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Employee Attrition *Vis – a-vis* Retention: An HR Challenge

Abstract

The contemporary business world has become more dynamic and is changing radically, due to the effect of globalization and increased competition. Mean while HR has evolved from a mere clerical and administrative focus to a more active strategic partner striving for aligning the HR process with the core process for attaining business excellence. In this era of information technology, motivation and retention of knowledge workers and managers for gaining a winning edge in the market is one of the most important challenges for the human resource professionals. The author in this article highlights and evaluated some of the retention technologies used in the present day context. Attraction and retention of talent are going to be permanent challenges for the HR Managers in the years to come.

Henri Ford's apt saying: "Bringing people together is beginning, working with people is progress, and keeping people together is success," squarely holds true to day also and may be more tomorrow and …. Few terms have been discussed and deliberated so much in the HR Summits in the recent years as much employee attrition and retention. What have been the reasons for the emergence of such phenomenon? All resources are finite but human resources, plainly speaking, talented and competent human beings are much more limited or scarce in supply. Hence, these talented employees enjoy high demand leading to high degree of mobility in jobs. This has given genesis to what is called in HR lexicon 'employee attrition'. Employee attrition has posed a problem known as employee retention. In fact, increasing rate of employee attrition has emerged as a serious

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challenge for human resource managers to devise how to retain their (talented employees in the organizations. It is against this background, an attempt has been made in this paper to investigate into what causes employee attrition and how employees can be retained in the organization.

Employee Attrition: What and Why?

What is attrition after all? The entire concept of attrition can be best understood from the definition of attrition from perspective of attrition warfare. In military terms, attrition is a strategy of warfare that pursues victory through the cumulative destruction of the enemy's material assets by superior firepower. The predominant style depends on a variety of factors such as the overall situation, the nature of enemy, and most importantly on attacker's capabilities. Here one is talking of attrition with respect to the War of talent in the corporate arena. The strategy involved is the same.

In simple sense, employee attrition means leaving of employees from the job of an organization. Alternatively putting, employee attrition means employees changing jobs. This is, in a sense, not unusual because human civilizations witness that the human beings swing between two poles, namely, movement and settlement. Accordingly, employee attrition is not new phenomenon. In fact, it has been continuously on increase reaching to 40 -50% in some cases. That the services sector has been hit hard is indicated by a survey conducted by ASSOCHAM reporting a 40% attrition rate in services, as compared to about 20% in manufacturing industries. Information technology and business process outsourcing (BPO) and knowledge process outsourcing (KPO) units are the worst placed in this regard. For BPO companies, for example, the top four info Tech Companies- Infosys, Satyam, Tata Consultancy Services (TCS), and Wipro-reported having attrition rate between 11 to 20% in the first quarter of last financial year.

There are reasons and evidences to believe that too high employee attrition causes one type or other harm to the enterprises. Research suggests that the cost of replacing a valued employee ranges form 100% to 300% of annual salary, not including lousy productivity, lost business, impact on customer satisfaction, decrease in morale, and loss of intellectual capital. When attrition becomes excessive causing harm to the organization, it seems pertinent to understand the underlying causes for it so as to devise the appropriate retention policies.

What Causes Employee Attrition?

The reasons for attrition can be varied like shortage of skilled manpower, growth in opportunities as a result of economic reforms and liberalization, Explosion in job opportunities due to sustained high growth of economy as presently experienced. Attrition level can also be more due to rigid HR policies pursued by the corporate that are not pragmatic. There may be some push factors as well at the current workplace, which make it imperative for the employee to look for other opportunities. These may include monotonous work profile and resulting irritation, miscommunication about the profile at the same time of recruitment, frustration due to lack of autonomy, lack of proper channels of communication, etc. There might be a mismatch between the employee and the job, or friction between the employee and employer. Ineffective senior management and lack of co-ordination between departments are other possible push factors. In short, low job satisfaction among employees resulting in low attachment to the company, is what propels high attrition. However, excessive exodus of employees, i.e., attrition from an organization is not desirable for obvious reasons. In fact, there has so far not been any certain degree of attrition as desirable and beyond it undesirable. It's relative to organization.

