Determinants of Employee Retention—Factors and Analysis in Manufacturing Industries in India

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Abstract: Retaining talented work force is a major task experienced by the organizations. Hence, special attention is being given for employee retention and therefore variables influencing are needed to be analyzed. Apart from financial benefits, other factors such as supervisor support, training and development, leadership skills, satisfaction over performance appraisal are also exert major impact on employee retention. In this study, 4 non-financial variables and their competitive significance over employee retention in manufacturing ceramic industries is analyzed with the aid of statistical tools. The analysis concluded that all the 4 variables are correlated with employee retention. The study also revealed that the determinants, such as supervisor support, leadership skills and satisfaction over performance appraisal have significance influence with employee retention.

Keywords: Employee retention, performance appraisal, supervisor support, training and development, leadership skills,

INTRODUCTION

Employee retention is the process of preventing valuable employees from leaving the organization by taking all possible measures and encouraging employees to remain in the organization for the maximum period of time. Retention is defined by Johnson (2000), as the ability to hold onto those employees you want to keep, for longer than your competitors.

In olden days, firms run their business with the same employees they recruit and employees also had the mood of working in the firm till their retirement age. As days passed, remarkable improvement and innovation took place in technology and work scenario. This had completely changed, warranting more capable and knowledgeable employees with all round improvement in economy and technology there exits stiff competition between organization and their survival. On the other side, there are ample numbers of opportunities available for skilled and talented human resources. Consequently organization pays special attention to selection process of eligible employees and development so as to suit their goals and retain them by satisfying their needs.

For many decades of last century the richest in this world was someone who had oil. When William Hary Bill Gates of Microsoft, become world’s richest person, it was the first for the knowledge worker. Today organizations are largely depending on high technology to develop, build and maintain their products and services; this has created a dependence on workforce with specialized knowledge and skill (Singhi, 2012).

Literature review

Employee retention: Organization today takes great care in retaining its valuable employees and good employees as they are increasingly becoming more difficult to find, as stated by Pancho (2001) and Zedeck and Mosier (1990) has mentioned that the issue of employee turnover is very crucial and important to managers, researchers and individuals.

According to Osteraker (1999), the employee satisfaction and retention are the key factors for the success of organization. In order to develop an effective retention plan for today’s employment market, it is vital to realize the varying needs and expectation. If the retention strategies are not properly embedded in the business processes, the all effort since recruitment will ultimately proves futile as stated by Earle (2003). Carsten and Speeter (1987) found that the main causes of high labor turnover in an organization are poor personnel policies. Poor recruitment policies, poor supervisory practices, poor grievance procedures or lack of motivation.

All these factors indicate that there is no proper managerial practice and policies on personnel matters,
hence the employees are not recruited scientifically, promotion policies of the organization is not communicated to the employees properly. No grievance procedures are there in the organization and as such the employee decides to quit, hence much care should be given to those earlier factors to avoid.

Retention is considered, as all-around module of an organization's human resource strategies. It commences with the recruiting of right people and continues with practicing programs to keep them engaged and committed to the organization as per Freyermuth.

The study by Klen and Kozlowski (2000), Raudenbush and Bryk (2002) and Yammarino and Dansereau (2004) states that the analysis of retention should be considered at more than just a single level because the influences of retention can arise at multiple levels. Ahlrichs (2000) and Roodt and Kotze (2005) studied turn over cost investment. According to them hiring knowledgeable people for the job is essential for an employer. But, retention is even more important than hiring. This is true as many employers have underestimated costs associated with turnover of key staffs. Turnover costs can be incurred with issues, such as administrative expenses for recruiting, cost for managerial time towards selection process, premedical check up other than this reference checks, security clearance, temporary worker costs, relocation costs, formal training costs and induction expenses.

Other invisible costs and hidden costs, such as missed deadlines, loss of organizational knowledge, lower morale and client's negative perception of company image may also take place. Hence, it is inevitable for all organization to keep their work force retained in their organization.

Always there is growing demand for the skilled and talented people and retaining them is specially emphasized and the factors which are more influenced to keep them attached to the existing organizations is to be analyzed and given priority. Relatively less turnover research carried out by Maertz and Campton (1998) has focused specification how are employee decide to retain with an organization and what determines their attachment-retention processes should be studied along with quitting process.

The issue of retaining talented work force is felt by all organizations and manufacturing industries also felt the same. Considering the importance and sensitivity of the issue, the researcher made an attempt to analyses the determinants which are more significance over job-retention in sanitary ware manufacturing industries.

**Supervisor support and retention:** Supervisors support is one of the important factors having effect on the retention process. Supervisor role is considerable in the relationship between workers and organization. This fact is endorsed by a worker of the organization is strongly influenced by their relationship with their supervisor as per Eisenberger et al. (1990).

