

**ARIV****International Journal of Business****Paper ID: AIJB12092020****Vol1 Issue 2 2020**

## **Employee Engagement – A Key to Employee Retention**

I. Yabesh Abraham Durairaj, Research Scholar, Anna university, Chennai, India

Dr.T.Thiruvengadam, Associate Professor, Department of Management Studies, SSN College of Engineering, Chennai, India

Dr.Subrahmanian Muthuraman, Arab Open University, Sultanate of Oman

### **Abstract**

In this continuously changing contemporary economy, companies have to be able to anticipate technological innovations and to compete with other companies worldwide. This need makes important a company's ability to evolve through its employees' learning and through continuous development. Securing and retaining skilled employees plays an important role in this process, because employees' knowledge and skills are central to companies' ability to be economically competitive. By increasing employees' engagement levels, organizations can expect an increase in performance of up to 20 percentile points and an 87% reduction in employees' probability of departure. The highly engaged outperform the average by two deciles and are dramatically less likely to leave the organization. Visionary CEOs can take active steps to promote top performer retention by 1. Providing Career Advancement Opportunities, 2. Improving Engagement To Drive Productivity and 3. Building A Performance-Oriented Culture. A cohesive HR and talent management infrastructure is a key requirement that must not be overlooked. Effective execution comes down to integration of disparate processes, systems, and data. And as our research clearly indicates, integration provides numerous direct business benefits, least of which is to retain your top performers so that you can effectively execute your strategy and grow your business. With trends in compensation planning changing as an organization changes its goals and priorities, organizations with staying power require a flexible, scalable, automated solution in order to retain top talent and reward top performers. When an organization can do this effectively and efficiently, top employees win and so does the organization.

**Keywords:** Employee, Retention, Engagement, Compensation, Opportunities.

## Employee Retention

The contemporary global economic environment has changed drastically and continues to do so. Social developments such as continuing globalization, technological innovation, and growing global competition place pressure on companies and emphasize their need to maintain their competitive edge, at least in part through maintaining the skills of their employees. Companies have to be able to anticipate technological innovation and be able to compete with other companies worldwide. This need makes important a company's ability to evolve through the continuous learning and development of the employees. Having and retaining skilled employees plays an important role in this process, because employees' knowledge and skills have become the key for companies to be economically competitive. Therefore, it is important that employers give employees the opportunity to develop and learn such that the workers maintain their capacities as effective employees, resist redundancy, and are retained by their companies. Beyond these economic pressures, companies also face some disturbing demographic changes.

The average age of employees in Western countries is increasing constantly. In addition, the workers of the so-called baby boom generation are gradually retiring. With the retirement of this generation is a significant loss of skills and other capacities which are not being easily replaced by simply hiring new employees. The ending of the careers of the baby boom generation means that companies lose competence (i.e. knowledge, and skills), all of which are essential in the current economic environment in which companies have to compete.

Companies expect that the proportional rise in the ageing population will lead to a global competition for the 'best' employees. This 'competition' will be the most intense in the search for Chief Executive Officers (CEO). CEOs are considered by some to be the most important assets of a company. The fact that the majority of the current CEOs belong to the baby boom generation means that a shortage in the near future is highly likely. Companies with policies that are future oriented and strategic might be aware of this problem and can take action to address it. For instance, they may develop practices to identify, select, develop, and retain promising employees in order to ensure the presence of necessary skilled workers who can secure the quality and quantity of the goods or services they provide, and who can maintain their competitive advantage. These companies may also focus on employees with high potential who might have the ability to take on a higher (executive) function in the future.

