

Significance of Retention Strategies in Business Services Sector

Hannah Fredrick, Joy Christy Hemema

Abstract: *One of the chief concerns of Business Service Sector is retaining efficient employees. The recruiting team in an organization spends time on identifying candidates and training them, to equip them to be made suitable for the job. If the recruited staff quits without repaying for what he has gained, it results in a setback for the organization. Higher rates of employee's turnover, which occurs due to increasing competition in labor market, forces the organization to start its work right from the scratch of hiring, training and fostering new entrants. In addition to the financial loss the organization faces due to employee turnover, there is fading employee morale, transfer of knowledge to competitors, and negative impact on the reputation of the organization. The organizations' have therefore to adopt suitable retention strategies to retain efficient employees. Responses were elicited from employers working in various organizations in Business service sector to explore the need to adopt retention strategies, identify the retention strategies implemented by them, and to discover the importance given to retention strategies. Suitable statistical techniques such as SPSS 20.0 and AMOS have been implemented to derive at reliable conclusion.*

Keywords : *Employee turnover, Retention, Strategies, Organization, Financial loss, Employees morale.*

I. INTRODUCTION

Retention is one of the burning problems in Business Service sector. it is crucial for the recruiters to recruit the right employee in the right job. Employers are in race forth best talented employees. According to Carsen (2002) "Cost of employing new employees vary as it includes advertisement cost and salary for recruiters". Thought the employers hope new talented employee will stick on to their job for at least than 5 to 7 years, in reality it is it is not so this adversely impacts on the organization.

Retention strategies are therefore needed to be implemented in the organization for their survival. It is not easy task for the human resource management to replace the quitting employees. Retention strategies will boost the employee's happiness at workplace and also create fidelity towards the organization.

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A. Need for the study

Retaining capable and talented employees is the key to success for any organization. As doors are to attract these employees and losing them cost heavily on the organization. The study therefore focus on the cause for retaining employees and the strategies the organization can adopt to retain their employees.

B. Research Gap

Only very few studies have been made on the causes for implementing retention strategies and strategies to be implemented to retain employees..

II. REVIEW OF LITERATURE

Lucas (2013) accounted that "employers don't understand the expense of high employee turnover as recruiting new staff is costly". Baker (2006) is of the view that hiring new employees is difficult and costlier than to retain the current employees. It's therefore essential for every management to spotlight on implementing strategies to retain employees. Pritchard (2007) research reveals "one of the retention programs is training the employee". Kroon & Freese (2013) in his study has pointed out that "Knowledge and skills that exiting employees takes out of the organization results in a huge loss."

III. RESEARCH METHODOLOGY

A. Sampling design

The sample was taken from employees working in Business Services sector in Chennai, Tamil Nadu. Chennai was selected as it is populated city with various Business Services. As the problem of retention is predominant in Business Services, employees from this sector was chosen as sample. Questionnaire on causes for retaining employees and retention strategies to be implemented was pre-tested among few respondents to confirm questions. The questionnaire was administered to 250 respondents working in Business Services units. After discarding questionnaires that was incomplete, 225 questionnaires were selected for the study.

B. Objectives

1. Identifying the causes for retaining employees in the Business Services sector.
2. To explore retention strategies implemented by IT Sector and Other Business Services Sector.

IV. DATA ANALYSIS

A. Application of Structured Equation Model (SEM) to identify Cause for retaining employees in Business Service Sector.

Factor Analysis -Cause for retaining employees in Business Services Sector

In order to explore the Causes for retaining employees in Business Service Sector, 18 variables were identified. Factor analysis using SPSS 21 is applied on these variables with Principal Component method and Varimax rotation. Kaiser-Meyer-Olkin Statistic was found to be 0.865 (>0.7)

and Barlett's test of Sphericity ($\chi^2=2858.898$, $p=0.000$) was found significant with a cumulative % as 69.031, which thereby confirms the feasibility of factor analysis. One variable 'Low work group synergy' was found to have small coefficients with absolute values below 0.5 was ignored. Finally, 3 factors were identified Cause for retaining employees was named as Performance, Work Climate and Finance. The variables that constitute the 3 factors are shown below.

Table – 1: Rotated Component Matrix^a cause for implementing Retention Strategies

	Component			
	1	2	3	
Training expenses	.883			Finance
Interview cost	.874			
Loss due to employee turnover	.872			
Financial demands from existing employees	.789			
Equipment cost on new entrant	.779			
Supervising new entrants	.645			
Stipend paid to new entrants	.639			
Transfer of knowledge		.866		Performance
Delay in achieving organizational goals		.850		
Performance differential among employees		.848		
Negative employee attitude		.817		
Disruption in operations		.814		
Low work group synergy				
Employee belongings			.911	Work climate
Team spirit			.887	
Employee sense of achievement			.879	
Employee morale			.876	
Relationship with colleagues			.741	

Inference

Factor analysis reveals 3 factors – Finance, Performance, Work climate as the Cause for retaining employees.

