

PROCEEDINGS OF LONDON INTERNATIONAL CONFERENCES

eISSN 2977-1870

Keeping your staff: a guideline for successful retention strategies

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Abstract

Employees are a major asset and the key to a company's success. Therefore, companies should do their best to retain them. However, the rise in employee turnover has been a challenge for companies worldwide. Some factors lead to such a condition, including high-stress levels, poor employee commitment, and poor remuneration. This study surveyed employees from diverse global industries to identify factors that lead to employee retention and turnover as well as determine retention strategies.

Keywords: Employee turnover, employee retention, retention strategies



 <https://doi.org/10.31039/plic.2024.10.211>



1. Introduction

Managing employee turnover rate is one of organizations' main concerns, justifying their attempt to develop and implement effective employee retention strategies (Ghosh et al., 2013). Intriguingly, a study by Gallup reported that more than half of employees are open to leaving their employers, with 22% of its respondents actively looking for a new job and 29% watching for opportunities (Employee Retention & Attraction, n.d.). In this context, these employees' resignations may inflict several implications on the organization, including disruption of the team's social life, loss of intellectual assets, and disruption of the related stakeholders' performance. In addition, it may also affect the organization's learning curves (Ghosh et al., 2013).

Furthermore, organizations vary in learning curves as they gain expertise and competence through experiences in production. In this context, some reasons for the lack of learning experiences in organizations include intentional "forgetting", poor economies of scale, and high employee turnover rates (Argote et al., 1990). In this context, uncontrolled employee turnover rates affect an organization's growth negatively, along with other negative impacts such as high recruitment costs, human resource degradation, and the decline of the organization's competitiveness (Ghosh et al., 2013).

That said, it is crucial to develop and adopt effective employee retention strategies to address the challenge presented by employee turnover, with a study by ESPHR in 2023 reporting that 36% of HR professionals confirmed it as a top challenge (Ashton, 2023). Moreover, retaining employees offers several benefits, including employee perception maintenance, employee retention strategy development, and top talent recruitment. In this regard, organizations that manage to address the challenge effectively may secure a promising future. Therefore, organizations should focus on retaining their talents, not only on managing them (Choudhary, 2016; Sinha et al., 2012).

This study examined the satisfaction of 273 employees in different industries worldwide by surveying them to learn about their concerns and opinions. The main purpose of this study is to supply organizations with recommendations for developing effective employee retention strategies. This study evaluated and compared existing employee retention models. In this context, Chapter 2 of this paper presents the literature review results, with Chapter 3 presenting the research method adopted by this study. Chapter 4 outlines the study findings and Chapter 5 presents the analysis and discussion of those findings. Chapter 6 provides this study's summary and future research directions.

2. Literature

Organizations have developed the need to deal with employee turnover and develop effective strategies to retain their employees. When highly performing employees leave voluntarily, the management has to cope with its serious consequences, especially ones related to the costs they need to spend on induction, training, career development, and employee retention they spent on the resigned employees. That said, it is crucial for the management to recognize the central role of employees as their organizations' greatest assets and, thus, keys to effective



business performances to motivate them to constantly develop employee retention strategies (Yeasin, 2023).

Several different forms of employee retention exist. In general, employee turnover is a situation where an employee quits the organization. In this regard, voluntary employee turnover occurs when the decision to leave the organization is taken by the employee, with functional voluntary employee turnover occurring when the exiting employee is a low performer while dysfunctional voluntary employee turnover occurs when the employee is a high performer (Lazzariti et al., 2022). In this regard, an organization's capacity to attract, retain, and develop its top talents determines its success, given that such talents literally boost the organization's productivity level (Batish et al., 2021; Chambers et al., 1998). According to a 2012 McKinsey study, top talents are eight times more productive than average performers in jobs with high complexity levels, with such complexity levels influencing employees' productivity (Keller, 2017). Employees with high-complexity jobs are also likely to cause higher costs of turnover when they leave the organization (Tracey et al., 2006).

Organizations need to deal with different cost categories when dealing with employee turnover rates. The first is pre-departure costs which occur from the time employees notify their employers of their resignation to when they actually leave. These costs include the ones for conducting exit interviews and providing severance packages. The second is recruitment costs which do not only include advertising and recruitment costs but also administrative ones, such as the costs for writing job advertisements and resume checking. The amount of these costs depends on how complex or important the positions being advertised. The third is selection costs which are incurred after organizations shortlist potential applicants through different activities, including interviews, reference checking, and weak applicant pool creation. The fourth is orientation and training costs that depend on the time invested in those activities and the level of job complexity. However, the largest share of the total costs involved in employee turnover management is due to the lost productivity and declining learning curve within the organization. In addition, employee turnover may also lead to lost revenue or sales because organizations would take some time to find the right candidates and integrate them into the team (Tracey et al., 2006).