Worker is less likely to leave on organization and be more engaged by having good relationship and open communication with supervisor (Greenhaus and Callanan, 1994).

Supervisor will act as a bond between the higher authority and their subordinates to fulfill the goals and expectations. Their main objective is to achieve the goals set by the organization. They mediate the expected goals set by organization and the demands of work force inside and outside the work environment and if this works well, then the employee will stick to the organization and vice versa.

As indicated by Ontario (2004), the supervisor support is so essential to retention that it can be said that employee leave bosses not jobs, Freyermuth states that organization must groom supervisor to build the place where employee want to stay. The individuals who were well skilled and have good positions may find similar work elsewhere but the effective way to retain is to promote support and develop close working relationship as illustrated by Silbert (2005).

Borstorff and Marker (2007) found that employees want trustful supervisor who know them, understand them and treat them fairly. Abusive supervisors create conflicts in worker's attitude for job, life and organization. Today manufacturing industries are engaging workers of different skills in one unit and the role of supervisor become vital to coordinate the workers and hence, supervisor-worker's good relationship and support are essential for retention.

**Training and development and retention:** Training is one of the major deciding factors for job retention. The employee who gets training in his assigned work, it is obvious that he will exert more efficiency in execution and it reflects in increased precision and output. Manufacturing organization gives much importance to training and this is endorsed by the Messmer (2000) that organizations invests in the form of training and development on those employees they expect to return and give output for the on its investments made.

United States department of labor indicated that job training is a critical factor for personnel (behavioral) and professional (technical) development.

As per Oarg and Rastogi (2006), today’s competitive environment feedback is essential for organization from employees and the more knowledge the
employee learn, the more he or she will perform and meet the global challenges of market place.

Both the earlier finding endorses the essentiality of the training with respect to the increased and improved out turn keen factors of organization-results in loyalty of the employees which increase bonding and retention.

Research made by Frenda and Stahl (2001) states that both the organizational benefits and cost savings associated with training programmes outweigh the initial cost it incurs. Manufacturing organizations which always looks for the improved technological performance of their employees as they always train the eligible staff. Training improves retention rate and this is supported by research made by Eisen et al. (2005) states that training program available to all employees correlates with 70% increase in employee retention. Also the researches of Amble (2006), supports that access to regular training program enhances growth, prosperity and retention for both employees and employer.

One of the strategies of providing training for retaining the employees of any age is also supported in the research made by Eisen et al. (2005). The training provides improved performance in working style (as the in depth knowledge of works increases) and also provides job satisfaction which results in motivation of the employees and in turn bondage to the organization.

Training is a determinant of job retention is supported by the suggestion made by the Huselid (1995) that perceptions of the practices such as providing training and job security by the company are the important determinant of job retention. However, training alone is not enough for job retention and it is one of the determination factors for employee-retention.

**Leadership skills and retention:** Leadership is the process of encouraging and helping others to work enthusiastically towards objectives, as stated by Davis and Newstorm (1989). The leadership is also defined as the relationship in which one person (the leader) influence others to work together willingly on related tasks to attain goals desired by the leader and/or group (Terry and Franklin, 1987).

According to Mat (2008), leadership definitions keep evolving as scholars try to simplify the definition to enable people to understand the concept easily and to make it less complicated and more practical in daily business.

It is difficult to state leadership in single definition and generally good leader extents his support to others to works enthusiastically to attain the target set to them, endorsed by Mat (2008) that generally the followers emulate the leader’s act and behavior, thus leading to achieving final and desired goals.

Gwavuya (2011) concludes that management is about developing planning and controlling of the organizational resources while leadership is about the aligning of people to the expected outcome of the vision. In order to lead one must be able to manage and hence the two are closely related.

The earlier findings emphasize the importance of efficient leaders in achieving the organization goals and employee’s satisfaction results in job retention (Beardwell and Claydon, 2007).

The role of leadership and superior is crucial in staff retention and argues that employees leave managers and not the organization.

Gwavuya (2011) states that incompetent leadership results in poor employee performance, high stress, low job commitment and employee turn-over. McNeese-Smith (1995) mentioned with study on leadership behavior of hospital directors found that there is significantly positive relation between productivity, work satisfaction and organizational commitment of staff.

The findings of Chung Hsiung states that leadership style can affect organizational commitment and work satisfaction positively and work satisfaction can affect organizational commitment and work performance positively.

The earlier researches concludes that leadership skills is a determinant for job retention and as manufacturing industries mainly depends on their skilled work force in their continuous process in production, important to be given for this factor.

