

(ii) Why to retain and

(iii) How to retain.

**(i) Whom to Retain:** Murty (2004) identifies three categories of employees-those who would need to be retained indefinitely; those who are critical to the organisation in the short run and those who are easily replaceable. Once such sets of employees are identified, any organisation can easily customize its retention strategies in order to encourage organizational loyalty among employees. Those who fall under the first category may be offered lucrative compensation packages and schemes, which may have long term positive repercussions. Those who are critical to the organisation in the short run would be those whose supply would be lesser in the short run or those who would be critical to any project that necessitates completion in the short run. They would thus be the 'celebrities' in the watch of the market (Murty, 2004). Retention of such critical talents would necessitate offers which would shine bright in the short run. The third category of employees, who are easily replaceable, have the least priority in retention; they may be offered voluntary separation from the organisation.

**(ii) Why to Retain:** It will become significantly more important in the years ahead to recognize the commitment of individuals to an organisation, as well as the organization's need to create an environment in which one would be willing to stay (Harris, 2000). The impact of excessive employee turnover on organisations has been found to have engendered far-reaching consequences, even to the extent of jeopardising efforts to attain organizational objectives (Abbasi and Hollman, 2000). Abbasi and Hollman (2000) further indicate that when an organisation loses a critical employee, there is negative impact on innovation and major delays in delivery of services to customers, consequently affecting the profitability of the organisation. Hale (1998) studied recruitment costs to be 50 to 60 per cent of an employee's first year's salary

and up to 100 per cent for certain specialized high-skill positions. Fitz-enz (1997) indicated that when direct and indirect costs

are combined, total turnover cost of an employee is a minimum of one year's pay and benefits, or a maximum of two years' pay and benefits. Fitz-enz (1997) also stated that the average company loses approximately \$1 million with every ten managerial and professional employees who leave the organisation. These apart, the organisation also loses strategic knowledge with the departure of its critical employees.

An organization also has to bear the cost of training a new recruit on loss of departing employees. As pointed out by the American Management Association, the cost of replacing an employee is approximately 30 per cent of his annual salary. Direct costs of employee turnover may include separation costs (including severance pay, cost of exit interview, outplacement fees, etc.) and replacement cost (including hiring costs, sourcing expenses, time spent in interviewing, induction or orientation and training costs, etc.). Indirect costs of losing an employee would include loss of productivity (due to loss of a productive employee and reduced productivity of new employees, till they are fully trained); new competitive pressures on account of losing top performers to a potential competitor firm and lost sales and lost customers resulting from departure of an experienced employee

Turnover connotes costs to the departing employee as well, in the form of loss of seniority, mental stress and discomfort stemming from separation risks and uncertainty about new employment. Costs of retaining a good performer, on the other hand, include investment in that employee in the form of training, continuing education, support for professional certifications, conferences and seminars, career advancement opportunities, etc.

Successful organisations thus realise that retention of key staff by offering competitive pay packages and other incentives, rather than letting them leave, is integral to sustaining their leadership and growth in the marketplace.

**(iii) How to Retain:** The very first step towards effective retention is the acceptance of the reality that movement of employees is governed not only by the organisation, but also by the

market. Fast moving markets require fast-moving organisations that are continually refreshed with new talent. No company can insulate its employees from knowing about the attractive opportunities thrown open to them by the aggressive recruiters in the market (Murty, 2004). The retention strategy of any organisation would aim at increasing interest in job, which would lead to satisfaction, which in turn would lead to motivation. Job satisfaction is an important motivator for employee performances; it is a causal antecedent to organizational commitment (Mowday et al, 1982); and negatively related to turnover (Ward, 1988) and absenteeism (Muchinsky, 1977).

It has been found to be related to turnover and performance of Information Systems workers (Igarria and Guimaraes, 1993). Blankertz and Robinson (1996) have demonstrated that employees with high job satisfaction are highly motivated and have little desire to leave their jobs. Productivity of employees and retention of such productive employees can be linked to factors like competitive pay and benefits, good working conditions, advancement and growth opportunities, etc. Productivity of workers can thus be attributed as a function of how well such workers are motivated.