According to the cost-based perspective, employee turnover affects an organization's performance due to its connection to both direct and indirect costs incurred from employee exit management. The human capital perspective suggests that such a turnover cost the organization valuable know-how and skills gathered through years of training and experience. Meanwhile, the social capital perspective views employee turnover as a shaper of employees' capital and resources embedded in social relationships (Hancock et al., 2013).

The estimated overall turnover costs range from 90% to 200% of the leaving employees' salaries (Cascio et al., 2008; Schlechter et al., 2016). Such a number suggests that employee turnover is a considerable threat to business sustainability as it may impact any business worldwide, especially in environments where skills gaps have become more and more growing and competition for qualified employees is heightened (Schlechter et al., 2016). For instance, the need for skilled workers has been on the rise in South Africa particularly due to two reasons: the aging population and local economic growth. Intriguingly, such a condition



has begun to develop in other parts of the world, including the U.S., Sweden, Finland, Hungary, and Slovenia, due to rising talent shortages (Closing the Skills Gap, 2020).

Researchers have been trying to demonstrate why employee fluctuation is an ever-present concern to companies using the employee turnover - organizational performance relationship, with most of them highlighting the negative impacts of the former on the latter (Hancock et al, 2013). Aksu (2008) outlined the following disadvantages that employee turnover inflicts on an organization's performance:

- Increase in employment costs
- Damaged employees' morale, motivation, and job satisfaction
- Damaged employer's image
- Difficulties in finding new and qualified employees
- Disruption of formal and informal relationships between organization members
- Interruption in the learning process of any organization due to the absence of written rules
- Unexpected fluctuations during high season which may lead to premature decisions, ill-considered short-term hiring, and further fluctuations

Several researches outlined a curvilinear relationship between employee turnover and organizational performance. They argued that when the turnover rate is too low, organizations may become stagnant as they experience homogeneity and an overwhelming number of poor performers. However, they risk spending too much on recruitment and hiring as well as losing valuable human and social capital when the turnover rate is too high (Hancock et al., 2013).

In addition, some studies reported a positive relationship between employee turnover and organizational performance. For instance, Seleim et al. (2007) found that employee turnover at an Egyptian software developer benefited the organization's performance, with export density being a key measure of the performance. However, it should be noted that the finding might be exclusive to the software industry as the study also found that new developers brought with them new perspectives and, thus, led to a heightened creativity level at the organization.

In this context, organizations may develop and implement either targeted or untargeted, or both in some instances, approaches to manage employee turnover effectively. Some of the untargeted approaches include favorable compensation and benefits, promotions, learning opportunities, enhanced flexibility, work-from-home options, and employer-funded educational programs. Meanwhile, targeted approaches are selected to convince employees who are likely to leave as they seek to offer them direct incentives or tailored remuneration packages. One thing to note is that both targeted and untargeted strategies aim to secure an organization's stability, sustainability, and success (Schlechter et al., 2016).

Furthermore, organizations may attempt to adopt effective communication, maintain a diverse workforce, hire appropriately skilled people, and offer adequate development and training programs to ensure employee retention. In this regard, leaders should be able to operate within the intrapersonal, interpersonal, group, organizational, and intercultural levels of



communication. Meanwhile, poor communication results in poor work culture and might culminate in increased employee turnover (Cloutier et al., 2015).

Diversity in organizations helps employees to overcome workplace barriers and appreciate growth opportunities at work. In this regard, the "fit" concept promotes the importance of understanding the organization's culture and the diverse cultures brought by its employees (Cloutier et al., 2015). According to the human capital theory, the investment made by the management in developing employees' skills and expertise becomes crucial as employees stay longer with the organization, further promoting the importance of proper retention strategies to ensure appropriate return on investment for organizations. The assumption is that employees may perform better when they are provided with adequate learning opportunities. Moreover, employee motivation theories suggest that employees perform well when they are treated and rewarded fairly, implying that they desire productive, respectful, and inclusive working environments (Ramlall, 2004).