**Performance appraisal and retention:** Performance appraisal is a managerial process of evaluating the employee’s performance with assigned work. Redman et al. (2000) states that performance appraisal in organization considered as key Human Source Management (HRM) practices for measuring effectiveness and efficiency. Conclusion given by Gruman and Saks (2011), one states that performance appraisal is a process of improving and evaluating an individual’s performance in his duty to facilitate the decision of career development of the individual. It evaluates the individual’s overall contribution of the organization through assessment of these internal characteristics, working performance and his capability to pursue higher position in the organization.

According to Taylor et al. (1995) performance is an important human resource practice and tool which provides information to many critical decisions, such as training and development needs. Fletcher (2001) defines...
performance appraisal more broadly as activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards.

Performance appraisal can be narrated as process assessing qualitative and quantitative aspect of employee’s job performance over a period of time. Performance appraisal serves many purposes within the organization as summarized by Gabris and Ihreke (2001), the performance appraisal process has at least three major purposes. Ahlrichs (2000) to provide employees with feedback, Amble (2006) to control employees with feedback and Dockel (2003) to determine individual merit. As per Scott it is a tool to encourage strong performers to maintain their level of performance and to motivate poor performance to do better. Pettijohn et al. (2000) indicate that appraisals can have a positive impact on job satisfaction when employees believe that they are being evaluated by the proper criteria.

Managers may conduct appraisals primarily to affect employee input through the feedback process or to justify some sort of human resource action (termination, transfer, promotion, etc.). Cocarouther et al. (1978) and Jaworski and Kohli (1991) identify other benefits that can be obtained from performance appraisals are increased in role clarity, performance and job satisfaction.

In one study Jawahar (2006) reported from his study that satisfaction with appraisal feedback was positively related to job satisfaction and organizational commitment and negatively related to turnover intentions. Blau (1999) also reported that employee’s satisfaction with performance appraisal system significantly affected overall job satisfaction.

Purpose and hypothesis of the study: The study examines the influence of independent variables, namely: performance appraisal, leadership skills, training and development and supervisor support on the dependent variable of employee retention (Fig. 1). As discussed before, the following hypothesis are proposed in the present study:

H1: There is an association and significant relationship between performance appraisal and employee retention
H2: There is an association and significant relationship between leadership skill and employee retention
H3: There is an association and significant relationship between training and development and employee retention
H4: There is an association and significant relationship between supervisor support and employee retention

MATERIALS AND METHODS

Sample and procedure: Respondents in the study were managerial staff of a MNC Sanitary ware factory in India. Out of 550 self-administered questionnaires distributed to the staff of the above factories in India, 416 usable questionnaires were used in the statistical analysis representing a response rate of 75% (Approx.) from the sample. The selection of the respondent was based on the simple random sampling.

Measurement: The independent variables of the study consist of 4 factors like performance appraisal, leadership skill, training and development and supervisor support. Totally 24 questions exists in the questionnaire. There were 6 questions in performance appraisal. Similarly another 6 questions in the leadership skills. The 7 questions were about training and development. Supervisory support was narrated with 5 questions. Independent variable is employee retention with 10 questions.

Respondents were asked to respond the questionnaire on a Likert-scale range from 1-5, 1 = Strongly disagree and 5 = Strongly agree. Statistical package for the social sciences (spss) has been employed for analyzing the data’s collected. The researcher developed the questionnaire self administered and adopted from previous study (Ciska, 2008; Dockel, 2003; Pieterse-Landman, 2012; Gupta, 2011; Chikumbi, 2012).

RESULTS

Table 1 shows the characteristics of demographic variables. Around 81% of the respondents were of 25-45 age group and 73% of them posses PG and professional qualification while 57% of the respondents falls under 5-15 years of experience. Regarding designation, middle level managers were dominating in the industry and majority of them belong to production department.
Table 2 shows the mean standard deviation and Cronbach's alpha for each variable. It also depicts the reliability coefficient of variables which ranges from 0.795 to 0.902 which concurs with minimum acceptable level of 0.70 (Nunnally and Bernstein, 1994) and also explains the mean value from 21.29 to 41.50.

Table 3 shows the coefficient of correlation between dependent and independent variables. It is observed that all the variables are positively correlated with each other. The correlation ranges from 53-70%. Supervisor support is highly correlated (70%) with employee retention and other 3 variables lies between 53-59% proving the acceptance of all the hypothesis H1-H4, and all of them falls under significant at 1% level.