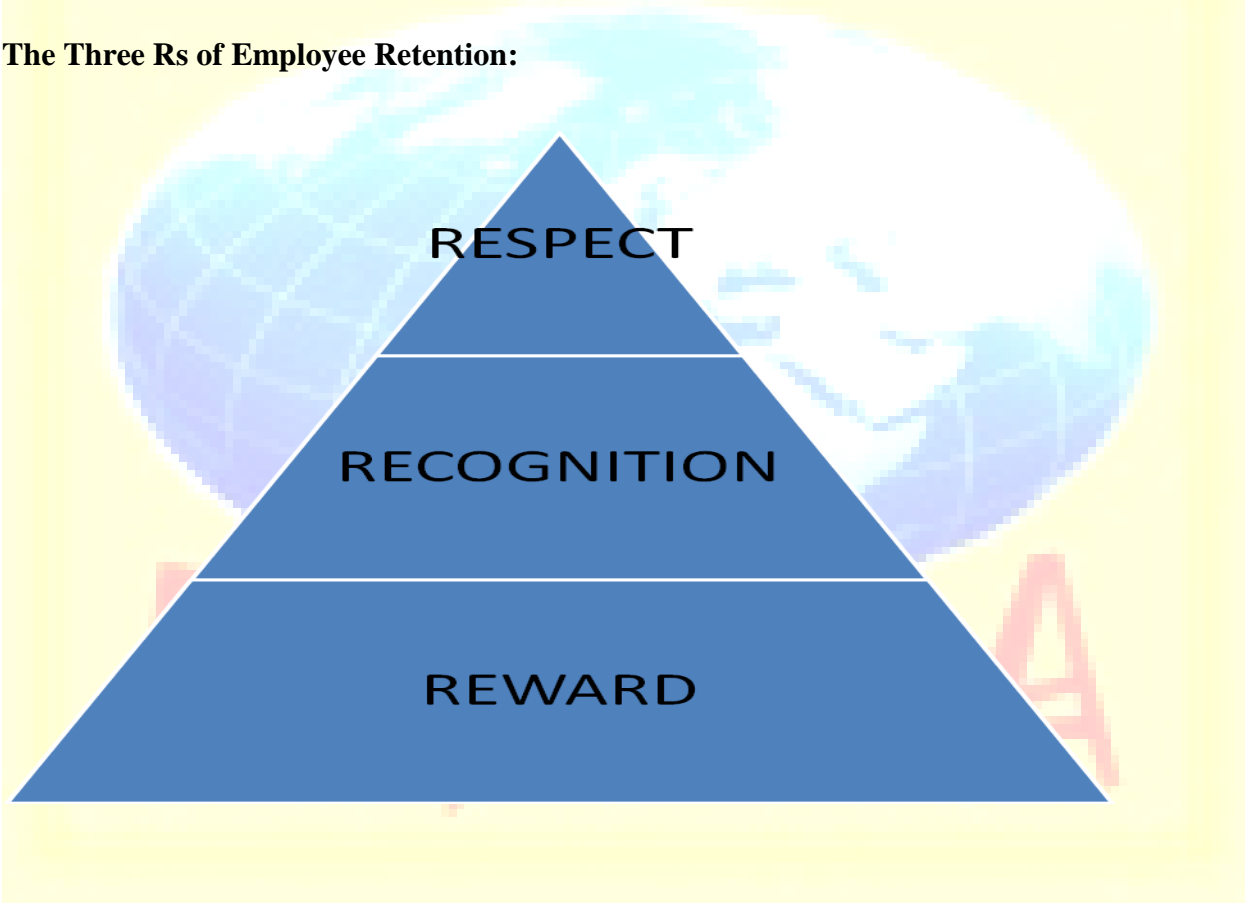
Understanding the different dimensions of a job that may increase satisfaction or, at least, reduce dissatisfaction would be the very first step towards designing a strategy for retention of quality staff. This would enable organisations to determine what their staff do and do not like about their job and the work environment. Once such areas are identified, organisations can go for improving employee satisfaction in tandem with employees' concerns, which in turn, would have a direct effect on their level of motivation. Satisfaction would thus raise the likelihood that the organisations are able to retain such employees, as these satisfied employees would be less likely to look for another job.

