Talent retention : Issues and challenges

■ V.V. Kanna

Department of Human Resource Management, Kakatiya University, WARANGAL (A.P.) INDIA

ABSTRACT

In developing economies, talent needs to be fueled by explosive business expansion and pending waves of retirements. Talent is the main driving force behind HR's contribution towards organization's success. It is an established fact that retention of talented employees is a strategic business tool to drive corporate performance that provides a distinct competitive advantage. Talent implies creativity, freedom and curiosity. Talent becomes evident when solutions are not apparent. A retention policy should contain solutions aimed not only at neutralizing the reasons for an employee's exit but also at reducing the cost of employee turnover. Hence, in today's context of war for retaining talent, organizations need to have a vision and well defined strategies around non-pecuniary tools and techniques on hiring for the future.

Globally, HR seems to be preoccupied with the problem of attracting and retaining talent. Investing in human capital is considered the most profitable business strategy in the knowledge intensive economy today. Human capital management (HCM) encompasses a whole gamut of activities like attracting, developing, motivating and retaining talent. Skill-based ability and positive attitude to deliver results are the main things companies look for while recruiting. Talent management organizations (Microsoft, GE, DLF, TCS, Infosys etc.) that are committed to high ideals, a big vision, and an excellent HR practices attract and retain the best talent. They create an environment for every employee to personally excel and spur him towards his best performance. Now a days, intense competition and poaching as the order of the day, where talent management has become a major challenge for the HR executives all over the world. The challenge of retaining top talent tools about the human assets as crucial in one's efforts to survive and thrive.

Talent crunch :

The entire industry and employers are today crying about the great talent crunch, *i.e.,* the lack of availability or short supply of educated, skilled and ready-for-job candidates who are required to meet the growing work needs of the industry in various sectors of our economy. The origin of Talent crunch in India can be traced to the software boom of 1980s and carried on till it got another sector added to it namely, the IT enabled services (ITES) in the late 1990s. In the past few years, as the economy started growing, sector by sector, practically in every sector, industry observers are voicing the existence of Talent Crunch (Murali, 2007).

Today, it's not a struggle to find a job. Instead, it is the organization that is in pursuit of potential employees. In times like when fresh-faced undergraduates are being wooed off, their campuses and middle-level managers choose between multiple job offers, the buzz word is 'retention'. The market belongs to the employee. Just a few years ago, the word 'job-hunt' meant exactly that. A dearth of opportunities, endless bargaining on salary, being caught in the vicious 'no-experience-no-job-no –experience' cycle were just a few of the challenges a job-seeker faced.

Global scenario :

Globally every organization has started recognizing the significance of attracting, retaining and nurturing talent. In its progression, talent has strugg off in its traditional, loyal and non-assertive role in the 21st century. Change, transition, transformation and settling down to the new ways of doing

business and running an enterprise were possible and achieved only through talent recruitment and retention.

Opportunities abound everywhere with increasing competition for talent among companies frequent job changes are no longer a stigma, but they are becoming the norm. The issue of employee turnover is so pronounced in today's world, that even in Japan, where life-time employment and high employee loyalty are norms, workers are becoming increasingly mobile. Even survival will become questionable, if the company witnesses higher turnover among the top performers. With the increasing mobility among the workers, 'employee retention' poses a distinct challenge to any company.

Employee retention is now a very crucial issue because in the 21st century, the only sustainable source of competitive advantage for any company is 'human resource'. To maintain a stable workforce, employers must deliberately engage in retention activities. These efforts range from offering attractive compensation packages to involving employees in every sphere of the functioning of the organization.

Employee turnover is one of the biggest challenges faced by most companies today. It is not only difficult for the employer to let an employee go but twice as difficult for him to train a new recruit. According to American Management Association[2]. The cost of replacing an employee is approximately 30% of his annual salary, which is an important issue for companies in this competitive world.

Today, various factors influence the decision to leave a job. While the decision to change a job is considered attrition by the organization, it is considered talent acquisition by the new organization and career move by the individual. A problem for one is an opportunity for another. The factors can be classified as the following:

– Individual related factors.
– Role or job related factors, which relates decision to leave can be intrinsic or extrinsic.
– Organization related factors: organizational climate.
– Professional factors: Adherence to professional ethics.
– Social factors including peer pressure factors and socio-economic environment related factors: these are linked to the aspirations in relation to salary and perks, housing, quality of living, need for savings etc.