Table 1: Demographic profile of the respondents

<table>
<thead>
<tr>
<th>Factors</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25</td>
<td>34.0</td>
<td>8.2</td>
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<td>26-35</td>
<td>195.0</td>
<td>46.4</td>
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<tr>
<td>36-45</td>
<td>146.0</td>
<td>35.1</td>
</tr>
<tr>
<td>&gt;45</td>
<td>43.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Educational qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UG</td>
<td>8.5</td>
<td>20.4</td>
</tr>
<tr>
<td>PG</td>
<td>155.0</td>
<td>37.3</td>
</tr>
<tr>
<td>Professional</td>
<td>147.0</td>
<td>35.3</td>
</tr>
<tr>
<td>Others</td>
<td>29.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Experience (years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;5</td>
<td>8.0</td>
<td>20.0</td>
</tr>
<tr>
<td>5-10</td>
<td>122.0</td>
<td>29.3</td>
</tr>
<tr>
<td>10-15</td>
<td>117.0</td>
<td>28.1</td>
</tr>
<tr>
<td>&gt;15</td>
<td>94.0</td>
<td>22.6</td>
</tr>
<tr>
<td>Designation</td>
<td></td>
<td></td>
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<tr>
<td>Junior</td>
<td>121.0</td>
<td>29.1</td>
</tr>
<tr>
<td>Middle</td>
<td>222.0</td>
<td>53.4</td>
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<tr>
<td>Senior</td>
<td>73.0</td>
<td>17.5</td>
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<tr>
<td>Department</td>
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<td></td>
</tr>
<tr>
<td>Production</td>
<td>248.0</td>
<td>59.6</td>
</tr>
<tr>
<td>HR</td>
<td>56.0</td>
<td>13.5</td>
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<tr>
<td>Marketing</td>
<td>80.0</td>
<td>19.2</td>
</tr>
<tr>
<td>Finance</td>
<td>32.0</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Table 2: Mean, standard deviation and Cronbach's alpha

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>No. of item</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance appraisal</td>
<td>25.59</td>
<td>2.270</td>
<td>6</td>
<td>0.795</td>
</tr>
<tr>
<td>Training and development</td>
<td>25.11</td>
<td>2.510</td>
<td>7</td>
<td>0.818</td>
</tr>
<tr>
<td>Leadership skill</td>
<td>25.45</td>
<td>2.460</td>
<td>6</td>
<td>0.789</td>
</tr>
<tr>
<td>Supervisor support</td>
<td>21.29</td>
<td>2.210</td>
<td>5</td>
<td>0.785</td>
</tr>
<tr>
<td>Employee retention</td>
<td>41.50</td>
<td>4.882</td>
<td>10</td>
<td>0.902</td>
</tr>
</tbody>
</table>

Table 3: Co-relation coefficient between dependent and independent variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Performance appraisal</th>
<th>Training and development</th>
<th>Leadership skills</th>
<th>Supervisory support</th>
<th>Employee retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance appraisal</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training and development</td>
<td>0.670**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership skills</td>
<td>0.630**</td>
<td>0.632**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisory support</td>
<td>0.609**</td>
<td>0.604**</td>
<td>0.701**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Employee retention</td>
<td>0.585**</td>
<td>0.539**</td>
<td>0.596**</td>
<td>0.700**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 1% level (2-tailed)
value is significant at 5% level. Likewise the coefficient value of supervisory support is 0.941 represents the partial effect of supervisory support on level. Similarly, coefficient of leadership skill is 0.189 employee retention. The estimated positive sign implies such effect is positive that employee retention would increase by 0.941. For every unit increase in supervisory support and the coefficient value is significant at 1% level.

**DISCUSSION**

The aim of the study was to determine the relationship between independent variable and dependent variable and also to examine the influence of each independent variable to the dependent variable.

The results derived from correlation matrix revealed that all of the independent variables like, performance appraisal, leadership skills, training and development and supervisor support were positively related to the dependent variable of employee retention.

The regression analysis explores that 3 of the independent determinants, namely; performance appraisal, leadership skills and supervisor support had significant influence on employee retention. In other way out of 4 independent determinants, performance appraisal, leadership skills and supervisor support are more predominant factors for the employee retention.

The result of analysis of supervisor support acts as a predominant factor having significance over employee retention is coincides the previous research studies by Gentry et al. (2007) and Shoaib et al. (2009).

This may be due to better understanding between supervisors and employees and good relationship increases the employee's confidence level over supervisor and involvement in work. More over employees will work enthusiastically giving expected out-turn which fulfills the organization target, result in incentives for the employees. In other way, if the relationship is restrained the employee will be fatigue, results in frustration and switch over to other places. The next predominant factor is performance appraisal. This also increases the satisfaction level of employees if it is done fairly without bias. This result is consistent with the previous study made by Sudin (2011). Also as per analysis, leadership skills emerged as a significant factor on employee retention and this is consistent with the study made by Beardwell and Claydon (2007).

**CONCLUSION**

The study and analysis revealed that performance appraisal, leadership skills, supervisor support with employee retention in ceramic manufacturing industries in India have significant relationship. Hence, organizations must give special attention to the earlier mentioned variables so as to retain the valuable employees for a longer period of time.

**REFERENCES**