To retain employees, it is crucial to understand what they want. Millennials aged between 25 and 34 years old seek flexibility and challenging work, while Gen Z employees aged between 18 and 24 years old seek fair remuneration and career development opportunities. Furthermore, Gen X employees who are between 35 and 54 years old value flexibility, regardless of their gender, and Boomer employees aged above 65 years old regard leadership and team quality the highest as they tend not to prioritize new skills learning (Closing the Skills Gap, 2020).

Several employee retention models offer unique recommendations for keeping the employee turnover rate at an acceptable level. The Zinger Model on Employee Engagement promotes the strengthening of employer-employee relationships to enhance employee engagement. It outlines 12 drivers of employee engagement (Hussainy, 2020; Sultana et al., 2013):

- Proper strategy planning and execution
- Specific employee engagement strategies
- Job assurance
- Employee motivation
- Effective employer-employee communication
- Authenticity
- Recognition to employees
- Collective awareness and commitment to the organization's goals
- Effective engagement between employees and the organization
- Awareness of the importance of employee engagement in customer service
- Development opportunities for employees
- Job satisfaction

Meanwhile, the Employee Retention Connection model defines three employee retention drivers (Hussainy, 2020; Sultana et al., 2013):

- Stimulating work: Giving employees a variety of tasks, a high degree of decision-making freedom, resources and support, learning opportunities, feedback on the results, and the importance of personal contributions



- Motivational leadership: Leaders should expressively welcome new ideas, create a mutual vision, develop others' skills, and become a role model for others according to organizational values
- Recognition & Reward: Leaders should focus on recognizing and rewarding good performers as well as celebrating successes to consolidate the feeling of self-esteem and camaraderie

Lastly, the Integrated System for Retaining Employees model introduces five stages that organizations should follow to transform their culture and increase their competitive edges (Hussainy, 2020):

- Identifying the organization's motivation and retention culture through surveys and focus groups
- Providing highly-involving jobs and work assignments
- Providing proven methods of motivational leadership based on the training basis for supervisors and managers
- Facilitating employees' skills development and the planning of their career paths
- Cultivating a customized reward and recognition system

3. Research Methodology

273 respondents participated in the online survey, with Figure 1 showing an overview of the survey's methodology. Employee retention models presented in chapter 2 of this paper served as a foundation for the survey's questionnaire as they provided insights into possible drivers of employee retention.

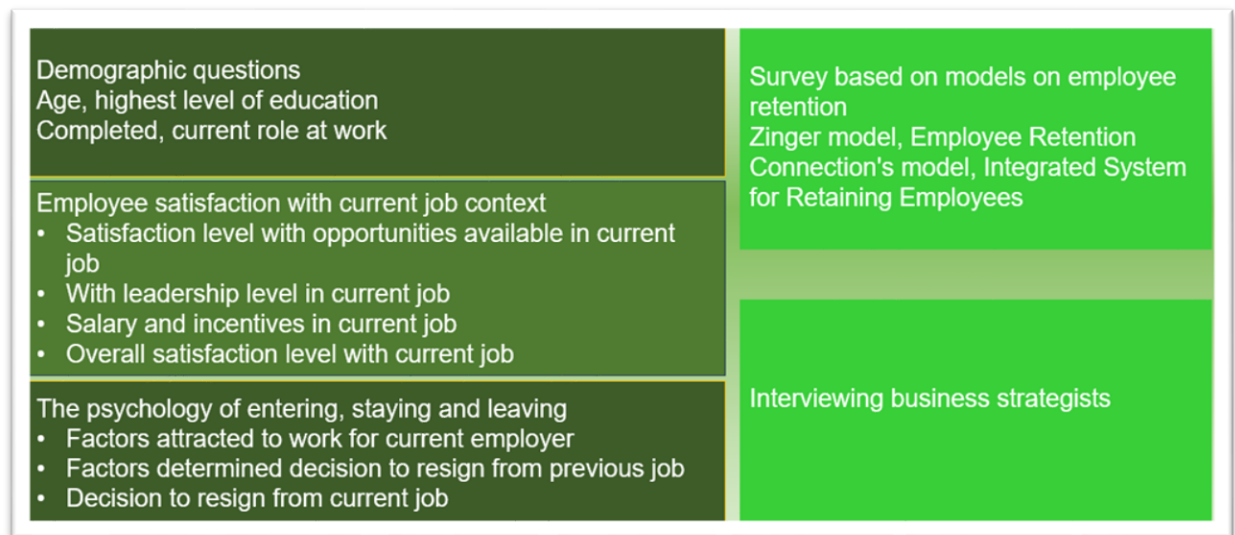


Figure 1: Research methodology

Source: own figure



4. Results

Some important results of the study shall now be presented.

a. Data analysis using SPSS

Regarding the overall job satisfaction, as shown in figure 2, 56,4% of respondents responded to the statement “Overall, I am satisfied with my current job“ with either agree (46,9%) or fully agree (9,5%). 12,1% of respondents answered disagree, 2,9% fully disagree. Surprisingly, 28,6% of respondents answered “neither agree nor disagree”.