In many large organisations, HR recruitment and retention strategies revolve around creating a competitive compensation and benefits package. However, smaller companies consider attracting the best talent is a lost cause for them because they can not offer the competitive compensation packages that their big brothers offer (Raju, 2004). Companies reputed as top retainers realise that the organisational characteristic that their competitors can most easily duplicate is money (Brannick, 2001). Non-monetary strategies are also widely used by companies to retain top talent. Organisations however need to develop the right mix of monetary and non-monetary



elements in a retention strategy, depending on a variety of factors like the nature of job, demand and supply conditions of a particular skill set and ability to pay of the organisation. Besides, as suggested by empirical studies, bond between employees and their organisation may be strengthened by a number of factors like job scope, job challenge, occupational commitment, job involvement and job satisfaction, thus leading to organizational commitment, which in turn is considered a desirable trait, since it appears to result in lower employee turnover and contributes to greater productivity.

### The Three Rs of Employee Retention:



**Respect** is esteem, special regard, or particular consideration given to people. As the pyramid shows, respect is the foundation of keeping your employees. Recognition and rewards will have little effect if you don't respect employees.

**Recognition** is defined as "special notice or attention" and "the act of perceiving clearly." Many problems with retention and morale occur because management is not paying attention to people's needs and reactions.

**Rewards** are the extra perks you offer beyond the basics of respect and recognition that make it worth people's while to work hard, to care, to go beyond the call of duty. While rewards represent the smallest portion of the retention equation, they are still an important one.

Branham (2005) describes 7 main reasons why employees leave an organisation:-

- The job or workplace was not as expected.
- The mismatch between job and person.
- Too little coaching and feedback.
- Too few growth and advancement opportunities.
- Feeling devalued and unrecognized.
- Stress from overwork and work-life imbalance.
- Loss of trust and confidence in senior leaders.

There is no one way to make everyone happy. It all depends on what each individual wants. However, there are certain factors that contribute to the successful attraction and retention of employees. These include:-

- Pay benefits
- Communication
- Trust
- Support
- Ownership
- Meaningful and challenging work
- Role clarity
- Job satisfaction
- Internal and external equity
- Stress levels
- Professional development opportunities
- Good co-worker relations.

**Talent:** Talent is an attribute of high mental & artistic ability with special aptitudes. A talent is a person who creates value in an organization such that it achieves success. Talent seems to be a rare & precious thing bestowed on few special, far away people. They are different! Knowledge is what you gain as you come across various facts, events and theories in life. Skill is how you use this knowledge.

The difference between knowledge, skill, attitudes and talent can be expressed as follows;

Knowledge: something you know.

Skill: something you do.

Attitude: something you have.

Talent: something which is inborn in you.

**Talent Management Concept:** Every organization must identify its competent employees who are critical for the organization. Competency includes knowledge, skill, attitude, and talent. Talent management is a process which makes the organization identify talented and critically needed people and efforts are made to retain them in the organization. Decisions about talent management shape the competencies that organizations have and also their ultimate success.

***Definition of Talent Management:***

- The concept of talent management is a conscious, deliberate approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organization needs.
- Talent Management, by definition, means nurturing and developing those people identified as having ability and potential, and it should form part of any organization recruitment and retention strategy.

