

A STRATEGIC EMPLOYEE RETENTION MODEL BASED ON EMPLOYEE PERCEPTION

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ABSTRACT

The purpose of this research was to summarize the major findings and implications of employee perception on retention factors from the results of the survey questionnaire. First it connects the importance of human resource management to business strategies. Assets, including human resources forms part of the organizations competitive advantage. Thus to keep key employees in the organization, the human resource practitioner must think of ways and means to retain them. The second part discusses the conceptual framework by identifying the relationship of employee perception to the eight factors of employee retention, the end goal of which is employee retention. It presents the eight factors, the studies made through the years and their influence to employee decision. The last part of this literature review views the three dimensions to bring strategic employee retention; employee perception, human resource practices, programs and policies, and employer branding.

Keywords: *Employee Perception, Employer Branding, Employee Retention*

INTRODUCTION

The goal of most organizations is to obtain profit. To obtain the desired profit, the company must have great sales, maximize capacity both for tangible and intangible assets and minimize expenditures. To attain this, a certain level of competency must be obtained by the company and thus sustain their competitive advantage. Organization will only be as strong as its weakest link and every department in the organization must contribute to the value creation of the product. In the value chain of the organization, the Human Resource Department (HRD) is a support activity.

The HRD obtains competitive advantage by retaining key employees. Key employee retention is a crucial facet in keeping and maintaining the company's competitive advantage. The driving force that will ensure key employee retention will be in understanding the role of motivation and perception, and how to use them.

One of the greatest assets of any organization is its human resources. “And if human resources are said to be an organization’s greatest assets, then committed human resources should be regarded as an organization’s competitive advantage.” (Nehmeh, 2011) Thus an essential task of human resource management is to motivate and inspire its employees to maximize their performance and achieve success.

LITERATURE REVIEW

Motivation

Motivation is the driving force that initiates the action an individual takes in a given situation. Motivation would not be complete without addressing the cause and effect of intrinsic and extrinsic rewards. Intrinsic motivation involves an individual engaging in a certain manner because the action or behavior is personally rewarding. The individual is performing the activity for its own merit rather than a desire for some external reward.

Intrinsic rewards in organizations may be the job itself which gives challenge to the individual. Intrinsic motivation has been discussed by Fritz Heider’s (1958) attribution theory, Bandura’s (1977) work on self-efficacy, and Ryan and Deci’s (2000) cognitive evaluation theory. On the other hand, extrinsic motivation occurs when the individual is motivated to do the task or activity in order to gain certain rewards or avoid penalty. Extrinsic rewards are external to the job itself; it may come in the form of money, commissions or other forms of benefit that encourages the individual to work and act in a certain manner.

Motivation theories can be classified broadly into two different perspectives: Content and Process Theories. Content Theories discuss “what” motivates individuals and deal with those needs. Content Theories include the works of Maslow’s (1943) hierarchy of needs theory, Alderfer’s (1969) ERG theory, Herzberg’s (1968) motivator-hygiene theory and McClelland’s (1961) need theory. Process Theories emerged in the 1960s, dealing with the processes of motivation and answering the “how” motivation occurs. The process theories include those of Vroom’s (1964) expectancy theory, Adams’ (1965) equity theory, Locke’s (1968) goal-setting theory and Skinner’s (1969) reinforcement theory.

Employee Perception

Perception by an individual is the process assimilated to interpret the surroundings through sensory impressions to give meaning to a situation. When an individual is confronted with stimuli that person interprets the stimuli to make sense based on prior experiences. However, such interpretation of the perceived stimuli may be considerably different from reality.

The perception process has four stages; stimulation, registration, organization and interpretation. (Borkowski, 2005) The perception process is affected by the individual’s awareness and acceptance of the stimuli. Being receptive to stimuli is limited by the person’s existing attitudes, beliefs, motivation and personality. (Assael, 1995) Just like a filter, a person will select or reject a stimulus depending on a given situation. When a person selects a stimulus that satisfy their

need, it is called perceptual vigilance, but when the person rejects the stimulus because it might cause psychological anxiety, it is called a perceptual defense. Adoption according to Broadbent happens when the individual continues to notice the stimulus over time (Borkowski, 2005).

A perception-based view of the employee in decision-making focuses on the use of perception, attitude or emotion for a purpose of selecting a sensible alternative in pursuit of one's goals. The objective of the perception-based view (PBV) of the employee is to justify variations in decision making and behavioral responses among employees in the same circumstances. The PVB tries to address is why do individuals in a similar environment make different decisions; and why do individuals make irrational decisions that may be contrary to predicted rational choice theories (Vithessonthi, 2005).