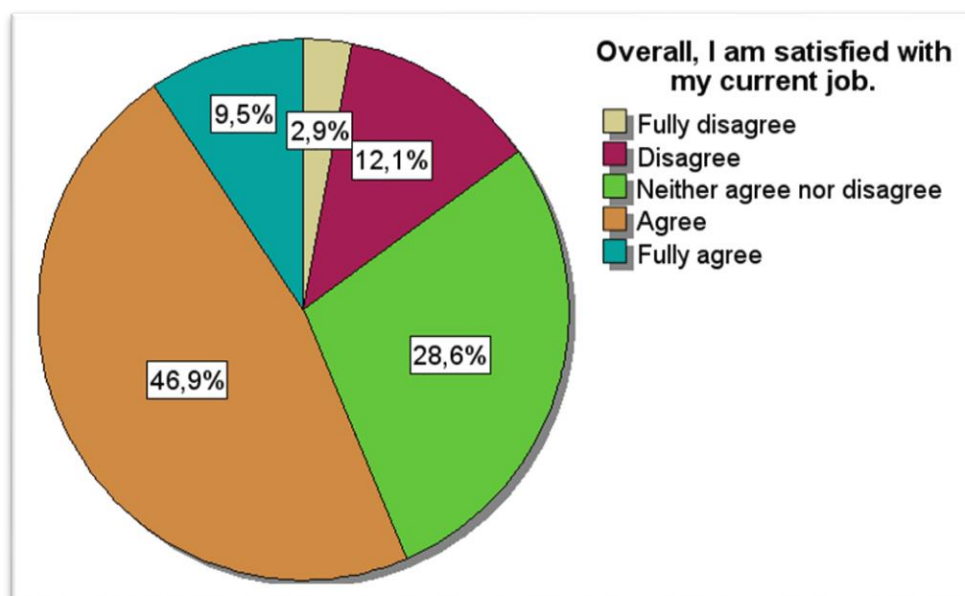


Figure 2: Overall job satisfaction

Source: Own figure, output from SPSS

It can be concluded that more satisfaction among employees with managerial functions can be found. Details are shown in figure 3. 124 of a total of 273 respondents (45%) were in non-managerial positions. 69 of “non-managerial employees” were neither satisfied nor dissatisfied with the opportunities available in their current job. 38 of them were either satisfied (31) or very satisfied (7). 17 were either dissatisfied (11) or very dissatisfied (6). 67 of a total of 273 respondents (24,5%) were in middle managerial positions. 36 of “middle managerial employees“ were satisfied (26) or very satisfied (10) with the opportunities available in their current job.