Like elsewhere in the world. There has been a paradigm shift in employment consideration in India. That is : **"Employment is no longer a life-long option. Job security is no longer important; job satisfaction."** Short term is the new job mantra. Employment is not a life-long option any more. With ever growing affluence and greater exposure, the workforce is becoming more and more demanding

with, of course, choices galore. In fact, the rules of the game are changing. How? Gone are days when somebody (employee) was forced to quit the job because his/her boss did not fancy the nose he was looking at. Today the time for him/her is to cheer up with the fact that the retention of employees has become a key result area for bosses, or say, managers. So, the big implication is an excessive attrition rate of employees could mean a "negative" mark for the manager / bosses. There is meaning in this statement. It is often said that employees do not leave jobs or organizations, but they leave bosses / managers. Research findings suggest that retention of people in the company's starts and stops with managers. Over the period, the traditional factor known as "green pastures", of manpower mobility does not hold true. Evidences suggest that money is no longer a key and big reason of employee attrition. Instead, reasons such as declining relationship with superiors, an absence of growth opportunities and inability to feel an emotional ownership with the organization are reasons for employees to quit the organization. Added to these are the misfit between job and job holder, unhealthy organizational environment, lukewarm attitude of the management, boss or superior, cultural incompatibility, distance, etc. Yes, reasons for employee attrition may vary from ladder to ladder, i.e., at the entry-level, mid-level, and top level. Research evidence also reveals that attrition is the highest at the entry level of career. In fact, employee attrition caused by external reasons in neither of serious magnitude nor of serious concern. But, there are reasons and evidences to believe that employee attrition due to internal reasons i.e., reasons relating to organization itself, have been he real cause of concern for an organization. Operative training at times is also found a cause for employee attrition if the due adjustments are not made for training outcomes.

Effects of Employee Attrition

Increased attrition is a multi-faceted problem in the sense that not only does it contribute to the brain drain from a company, but it also results in increased costs of administration, recruitment and selection procedure, induction of new employees and

costs incurred for the vacancy period for a position. Research findings show that the cost to replace a frontline employee is 40% of the salary and that for a top management employee is 150 to 200%. Apart from this, delays creep into project timeliness, Client relationships may be adversely affected, and searching for the best skills for the job again may demand lots of time and effort. The scenario today is only about loyalty to the profession and not the organization. Thus, today the real problem is how to retain people (talented ones) in the organization. According to Mckinsey study, talent is the strategic asset of 21st century and availability of talents is decreasing. Similar is the view held by Peter Drucker when he says: "Knowledge (talent) is the only meaningful resource today." This underlines the need for and significance of reducing attrition and / or retaining employees in the organization. Therefore, organizations need to innovate ways to retain their talent treasure within their own trove.

How to retain employees?

More often than not, the simplest route taken by companies to combat attrition or retain employees is to increase wages for the employees. Employee compensation costs for some BPO companies have gone up by 30% in the past year. Wage inflation of such magnitude might be making the BPO lesser and lesser inviting for the Western companies, which mostly look for cost cutting when they delegate their work to their Indian counterparts.

Since talented employees are scarce in supply, they need to be procured, developed, and retained in the organization. This involves a process known as 'managing talent'. A talent management process involves four-components to retain their talented employees. The strategy includes:

Effective Management: This component deals with issues like respectful treatment, attention from senior management, coaching and feedback from top management, culture and values.

Career Development: Training, opportunity to learn new skills, career advancement opportunities and job responsibilities fall under this component.

Life –Work Balance Benefits: Issues included in this component are stress free environment, childcare considerations, and convenience to home and ease to commute, benefits packages, and relationship with colleagues.

Compensation and Recognition: This component covers issues such as salary, recognition for good performance and long lasting rewards.

Following are some policies and strategies followed by some organizations to retain their (talented) employees:

- Different approaches for fresher, midlevel management and senior executives.

- Multiple profiles for employees to move within the same organization.

- In-house strategies like handholding and shadowing.

- Balance between academic and industry sectors.

- Balance between work-life and homelike.

- Leadership development initiatives to groom staff.

- Development and career opportunities.

- Strengthening of management commitment.

- Mapping opportunities for people to move and grow within the company.

- Performance-based compensation and recognition.

- Align awards and recognition with business strategy.

- Transparent reward and retention systems.

- Regular counseling, orientation and mentoring programmers.

- Judicious exit-interviews.

- Fare employee anchoring.

Combating Attrition: The TCS Way

Among the service industries, TCS has the lowest rate of attrition of 11.3% compared to the industry average of 15 to 20 percent. The company offers its employees a rewards-driven career development path that emphasizes continuous learning through a number of training and learning programs, opportunities to work across technologies, industry domains, functions and geographies, and a healthy work-life balance. Besides, TCS has also expanded the range of its offerings to employees. TCS's Padmanabhan says, "To deal with the variety of expectations, we try to identify broad segments of employees. While we cannot meet everyone's demands, we are able to cater to the expectations of broad sections of the workforce." He further retorts, "now it seems very clear that employee turnover as we have seen above is rarely due to one fixed cause like compensation or challenging assignments, there always are multiple reasons, which are accumulated over a period of time that leads to attrition. Matured people processes like career planning; mentoring and continuous honing skills will definitely help in employee retention. Human touch, caring and showing concern to employees always go a long way in developing comfort and satisfaction. HR professionals need to be on the move and ensure employees delight. Here in TCS, HR professionals that employees as their customers and employees. At the same time, employees also try t convert themselves as business partner and change agents.