Review of literature indicates that humans make rational decisions. However, humans may not always arrive at this rational decision. When an individual is angry, several psychological constructs such as emotions and attitudes influence the decision making process and thus diminishes the capacity for rational thought and action.

Factors of Employee Retention

Studies have indicated that retention is driven by several key factors, which ought to be managed simultaneously: organizational culture, communication, strategy, pay and benefits, flexible work schedule and career development systems. (Sinha, 2012) While it is true that compensation and other types of remuneration benefits is an important aspect in employee retention, current human resource research indicates that this is only one area of retention and it will not suffice to ensure long employee commitment. During the last few years, seminars on training and development, conflict management, work-life balance and other topics has mushroomed, indicating the current needs on equipping the human resource practitioner in influencing the employee's decision to stay.

There is an agreement in HR literature about the general features of a good human resource program on employee retention. Research indicates that human resource management practices on the following; compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice can, help to reduce absenteeism, improve employee retention and provide better quality work (Irshad, 2011). These practices are directly related to the creation of a stimulating work environment that allows the effective use of employee skills, knowledge and experience. It includes giving employees a certain degree of autonomy on the job, providing them opportunities to contribute ideas and becoming part of the organization. Good human resource programs and practices provide learning, career advancement and job responsibilities which give rise to employee retention.

Investment on employee training and career development is considered an important factor in employee retention. Various researches indicate that the cost of replacing old employees with new employees may amount to be twice more than the current employee annual salary. (Irshad, 2011) When employees leave their job, organizations lose not only the employee skills and abilities, but also lose the clients who have already developed a relationship with the employee.

The employee thus leaves the company with a sting of intangibles such as product knowledge, company operation processes, client and competitor list and other important details.

Employee turnover can be attributed to companies that are inflexible. These companies have organizational culture characterized by domination and autocracy, thus no matter how good the incentives to stay may be the company will likely have dissatisfied employees (Lohead & Stephens, 2004). Work environment plays a great role in employee retention. Some “demotivators” on the job include; lack of control over one’s work, no clear job security or an unchallenging task (Lohead & Stephens, 2004). Great attention to detail such as openness to communication and responsiveness to concerns are some actions taken by companies may take to sustain high retention.

Employer Branding

Employer branding was first introduced in literature during the 1990s due to the war for talent (Mosley, 2007). The increasing interest in employer brands came from economic and demographic changes both locally and globally (Moroko and Uncles, 2008). Thus the value of employer branding emerged. Employer branding aims to increase internal and external reputation established by past and current workers as being desirable organization, to attract new recruits and engage current employee. (Suikkanen, 2010)

Employer branding as a concept is an extension of relationship marketing principles (Christopher, Payne & Ballantyne, 1991; Kotler, 1992; Morgan & Hunt, 1994) which identify the need to build acquisition and retention strategies across a number of critical stakeholder markets through closer relationships. The use of branding for human resource management had been termed as “employer branding”. Ambler & Barrow (1996) first applied the concept of brand to HRM, viewing the employer as the brand and employees as customers. (Sokro 2012)

An employer brand is the identity of the company in the perception of the employees. It is the image the organization want to project to its current and potential employees. Once the company has a strong employer brand, people will perceive the organization to be a distinguished place to work for with attractive packages and great career prospects.

Davis (2008) studied the impact of employer branding in influencing employee’s perceived differentiation, attraction, fulfillment and loyalty. His findings revealed the importance of an employer brand with the results stressing the complexity in organizational management because it has the greatest influence on outcomes relevant to employer. Collins (2006) showed that employer knowledge; i.e. knowing the company reputation and image, strongly predicted the applicant’s interest and behavior in applying for a job. (Sokro 2012)

In the traditional concept of the psychological contract between workers and employers, workers promised loyalty to the firm in exchange for job security, Hendry & Jenkins (1997). However, because of the recent trends in organizational downsizing and outsourcing, organizations have formed a new psychological contract in which employers provide workers additional skills through training and development in exchange for effort and flexibility (Baruch, 2004). In the

face of these new trends, negative perceptions are countered by firms using employee branding to promote the benefits they still offer such as; training, career development and personal growth. (Sokro 2012)

STATEMENT OF THE PROBLEM

This research sought to study and establish the eight factors that determine employee retention in the Philippine food and beverage manufacturing industry. The purpose of this research was to determine employee perception with regard to the level of influence and level of importance on the eight retention factors: compensation and benefits, rewards and recognition, work environment and culture, recruitment and selection, career development and training, job design and work teams, performance management and evaluation, and communications

This research dealt with managerial employees; supervisors, managers and executives. The educational attainment is used for this study to profile the respondents. Results from this research assist in the development of an effective human resource employee retention program and thus keep key employees from leaving the organization. This paper seeks to answer the statement of the problem: What retention model is recommended as a result of the study?