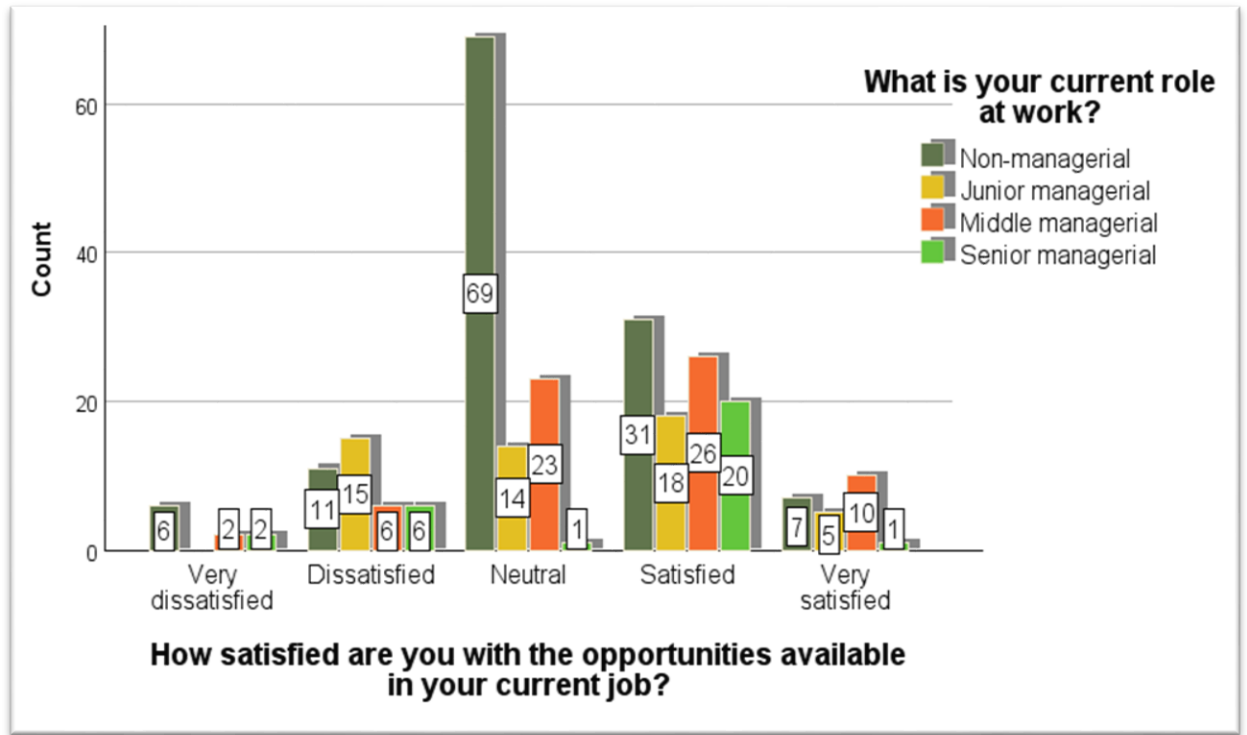


Figure 3: More satisfaction among employees with managerial functions
 Source: Own figure, output from SPSS

Considering training and job satisfaction, table 1 provides detailed information. 121 of a total of 273 respondents held a bachelor’s degree. 46 of the respondents with bachelor’s degree answered the question “I plan to resign from my current job as soon as possible” with “neither agree nor disagree”. 42 answer “disagree” and 19 answer “fully disagree”. 18 of a total of 38 employees with high school or equivalent answered the question with “neither agree nor disagree”.



Table 1: Education and job satisfaction

Count		What is the highest level of education you have completed?								Total
		Associate degree	Bachelor's degree	College or equivalent	Doctorate degree	High School or equivalent	Less than high school	Master degree	Professional degree	
I plan to resign from my current job as soon as possible.	Fully disagree	2	19	4	0	6	0	9	3	43
	Disagree	4	42	11	0	8	0	11	8	84
	Neither agree nor disagree	4	46	18	3	18	5	7	4	105
	Agree	0	12	4	1	5	0	7	5	34
	Fully agree	0	2	2	0	1	0	2	0	7
Total		10	121	39	4	38	5	36	20	273

Source: Own figure, output from SPSS

When asking the question “Which of the following factors determined your decision to resign from your previous job?”, the following answers were given most frequently (multiple answers were possible). Better job opportunities were the reason that got the most ticks in the questionnaire, followed by low income, work-life balance issues and lack of career advancement opportunities (see figure 4). Factors such as cultural differences, poor employee relationship, lack of recognition, lack of respect, lack of responsibility, poor communication, lack of employee training, desire to have a lifestyle change, unfair company policies, dissatisfaction toward managers or supervisors, and work pressure were also important, but not as important.