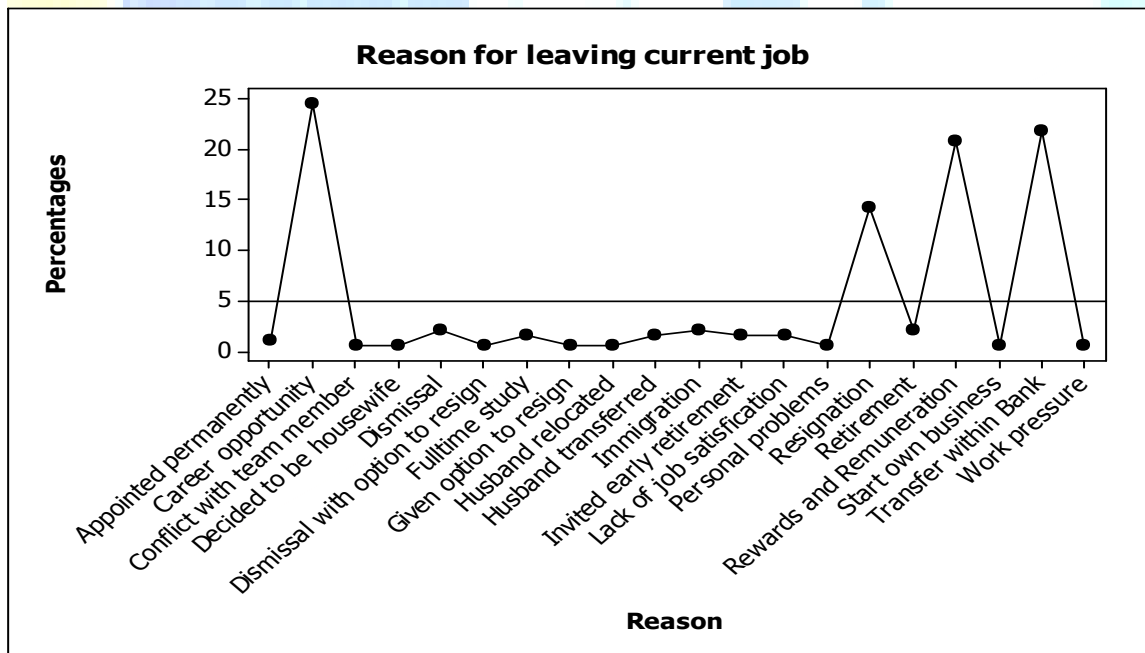
It is observed that talent wars have led the corporate world to pay special attention towards talent management in recent times. In addition, the talent poaching has led to high attrition rates affecting the functioning of the firms and reduction of outputs. Retention of talent has become important and periodic analysis is required to ascertain the causes of attrition. Talent has been identified by them as a critical success factor.

## Retaining Talent

Most companies today would acknowledge that their human assets are their most important asset. But since companies can't own employees the way they own factories or product, the success or failure hinges on the quality and duration of the relationships they form with their people through talent retention. Many organizations say fine things about the importance of people and development, but they struggle to make this a reality. Research studies shows that there is a direct correlation between high attrition and low customer satisfaction as this has a negative impact on customers. High touch customers get impacted resulting in loss of current and future revenue.