Of late, it has been observed that employees do not consider opportunity but job satisfaction. Job satisfaction results in job involvement and, in turn, organizational commitment. Research reports that job involvement helps retain employees in the organization. Hence, some organizations, besides job enrichment, have been evolving innovative ways to increase their employees' involvement. Fun@work is one such innovative way some well known organizations have been using as an employee retention technique.

Fun@work

What is fun@work? As the words themselves denote, it is casual and/ or informal way of working in the organizations. The common forms of fun@work are casual dressing, flexi work-hours, recreation facilities like gymming and gaming, bunk

beds for power naps and extreme sports like bungee jumping. The list may last long. The basic philosophy behind such HR initiative is its two-fold benefits. One, the mosaic of talent possessed by the employees comes out of its confines. Since people have a natural enthusiasm to participate in the events they like and love, this gives them change and joy even while working. Some organizations tag some sort of reward with such fun-participation. This adds fillip to their involvement in the organization. Today organizations are in desperate need to keep their workforce excited and engaged and, therefore, are looking out to various means and avenues to keep the adrenalin levels high. Yes, some express their apprehensions about organizations' going overboard, i.e. casual @ work, but realizing its benefits increasing number of organizations have been keeping a significant budget around this activity and applying this HR practice to engage and involve their employees in the organizations. The reason is that the payoffs of fun@work are immense. These include an opportunity to bond, improved employee morale, reduced work stress, boost in productivity, creative thinking, better tolerance, enhanced creativity, and more.

Following are the two organizations using fun@work HR practice to improve their employee involvement:

Some of the coolest employee initiatives Yahoo incorporates include: casual dressing, flex work-hours, recreation facilities in offices... like gym, gaming, canteen etc. .., bunk beds for that power nap and extreme sports like bungee jumping. The multihued and vibrant office floors are based on themes ranging from cars to music; and conference rooms are christened with names like Porsche or Deff Leppard. The 'chill out nooks' dominated by chess, table tennis, billiards tables and foosball-taking the cake are a visual proof of their fun filled work life.	A CFO (Chief Fun Officer) creatively comes up with ideas and activities that involve the participation of all employees with out regard to hierarchy. A rock band comprising of Infosys BPO employees performs at various internal events. The Infosys cricket team recently returned victorious from a corporate cricket tournament (Polycom T20 Corporate tournament). The Infosys BPO Idol functions on the same lines as the Indian / American Idol. In the Utsah Dance Club, teams practice Jiva, Salsa, Contemporary and Kathak.

Given the immense benefits the fun@work HR initiative offers to both employees and organization, an obvious question is how much fun is too much. Or say, when fun@work turns into casual @work. This means the organization needs to draw a line between having fun at work and being casual at work.

It's true that there is always a line which defines going overboard with fun@work and this has to be very carefully defined and drawn by the organization based on the kind of work it does, the overall culture of the organization, and the maturity of its employees. At times, this also depends upon the kind of clients a particular organization deals with. For example, there could be a limited opportunity for fun@work in a "critical care unit" of a hospital. This means every organization has to define and decide its threshold and then, strictly adhere to it by all means. Thus, the importance of fun at work and work-life balance is not lost to anyone. No organization should vehemently insist entirely on fun and, thus, veer away from its business interests. Instead, the organization should keep a tab on the initiatives and do not lose track of business goals, performance benchmarks, and delivery status. The trick, then, is to be stay

focused on the objectives of fun@work initiatives. It is recommended that fun at work needs to be projected, perceived, and implemented purely as an employee engagement/ involvement initiative nothing more, nothing less.

Concluding Remarks

As employee attrition has continuously been on increase, its coeval phenomenon of employee retention has become an evolving concept. The ultimate solution to the ever increasing employee attrition is to increase employee engagement / involvement in the organization. The organization is the best to evolve the most suitable retention policy for its employees. No organization can attract and retain the talented employees without giving serious thoughts to it. It's no longer the organization's choice to have retention policy, but compulsion to have it to survive and thrive in today's highly changing and competitive business environment.

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