

## 3.5: Cases and Problems

### Chapter Summary

- Retaining employees is an important component to a healthy organization. Losing an employee is called *turnover*.
- *Direct turnover costs* and *indirect turnover costs* can include the costs associated with employee replacement, declining employee morale, or lost customers.
- A *high-performance work system (HPWS)* is a set of systematic HR practices that create an environment where the employee has greater involvement and responsibility for the success of the organization. The overall company strategy should impact the HPWS HR develops in regard to retention.
- *Retention plans* are developed to address employee turnover, resulting in a more effective organization.
- Some of the reasons why employees leave can include a poor match between job and skills, no growth potential, pay inequity among employees, the fairness and communication style of management, and heavy workloads.
- The first step in developing a retention plan is to use exit interviews and/or surveys to find out the satisfaction level of employees. Once you have the data, you can begin to write the plan, making sure it is tied to the organizational objectives.
- A retention plan normally consists of survey and exit interview analysis, any current plans and strengths and weaknesses of those plans, the goal of the retention plan, and the specific strategies to be implemented.
- There are many motivation theories that attempt to explain people's motivation or lack of motivation at work.
- The Hawthorne studies were a series of studies beginning in 1927 that initially looked at physical environments but found that people tended to be more motivated when they felt cared about. The implications to retention are clear, in that employees should feel cared about and developed within the organization.
- Maslow's theory on motivation says that if someone already has a need met, giving them something to meet more of that need will no longer motivate. Maslow divided the needs into physiological, safety, social, esteem, and self-actualization needs. Many companies only motivate based on the low-level needs, such as pay. Development of training opportunities, for example, can motivate employees on high-level self-actualization needs.
- Herzberg developed motivational theories based on actual motivation factors and hygiene factors. Hygiene factors are those things that are expected in the workplace and will demotivate employees when absent but will not actually motivate when present. If managers try to motivate only on the basis of hygiene factors, turnover can be high. Motivation on both factors is key to a good retention plan.
- McGregor's theory on motivation looked at managers' attitudes toward employees. He found that theory X managers had more of a negative view of employees, while theory Y managers had a more positive view. Providing training to the managers in our organization can be a key retention strategy, based on McGregor's theory.
- The carrot-and-stick approach means you can get someone to do something by prodding or offering some incentive to motivate them to do the work. This theory implies these are the only two methods to motivate, which we know isn't true. The implication of this in our retention plan is such that we must utilize a variety of methods to retain employees.
- Once you determine the employee's level of satisfaction through exit interviews and surveys and understand motivational theories, you can develop specific retention strategies.
- Of course, salary and benefits are a major component of retention strategies. Consistent pay systems and transparent processes as to how raises occur must be included in a retention plan (and compensation strategy).
- Training and development meets the higher level needs of the individual. Many companies offer paid tuition programs, reimbursement programs, and in-house training to increase the skills and knowledge of the employee.
- *Performance appraisals* provide an avenue for feedback and goal setting. They also allow for employees to be recognized for their contributions.
- *Succession plans* allow employees to see how they can continue their career with the organization, and they clearly detail what employees need to do to achieve career growth-without leaving your organization.
- Flextime and telecommuting options are worth considering as an addition to your retention plan. These types of plans allow the employee flexibility when developing his or her schedule and some control of his or her work. Some companies also offer paid or unpaid sabbaticals after a certain number of years with the company to pursue personal interests.
- Since one of the reasons people are dissatisfied at their job is because of the relationship with their manager, providing in-house training to all management team members to help them become better communicators and better managers can trickle down to the employee level, creating better relationships and resulting in better retention and less turnover.

- Reviewing company policies to ensure they are fair can contribute to better retention. For example, how projects are assigned or the process for requesting vacation time can contribute to dissatisfaction if the employee feels the processes are not fair.
- Review the *job design* to ensure the employee is experiencing growth within their job. Changing the job through *empowerment* or *job enlargement* to help the growth of the employee can create better retention.
- Other, more unique ways of retaining employees might include offering services to make the employee's life easier, such as dry cleaning, daycare services, or on-site yoga classes.

## Chapter Case

### Turnover Analysis

You recently completed your company's new compensation plan. You are happy with the results but know there is more to retaining the employees than just pay, and you don't currently have a retention plan. Your organization is a large staffing firm, consisting of several offices on the West Coast. The majority of employees are staffing recruiters, and they fill full-time and temporary positions for a variety of clients. One of the challenges you face is a difference in geographical areas, and as a result, there are differences in what may motivate employees.

As you initially look at turnover numbers, you have the sense that turnover has increased over the last six months. Your initial thoughts are the need for a better retention strategy, utilizing a bonus structure as well as other methods of retention. Currently, your organization pays a straight salary to employees, does not offer flextime or telecommuting options, focuses on individual performance (number of staffing placements) rather than team performance, and provides five days of vacation for every two years with the organization.

Month	Separated Employees	Total Number of Employees Midmonth
March	12	552
April	14	541
May	16	539
June	20	548
July	22	545

1. Calculate monthly turnover for the past six months.
2. What are the possible reasons for turnover in your organization and other organizations?
3. What steps would you take to remedy the situation?

### ? Team Activity

1. Following is a list of some possible retention strategies. Rank each one in order of importance to you as an employee (1 being the most important), then share your rankings with classmates:
  1. Salary
  2. Opportunity for bonuses, profit sharing
  3. Benefits
  4. Opportunity to grow professionally with the organization
  5. Team bonuses
  6. More paid time off
  7. Option to telecommute
  8. Flextime scheduling
  9. Sense of empowerment
  10. Tuition reimbursement
  11. Job satisfaction

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