The increasing global competition for the 'best' employees brought about by the shortfall in new workforce entrants in many advanced industrial economies makes essential companies' ability to ensure that their employees will keep on working for them in order to maintain their competitive advantage. However, a large, and perhaps growing, number of employees nowadays do not want a traditional career within one company. Consequently, they are less loyal and more opportunistic than workers in the past. According to numbers provided by SDWorx, a large Belgian human resource and payroll company, in 2007 there was an employee turnover rate of approximately 17.46% in Belgium. For employees younger than 25 years, the employee turnover rate was 39%. This statistic illustrates the fact that the employees of the 'new' generation at work do not have/want a traditional career within the same company to the same extent as their older colleagues, and possibly have a greater choice in pursuing careers across companies. It follows that companies now have to make increasing efforts to retain their skilled employees. Losing such employees means a loss of investment in that employee and that a new employee has to be recruited and trained. Moreover, when skilled employees leave a company, they can take a lot of know-how with them, and thus the company is at risk of losing confidential information to competitors.

### **Seven factors that can enhance employee retention**

- (i) Compensation and appreciation for the work performed,
- (ii) Provision of challenging work,
- (iii) Chances to be promoted and to learn,
- (iv) Invitational atmosphere within the organization,
- (v) Positive relations with colleagues,
- (vi) A healthy balance between the professional and personal life, and
- (vii) Good communications.

### **Engagement is critical for performance and retention**

By increasing employees' engagement levels, organizations can expect an increase in performance of up to 20 percentile points and an 87% reduction in employees' probability of departure. The highly engaged outperform the average by two deciles and are dramatically less likely to leave the organization.

## Focusing on critical leverage points to create and sustain a high engagement workforce

### ❖ *Prioritizing engagement driven business risk*

Return on engagement practices requires a link between engagement and business outcomes. Organizations should rely on economics and business strategy when determining whom to engage and how to engage them in support of business outcomes.

### ❖ *Engaging key contributors*

Organizations must target investments to those individuals who contribute the most to the business, while realizing that these people are not all high performers or high potentials as they have been traditionally defined.

### ❖ *Targeting drivers of engagement*

Before any proactive organization level engagement strategy will succeed, organization must first identify and remove the drivers of disengagement, many of which are invisible to traditional methods of deduction, such as employee engagement surveys.

### ❖ *Building a high engagement culture*

The three essential components of engagement culture: connection, contribution and credibility. A high engagement culture needs reliable mechanisms to ensure employees are consistently experiencing all three of these elements.

## Three things to retain top performers

1. ***Provide Career Advancement Opportunities:*** Unsurprisingly, 84% of HR and business leaders believe that providing career advancement opportunities to top performing employees is the most impactful way to retain them. Yet only 43% of organizations have put in place a systematic process for employee development, which indicates a rather serious disconnect.

Learning paths and specific courses can be established for employees to facilitate their career growth. By providing the proper tools to employees, CEOs can take a more active role in reducing high performer flight while promoting growth and engagement.

2. ***Improve Engagement to Drive Productivity:*** Business leaders are more frequently recognizing the importance of an engaged workforce and its potential to drive business performance and impact the bottom line. Engaged employees are people that are highly motivated and vested in the success of their organizations and are willing to make an extra,

discretionary effort in their daily work. Extensive research over the past decade reveals that an engaged workforce impacts business performance, and ultimately, shareholder value. Put simply, companies with higher percentages of engaged employees perform better than their industry peers.

These companies have:

- Better financial performance
- Higher employee retention
- Increased customer satisfaction
- Higher productivity

Equally interesting, financial analysts have taken notice. For instance, an equities report focused on a large international bank cited that employee engagement scores are highly correlated with shareholder returns. Retaining top performers also provides significant and tangible cost savings (replacement costs range from 100-150% of a departing employee's salary).