Confirmatory Factor Analysis (CFA)

After the completion of Exploratory Factor Analysis, the variables in each factor obtained through Factor Analysis

was confirmed by CFA using Amos 21.0. Using a maximum likelihood estimation method on each of the variables, CFA signifies if the new model fits the data well or not. The variables removed are 'Supervising new entrants' and 'Stipend paid to new entrants' from the construct 'Finance', since their contribution to the model was not appropriate.

Table – 2: Reliability and Validity for Causes for retaining employees

	Reliability	Validity				
	Alpha>0.7	AVE >0.5	Composite Reliability> 0.7	Discriminant Validity		
				Finance	Performance	Work Climate
Finance	.845	.679	.804	.824		
Performance	.890	.673	.911	.199**	.820	
Work Climate	.910	.696	.918	.149*	.199**	.834

Source: Analysis of survey data

Alpha >0.70(Nunnally&Berstein 1994), AVE >0.50(Ahmad et.al.2016),CR>0.70(Fornell and Bookstein, 1982)** Correlation significant 0.01. ** Correlation significant 0.05.

Above table signifies that the data used in the model are found to be reliable and valid. The Fitness of Data was tested using the Model fit data in Amos and is shown in Table.3.

Table – 3: Fit Statistics for the Measurement Model of Causes for retaining employees

Name of the Index	Index Value	Acceptance level	Outcome
RMSEA	.078	≤ 0.08 (MacCallum et al, 1996)	Good fit
CFI	.957	≥ 0.95 (Hulland et.al, 1991)	Good fit
SRMR	.0536	≤ 0.08 Hu & Bentler	Good fit
χ^2/df	2.335	< 5 (Marsh et.al, 1985)	Good fit

Source: Analysis of survey data

The values of χ^2/df , CFI, SRMR and RMSEA indicated a perfect fit.

Standardized regression estimates for the relationship between the Cause for retaining employees and the Factors of retention

Having got the model fit, the Regression weights estimates are analyzed. The Regression estimates provide the relative importance between the constructs – Finance, Performance and Work Climate to the Latent variable – Causes for retaining employees. The estimates with the largest value represent the most important dimension in terms of Causes for retaining employees.

Table – 4: Causes of retaining employees

Factors	Standardized Estimate
Performance <--- Causes for Retention	.508
Work Climate <--- Causes for Retention	.430
Finance <--- Causes for Retention	.416

Inference

Looking at the above table, it is revealed that Performance(.508) has been the major Causefor retaining employees followed by Work climate (.430) followed by Finance(.416).

Structural Equation Model showing the Causes for retaining employees

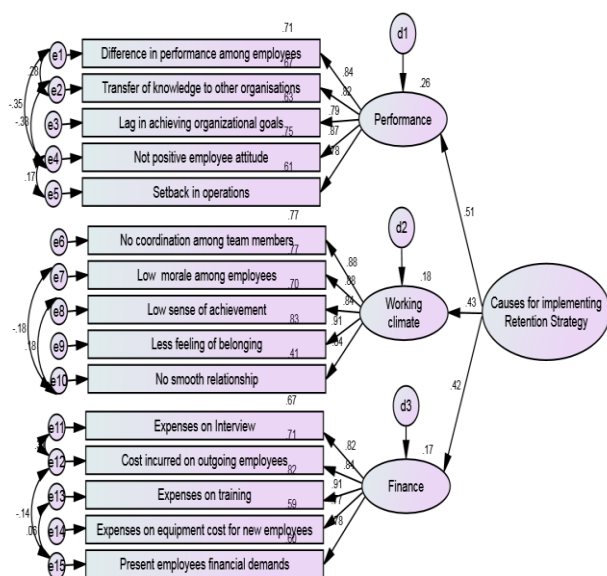


Figure – I: Structural Equation Model of the Causes for retaining employees

Table – 5: Constructs in the Causes for Retaining employees

S.No	Factors	Standardized Estimate
1.	Not Positive Employee attitude <--- Performance	.869
2.	Difference in performance among employees <--- Performance	.841
3.	Transfer of knowledge to other organizations <--- Performance	.818
4.	Delay in achieving organizational goals <--- Performance	.793
5.	Disruption in operation <--- Performance	.778
6.	Less belongings <--- Working Climate	.913
7.	Less team spirit <--- Working Climate	.879
8.	Less sense of achievement <--- Working Climate	.880
9.	Less morale <--- Working Climate	.836
10.	Not smooth relationship <--- Working Climate	.636
11.	Training expenses <--- Finance	.908
12.	Cost for outgoing employees <--- Finance	.845
13.	Interview cost <--- Finance	.818
14.	Financial demands from existing employees <--- Finance	.776
15.	Equipment cost on new entrant <--- Finance	.767

Inference

The above model reveals that ‘Negative employee attitude, performance differential among employees, transfer of knowledge, and delay in achieving organizational goal and disruption in operation are variables for the Cause for retaining employees with regards to Performance. With regards to Work climate it is less belonging, less team spirit, less sense of achievement, less employee morale and not smooth relationship. With regards to Finance it is training expenses, cost for outgoing employees, interview cost, financial demands from existing employees and equipment cost on new entrant.