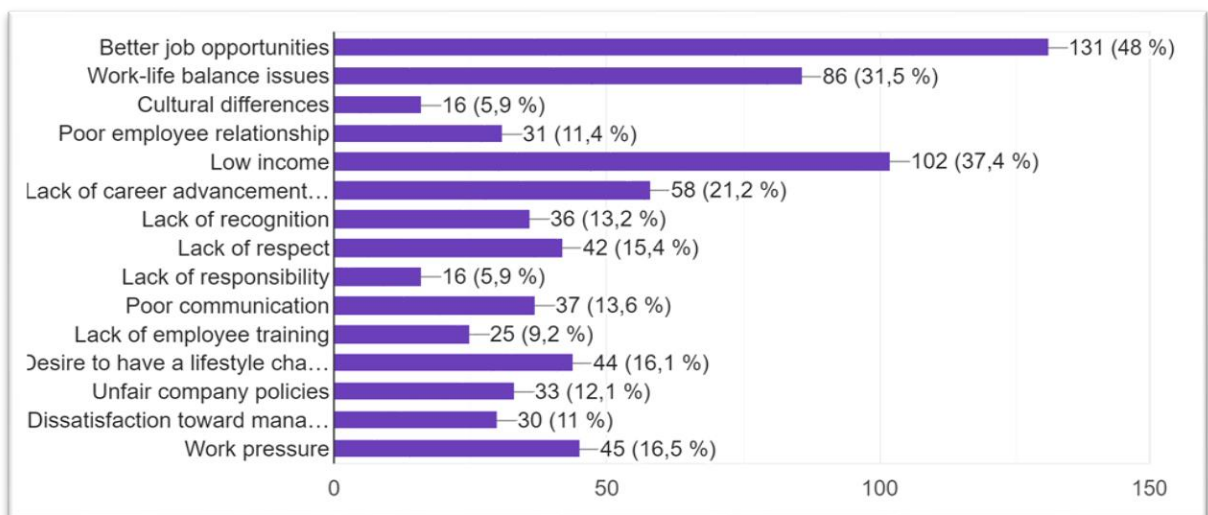


Figure 4: Reasons for employee departure
Source: Own figure, output from SPSS



Regarding the question “What factors attracted you to work for your current employer?”, job stability received the most answers, followed by flexible work schedule (see figure 5). Factors such as employer’s image, clear career paths, conducive working environment or competent supervisor, and management were less important in the decision to work for the current employer.

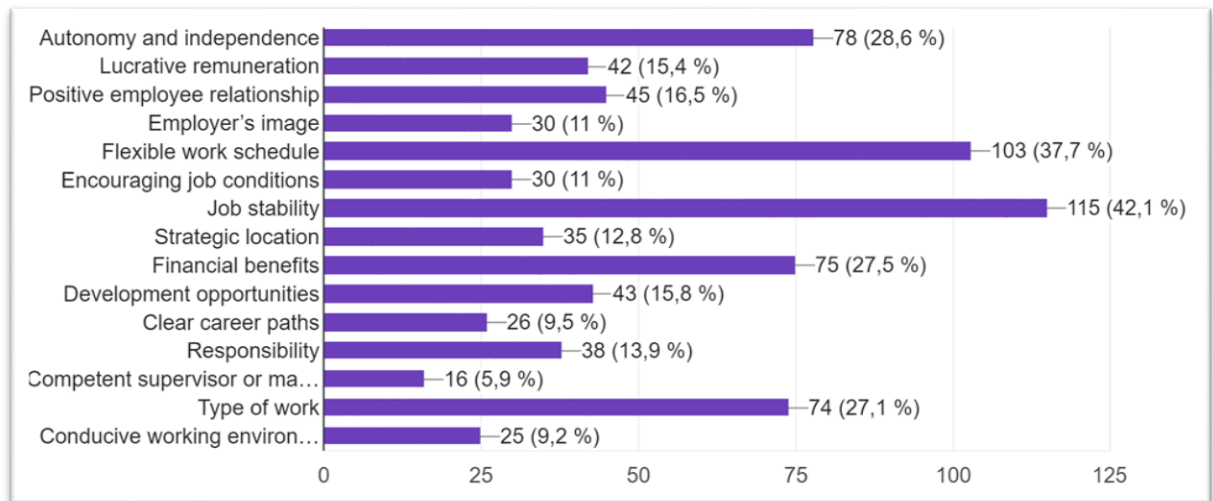


Figure 5: Factors determining job attractiveness
Source: Own figure

Further results:

35,3% of respondents are satisfied with the opportunities available in their current job; 8,4 % are very satisfied; 38,9% neutral and 13,8% dissatisfied, 3,6% very dissatisfied

9,1% are very satisfied with the leadership level in their current job, 42,9% are satisfied; 32,7% neutral, 11,3% dissatisfied, 4% very dissatisfied

5,5% are very satisfied with their current salary and incentive, 34,9% are satisfied; 36,4% neutral; 21,1% dissatisfied; 2,2% very dissatisfied;

2,5% answered the question “I plan to resign from my current job as soon as possible.“ with fully agree; 12,4% agree, 38,2% with Neither agree nor disagree, 31,3% with disagree and 15,6% with fully disagree

b. Representation of a business strategist’s view

Questions to LEE COCKERELL

Executive Vice President at Walt Disney World Resort (Retired & Inspired)

Q1: I read that pursuing effective employee retention strategies will evolve to be the most critical workforce management challenge in near future. Do you think this is true and if yes, why?