The employee retention conceptual framework of this study started with the demographic profile of the respondents identifying their position level and educational attainment and their relationship to eight factors of employee retention. Employee perception on these retention factors plays an important role on whether an individual will stay with the organization or not. Employee perception was divided into level of influence and level of importance. The level of influence is defined as the capacity of the factor to have an effect on employee behavior and/or judgment in staying with the company, while the level of importance is defined as the factor having great significance and/or value to the employee to stay with the company.

Eight specific employee retention factors were identified; compensation and benefits, rewards and recognition, working environment, recruitment and selection, career development and training, job design and work teams, performance evaluation and management, and communications. These factors will be strengthened or reinforced by positive employee perception.

RESEARCH METHODOLOGY

Research Design

A descriptive correlational research was used for the study through survey questionnaire. It examined the current phenomenon that occurs at the selected food and beverage manufacturing companies at a particular time. This scientific method was used to observe and describe the behavior of managerial employees with regard to the eight factors of employee retention; compensation and benefits, rewards and recognition, work environment and culture, recruitment

and selection, career development and training, job design and work teams, performance management and evaluation, and communications.

A correlational research was used to compare employee perception on the level of influence and level of importance on the eight factors of employee retention. Arithmetic mean and standard deviation was used for measuring the perception of the respondents on the level of influence and level of importance of the factors. The study answered the association of the demographic profile of the respondents with their perceptions on the factors of employee retention. The goal of this descriptive correlational research was to find the relationship; positive or negative, among these variables.

This study used quantitative research to achieve a complete, detailed description of the research topic. The survey research involved acquiring information from a group of respondents through the survey questionnaire. The researcher presented the questionnaire to the randomly selected participants. The answers were then tabulated to learn the behavior of the larger population.

Research Instrument

Item construction of survey was made by the researcher and validation of the survey questionnaire was done by five experts in their field, industry practitioners, academicians and/ or industrial psychologists. To ensure the viability of the survey instrument, a pilot test was done with 27 respondents belonging to the managerial level. Reliability test was performed using the Cronbach's alpha measuring the internal consistency among test items.

An employee retention survey questionnaire was used to gather data composed of 7 questions per retention factor, totaling 56 questions. The survey questionnaire was designed with two main columns to determine the level of influence and level of importance on the factors of employee retention. The level of influence was defined as "the capacity of the factor to have an effect on my behavior and/or judgment in staying with the company", while the level of importance was defined as "the factor having great significance and/or value to me to stay with the company".

It was followed by a four point Likert scale, where the interpretations are: 4 is very high, 3 is high, 2 is moderate and 1 is low, to gauge their perception on the eight factors of employee retention

Research Population

The respondents of the study came from ten large organizations consisting of 231 respondents. Of the 231 respondents, 17 were rejected due to errors brought about by unanswered questions and incomplete replies. The 214 respondents were from within the Greater Manila Area. According to Republic Act no. 9178 known as the Barangay Micro Business Enterprise Act of 2002, the enterprise categories have been defined with capitalization as follows: Micro up to Php 3M; Small Php3M to Php 15M; Medium Php 15M to Php100M and large above 100M. All respondents were supervisors, managers or executives. The demographic profile of the respondents is shown in Table 1.

Table 1. Demographic Profile of the Respondents

Variable	Group	Count	Percent
Position	Supervisor	114	53.3
	Manager	85	39.7
	Executive	15	7.0
	TOTAL	214	100.0
Educational Attainment	Undergraduate	10	4.7
	College	188	87.8
	Masters & Doctorate	16	7.5
	TOTAL	214	100.0

RESULTS AND DISCUSSIONS

The average mean score for the eight factors of employee retention with regard to level of influence was 3.27, highest was at 3.36 on work environment and culture as well as performance management and evaluation and the lowest at 3.15 on recruitment and selection. This indicates that the respondents perception on the level of influence on the factors of retention; compensation and benefits, rewards and recognition, work environment and culture, recruitment and selection, career development and training, job design and work teams, performance management and evaluation, and communications was high to very high, indicating that the factors are contributory to employee retention. Data results are found in Table 2.1 and the verbal description of the mean is found in Table 2.2

Table 2.1. Level of Influence on the Factors that Affect their Retention as Perceived by the Respondents