Identification of Retention strategies implemented by IT-Business Service sector and Other Business Service sector

To identify retention strategies implemented by IT-Business Service sector and Other Business Service sector, various Retention Strategies implemented by the Business Service Sector was identified from previous research studies. The researcher adopted Descriptive statistics to analyze the results and derive at reliable conclusion. The sample consisted of 80 employees from IT-Business Service sector and 145 employees from Other Business Service sector. Table.6 shows the Retention Strategies implemented by IT-Business Service sector and Table 7 shows Retention Strategies implemented by Other Business Service sector.

V. CONCLUSION

Table – 6: Descriptive Statistics of Retention Strategies implemented by IT- Business Service sector

Sl. No		Mean
1.	Freedom to excel	4.98
2.	Team flexibility	4.83
3.	Team Outing Bonding	4.80
4.	Encourage Referral Recruitment	4.71
5.	Provide Compensation Benefits at Market Rate	4.65
6.	Early Identification Problem	4.64
7.	Involve Employees Strategic Planning	4.53
8.	Providing High Quality Training	4.49
9.	Rewards based on Performance	4.35
10.	Conduct Exit Interview	4.23
11.	Hold 6 months Interview	4.11
12.	Identifying Employees Life Problems	3.95

Table – 7: Descriptive Statistics Retention Strategies implemented by Other Business Service sector

Sl. No.		Mean
1.	Freedom To Excel	5.92
2.	Team Outing Bonding	5.87
3.	Provide Compensation Benefits at Market Rate	5.86
4.	Early Identification Problem	5.78
5.	Rewards based on Performance	5.59
6.	Team Flexibility	5.41
7.	Encourage Referral Recruitment	5.40
8.	Providing High Quality Training	5.34
9.	Conduct Exit Interview	5.28
10.	Involve Employees Strategic Planning	5.25
11.	Identifying Employees Life Problems	5.17
12.	Hold 6 months Interview	5.02

Inference

As questions were asked in a rating scale ranging from 7 to 1 with 7 showing very high implementation of Retention Strategy to 1 showing very low implementation of Retention Strategy, the researcher thought it fit to consider values ranging from 3 to 1 as Low implementation of Retention Strategy, values ranging from greater than 3 to less than 5 as Moderate implementation of Retention Strategy and values ranging from 5 to 7 as High implementation of Retention Strategy.

Looking at Table.6 It is clear IT- Business Service sector has mean values ranging from 4.98 to 3.95 which implies that they show Moderate implementation of Retention Strategy. The important Retention Strategies moderately implemented by them are 'freedom to excel', 'team flexibility', 'team outing bonding', 'encourage referral recruitment', and 'provide compensation benefits at market rate'.

Looking at Table. 7 It is clear Other Business Services has mean values ranging from 5.92 to 5.02 which implies that they show High implementation of Retention Strategy. The important Retention Strategies Highly implemented by them are 'freedom to excel', 'team outing bonding', 'provide compensation benefits at market rate', 'early identification of problem', and 'rewards based on performance'.

A retention strategy is found to be of great significance in Business Service Sector with the impact on performance seen as the major Cause for implementing retention. The impact on performance is mainly shown in the form of negative employee attitude in work, performance differential among employees, and the transfer of knowledge gained in the organization to other organizations. The impact on work culture is seen as less employee belonging, less team spirit and less sense of achievement. Finance is also affected by the organization as it faces loss due to training expenses, cost for outgoing employees and interview cost. Retention strategies are seen to be seriously implemented by organization in Other Business Service sector compared to IT- Business Service sectors as they may be facing problems due to retention. They therefore implemented Retention Strategies such as freedom to excel, team outing bonding, team flexibility, provide compensation benefits at market rate, early identification of problems and rewards based on performance. Hence identifying the Cause for Retaining employees and implementing suitable Retention Strategies reveals the significance of Retention strategies in Business Service sectors.

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Dr. (Mrs) Hannah Frederick, M Com, M Phil, Ph.D is working as Associate Professor in Commerce, at the Department of Commerce, Madras Christian College. Her has a total teaching experience of 28 years. Her area of specialisation is Finance and Human resource management. She has produced one research scholar and is at present guiding five research scholars towards Ph.D.

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