3. ***Build a Performance-Oriented Culture:*** Programs that align employees' compensation – merit increases, bonuses, long-term incentives – to their performance have proven to be very effective in driving actual performance. Often called pay-for-performance (P4P), the concept is to build a culture of top performers by aligning goals, performance, and rewards across an entire organization. Motivating, rewarding, and retaining top performers is a key business objective for any company that seeks to successfully maintain or exceed growth expectations. Best-in-class organizations focus on a performance-driven rewards system that compensates individual contributors directly proportionate to what they achieve and what they contribute to the bottom-line. The challenge lies in effectively aligning employee goals with organizational objectives, automating performance management processes, and linking them with complex compensation policies or time-based incentive plans at an enterprise level. With a well-designed pay-for-performance system, employees at all levels of the organization more clearly understand what they need to do to support overall company objectives. The workforce becomes more accountable – which is increasingly important these days – and can see the impact of their contributions.

## **Pay for Performance Planning**

A well-defined compensation planning process should include:

- ✓ Company strategy and business goals
- ✓ Performance rating information
- ✓ Internal job descriptions and roles
- ✓ Comparative market data
- ✓ Internal salary and range targets

Beyond the standard compensation planning process, pay-for-performance requires companies to determine the answers to and set rules based upon the following:

- What factors will pay for performance is based upon?
  - Goal Achievement?
  - Target Achievement?
  - Non-quantitative measures?
  - Employee ratings?
- Will incentive pay be scaled to the level of achievement?
- Will incentive pay be different based on different positions and tiers within the company?
- Will the pay be delivered at any particular times of the year?
- Will there be penalties for not meeting targets?
- Will there be a protocol for disputing or asking questions about pay for performance?

*The key technology components required to enable P4P, are;*

1. **Performance Management:** Automates and optimizes performance processes and aligns employee development and goals with corporate objectives. Performance Management enables organizations to plan efforts in support of organizational goals and strategic initiatives, and to evaluate outcomes, performance, and core competencies.
2. **Compensation Management:** Simplifies planning, modeling, budgeting, and execution of compensation policies. Compensation Management enables organizations to develop and apply consistent compensation plans to all employees.
3. **Incentive Compensation:** Motivates employees and manages total financial rewards within an organization. Incentive Compensation streamlines incentive policy administration and provides long-term planning for both market-based and performance-based plans, as well as variable pay flexibility for individuals, teams, sales, or executives.
4. **Reporting and Auditing:** Provides accessible and secure cross-functional compliance reports and audit trails of all transactions related to compensation and performance. Reporting and Auditing aggregates key information to facilitate timely decision making.

## Conclusion

To summarize, visionary CEOs can take active steps to promote top performer retention by:

- Providing Career Advancement Opportunities
- Improving Engagement to Drive Productivity
- Building A Performance-Oriented Culture

A cohesive HR and talent management infrastructure is a key requirement that must not be overlooked. Effective execution comes down to integration of disparate processes, systems, and data. And as our research clearly indicates, integration provides numerous direct business benefits, least of which is to retain your top performers so that you can effectively execute your strategy and grow your business. With trends in compensation planning changing as an organization changes its goals and priorities, organizations with staying power require a flexible, scalable, automated solution in order to retain top talent and reward top performers. When an organization can do this effectively and efficiently, top employees win and so does the organization.

## Reference

- Council, C. L. (2004). Driving performance and retention through employee engagement (Vol. 14). Washington, DC: Corporate Executive Board.
- Kyndt, E., Dochy, F., Michielsens, M., & Moeyaert, B. (2009). Employee retention: Organisational and personal perspectives. *Vocations and Learning*, 2(3), 195-215.
- Retaining Talent with Compensation Management Trends in Employee Compensation  
<http://www.sumtotalsystems.com>.
- Subrahmanian, Mu. "Drivers of employee engagement in petroleum industry-A transformational framework." *Journal of Human Resource Management* 24, no. 14 (2014): 2741-2759.
- Subrahmanian, M.U. and Durairaj, I., 2013. Employee engagement–A review of literature. *Asian Journal of Research in Business Economics and Management*, 3(5), pp.168-179.
- The CEO's Guide to Top Performer Retention Ensuring You Have the Right Talent to Execute & Grow", <http://www.sumtotalsystems.com>