### Findings:

#### Why employees leave the organisation



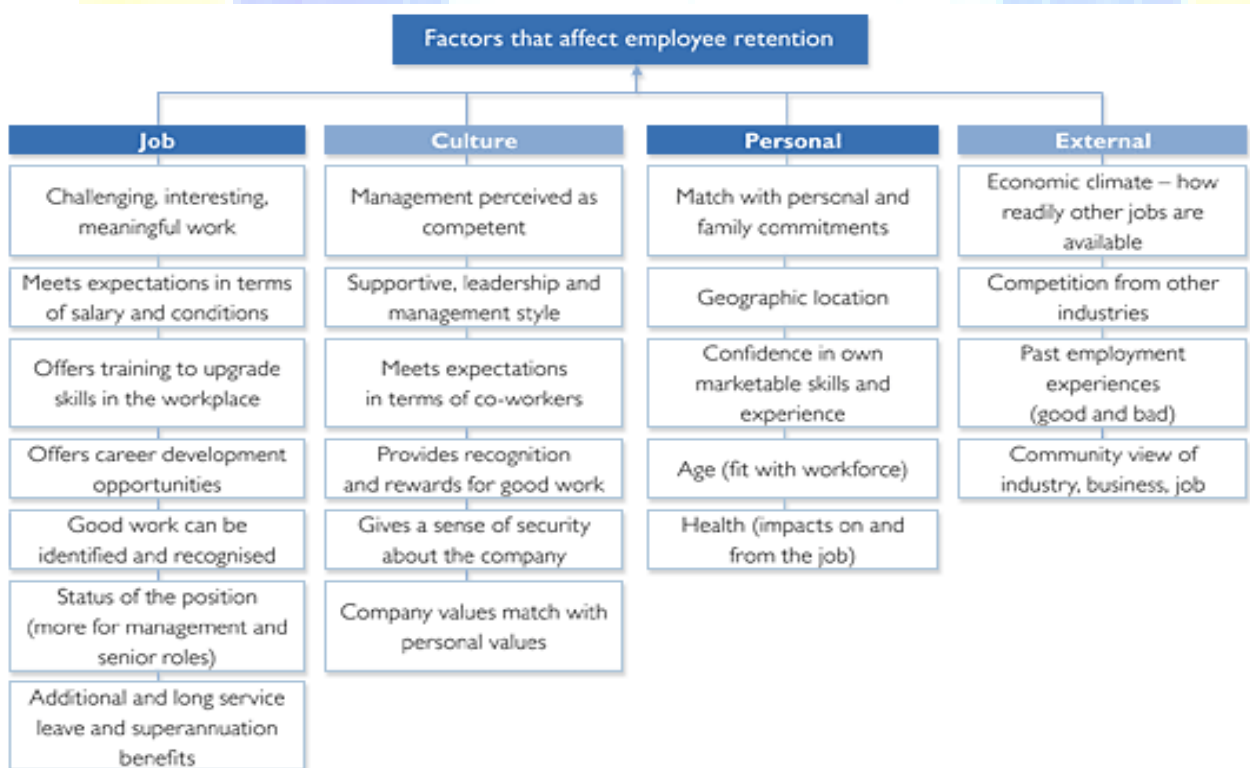
### Turnover Facts and Figures

Every employer knows that Turnover is costly. According to Right Management, a talent and career management consulting firm, it costs nearly three times an employee's salary to replace someone, which includes recruitment, severance, lost productivity, and lost opportunities.

Certain facts are given below:

- Over 50 % of people recruited in to an organization will leave within 2 years.
- One in four of new hires will leave within 6 months.
- Nearly 70% of organizations report that staff turnover has a negative financial impact due to the cost of recruiting, hiring, and training a replacement employee and the overtime work of current employees that's required until the organization can fill the vacant position.
- Nearly 70 % of organizations report having difficulties in replacing staff.
- Approximately 50% of organizations experience regular problems with employee retention. (According to Life Work Solutions , a provider of staff retention and consulting services)

However, according to strategic planning consultant Leigh Branham, SPHR, 88% of employees leave their jobs for reasons other than pay. However, 70% of managers think employees leave mainly for pay-related reasons.



**Table showing organizational and motivational factors**

Factor	N	Mean	Std. Deviation
Job performance requirements and expectations	50	3.7000	1.19949
Participation in decision making	50	3.1000	1.38873
Encourage for creativity	50	3.0000	1.35526
Work performance feedback	50	3.0000	1.27775
Training programs	50	2.8000	1.55183
Chance for advancement or promotion	50	3.3000	1.35902
Job security	50	3.6000	1.21218

The above factor reveals that Mean value is higher in job performance requirements and expectations Standard deviation value is low in job performance requirements and expectations, hence job performance requirements and expectations factor is highly influencing factor.

**Table showing overall satisfaction factors**

Factor	N	Mean	Median	Std.Deviation
Job satisfaction	50	4.0000	4.0000	.63888

Mean value is higher and standard deviation is low, hence the overall Satisfaction factor is highly influencing factor.

## Conclusions

- R - Reward Competitively
- E - Encouragement & Expectations
- T - Training & Development
- A - Annual Review cycles
- I - Inform & Involve
- N – Nurture

In today's competitive world, companies are competing not only for market share but also for retaining the best talent with them. It is because employees leave organizations for many reasons which are unknown to their employers. Retaining the best talent is becoming difficult day by day. Employers have to listen to employees' needs and implement innovative retention strategies to make employees feel valued. Innovation & retention methods can have a significant and positive impact on an organization's turnover rate.

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