Lee: "This is already a big problem. In the US every business is short of staff. This affects the revenue, bottom line and reputation of the brand. The younger generation will not stay if they are not involved, appreciated, recognized, encouraged and that their opinion counts. They expect to be trained and developed so they have a future. They are looking for, "what's in it for them." The key to an effective workforce is to hire them right, train them right and treat them right, and to dismiss the wrong hires quickly."

Q2: What will be the most effective employee retention strategy for companies? Is it the same for all industry sectors?

Lee: Hire people with a great attitude and reliability and then commit to their training and development. Involve them. Be crystal clear about what's in it for them as far as career opportunities and how to get there. Treat everybody with respect. Treat employees the way you would want your children or loved ones treated when they join the workforce. Organizations need less bosses and more teachers.

C.Schabasser (personal communication, April 21, 2024)

5. Discussion of results

According to the chi-square test, the null hypothesis of independence was rejected and a significant relationship (dependence) between the following examined variables was assumed:

- overall job satisfaction – intention to leave the organization
- satisfaction with opportunities available in job – intention to leave the organization
- satisfaction with leadership in job – intention to leave the organization

Job stability, flexible work schedule, autonomy, and independence were the top factors that contributed to job seekers' decision-making.

Better job opportunities, low income and work life balance issues were the top factors that led to employee resignation.

28,6% of total respondents obviously could not state if they were satisfied or dissatisfied with their job.

- In order for management to draw conclusions from employee job satisfaction reports, it is important to know that every employee has different criteria for measuring their own job satisfaction (Dziuba et al., 2020).
- Different factors, such as style of management, payments, working hours, schedule, benefits, stress level and flexibility, influence job satisfaction (Dziuba et al., 2020).
- That said, the employer must show interest and ask more nuanced questions.
- However, employee satisfaction requires the maximum attention to enable the organization to function properly (Ahmad et al., 2022).

People in the management seemed to be more satisfied with opportunities available in their current job.



- Managerial tasks were associated with higher decision-making.
- A number of studies showed that participation in decision-making, with the least effort being to tell employees how decisions are made, increased their job satisfaction (Scott-Ladd et al., 2006; Witt et al., 1992).

This study confirmed the employee retention connection's model premise that stimulating work will lead to better employee retention. It found that employees at the managerial position were more likely to be satisfied with their jobs because they had more privilege and autonomy to perform their role. Moreover, they also develop a better sense of belonging to the organization than those who were not in managerial positions.

Intriguingly, this particular finding also confirmed the premise of two other models presented earlier. It approved the need to keep the work interesting and challenging proposed by the Zinger model on employee engagement. It also confirmed the premise of the integrated system for retaining employees which centers on the need to provide highly-involving jobs and work assignments, which employees are more likely to encounter as they are given adequate autonomy and involved in the organization's decision-making activities.

6. Summary and future research

Around 47% of respondents said they do not plan to quit their current job. And the others? They seem to be undecided or just waiting for a better job opportunity that will give them more stability, more flexible work schedule, more autonomy and independence, better financial incentives and enable more attractive work-life balance. Previous studies found that job satisfaction influences employee performance. This study's results show that only 56% of respondents were satisfied with their current job, suggesting that employers should consider employing more effective retention strategies because it is particularly painful and costly to have highly performing employees leave voluntarily. To succeed, organizations have to find strategies to attract, retain, and develop its top talents. Studying various employee retention models, one could deduce that recognition to employees, development and learning opportunities, the type of tasks (variety and involvement) and motivation (e.g. working towards a common goal) could lead to more employee retention. This study can conclude that better job opportunities, low income, work-life balance issues and lack of career advancement opportunities are the main reasons why employees decide to leave. In addition, it is above all the job stability that makes a job particularly attractive for an employee. This study provides many pointers for employers to achieve better employee retention and therefore reduce their turnover. Further research is necessary, especially to identify mediator roles, since in many cases there are no simple cause-effect relationships. Finally, it should not go unmentioned that every employee is an individual and therefore these suggestions will not have the same effect on every employee. It is therefore all the more advisable for employers to be attentive, listen carefully and give the employee resource the attention it deserves.



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