The organization's ability to retain the kind of employee it requires has a direct impact on its profitability and effectiveness. The costs of losing an employee are both direct and indirect. The direct costs involve recruitment and training while the indirect costs involve productivity loss. Employees too have high aspirations and thus today they aspire to climb the corporate leader as fast as they can. In order to prevent such employees from job-hopping, companies need to provide them vistas for personal and professional growth. If employees could accomplish their growth objectives with one organization over a long period of time, they would usually continue in the same job. It has to be noted that "employee turnover" costs both the employer and the employee heavily. It destabilizes the functioning of an organization and thus reduces its competitiveness in the market.

If we examine costs to the employer :
– Loss of knowledge and skills.
– Cost of training the replacements.
– Loss of productivity.
– New competitive pressures because of losing top performers to the potential competitor.
– Loss arising from reduced productivity from new starters until they are fully trained.
– Recruitment cost.

Costs to the employee :
– Loss of seniority and the associated benefits that accrue through one's experience in the firm.
– Mental stress and discomfort that accompany the separation.
– Need to readjust according to the new business environment in terms of organizational culture, new market, new location etc.
– Risks associated with the uncertainty over the new employer and growth prospects in the new company.

Cost to the employer can be calculated by calculating direct cost as well as indirect cost involved in employee turnover. Direct cost of employee turnover can be measured by considering two components.

In direct costs, actually create more problems and thereby, losses for the organization. Employee turnover results in loss of productivity, since it results in lower productivity of the departing employee, and time taken by the new employee to get acquainted with the new job, new culture, new organizational systems and expectations from him. The more damaging part of indirect costs are lost sales and even lost customer resulting from the departure of an experienced employee. Thus, employee turnover is not only a serious issue

Separation costs and replacement costs	
Separation costs	Replacement costs
Separation costs may include components like severance pay, exit interview cost, out placement fee and possible litigation costs, particularly in the case of involuntary separation.	Replacement costs include hiring costs, sourcing expenses, HR processing costs for screening and assessing candidates, the time spent by HR managers in interviewing candidates, travel and relocation expenses, induction/orientation and training costs.

Reasons for turnover		
Non-controllable factors	Less controllable factors	Fully controllable factors
Poor health	More pay	More opportunity to develop skills.
Family issues like:	Better prospects for growth in one's career.	Poor relationship with immediate supervisor.
	More security.	Poor relationship with colleagues.
Need to relocate to the native place.		Bullying/Harassment at workplace.
Need to take care of parents, pregnancy etc.		

for achieving cost-efficiency but also an important factor in revenue growth as well, because of its direct linkages with customer acquisition, satisfaction and retention.

Reasons for turnover :

Generally, employees eave the organization for various reasons. Broadly, these reasons can be classified into three categories based on the extent to which they can be controlled by the organization. Organizations need to devote more attention to the fully controllable factors like relationship with immediate superior etc., since they heavily influence the employee's decision to stay in the organization.

Conclusion and HR retention strategies :

Talent is the main driving force behind HR's contribution towards organization's success. Today, organizations all over the world have to realize and see from close quarters, the true power and contribution of talent to their success, growth and prosperity. The challenge of attracting and retaining talent is not unique to India alone and in fact, the problem is more accentuated in the case of the developed nations like the US and the UK. Hence, HR is expected to comprehend, conceptualize, innovate implement and sustain relevant strategies and contribute effectively towards giving the corporation its winning edge.

- With a vigorously changing and volatile demand-supply equation, especially against erratic attrition trends and cutthroat competition, no longer restricted to local or regional boundaries, a need for strategizing and putting in place a robust mechanism for attracting and retaining top talent becomes vital for the company's survival and growth.
- A retention policy should contain solutions aimed not only at neutralizing the reasons for an employee's exist, but also at reducing the cost of employee turnover.
- The top management team needs to understand to first identify the causes behind the exodus and understand them like :
  - Competitive pay and benefits, linking with performance.
  - Opportunities to develop one's career.
  - Job security (marked by massive lay-offs, downsizing and closure).
  - Hiring those who fit the organizational culture well (hiring should not only be based on education, knowledge, skills and previous experience but also on the compatibility of the person within the company's culture).
  - Flexible work design (with options like flexible work hours, telecommuting, job sharing, location preference etc.).

In the current climate of change, it is critical to hold onto the key people. The cost of replacing a valued employee is enormous. However, organizations can be successful only if the HR understands, empathizes and handles the young generation employees approximately with a paradigm shift in mindset.

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