Domains	Mean	SD	Verbal Description
Compensation & Benefits	3.22	0.57	High
Recognition & Rewards	3.18	0.58	High
Work Environment & Culture	3.36	0.46	Very High
Recruitment & Selection	3.15	0.47	High
Career Development & Training	3.34	0.58	Very High
Job Design & Work Teams	3.35	0.48	Very High
Performance Management & Evaluation	3.36	0.51	Very High
Communications	3.22	0.58	High
AVERAGE	3.27	0.40	Very High

Table 2.2. Verbal Description of the Mean

Numerical Value	Mean	Verbal Description
4	4.00 – 3.25	Very High
3	3.24 – 2.50	High
2	2.49 – 1.75	Moderate
1	1.74 – 1.00	Low

The average mean score for the eight factors of employee retention with regard to level of importance was 3.42, highest was at 3.53 on career development and training and the lowest at 3.25 on recruitment and selection as indicated on Table 3. This indicates that the respondents perception on the level of importance on the retention factors; compensation and benefits, rewards and recognition, work environment, recruitment and selection, career development and training, job design and work teams, performance management and evaluation, and communications, had very high mean averages. Verbal description of the mean is found on Table 2.2.

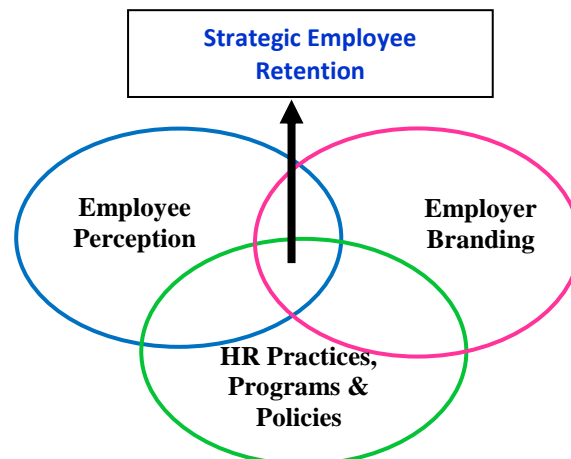
Table 3.1. Level of Importance of the Following Factors as Perceived by the Respondents

Domains	Mean	SD	Verbal Description
Compensation & Benefits	3.45	0.51	Very High
Recognition & Rewards	3.28	0.56	Very High
Work Environment & Culture	3.46	0.44	Very High
Recruitment & Selection	3.25	0.48	Very High
Career Development & Training	3.53	0.46	Very High
Job Design & Work Teams	3.47	0.46	Very High
Performance Management & Evaluation	3.51	0.44	Very High
Communications	3.39	0.51	Very High
AVERAGE	3.42	0.35	Very High

Results from the survey revealed that the respondents’ perception on all factors generated a very high mean average with the level of importance generating a mean of 3.42 and the level of influence with a mean average of 3.27. This may imply that the employee’s personal value has more impact on their decision to stay with the company rather than the retention factor itself.

As derived from the results of this study, all the factors of retention were given importance by the key employees; the highest mean averages were career development and training (3.53), performance management and evaluation (3.51) and work environment and culture (3.46) respectively. This signifies that the respondents currently find these factors more influential and more important than the others.

Strategic Employee Retention Model



Based on the results of the study, recommendations are made to manage employee perception. The Strategic Employee Retention Model is shown. It is composed of three primary dimensions of retention; employee perception, employer branding and HR practices, programs and procedures. These dimensions affect and resonate with one another to create a strategic human resource plan to enable the human resource practitioner to attract and retain key employees.

Employee perception is a process of the individual in organizing and interpreting the surroundings such as information and situations. It is the manner where the employee filters the events and then interprets them based on previous experiences. Perception is largely cognitive and people respond differently to a given situation. However, such interpretation of the perceived situation may be considerably different from reality. As such, employee perception must be managed.

Organizations must do a reality check on their current HR practices, programs and policies. These will include the eight factors of retention as mentioned in this study; compensation and benefits, recognition and rewards, working environment and company culture, recruitment and selection, career development and training, job design and work teams, performance evaluation and management, and communications

Applied in the context of employment, employer brand loyalty is shaped by behavior relating to organizational culture and employee attitudes relating to organizational identity (Backhaus & Tikoo, 2004). Employer brand loyalty forges employee commitment resulting in talent retention. Effective employer branding leads to competitive advantage and helps employees adopt company values which lead to employee retention. (Sokro 2012)

CONCLUSIONS

The primary purpose in reviewing this literature is to produce a typology of human resource interventions and create an employee retention model. Based on the review of literature and on the results of the study, employee retention is influenced by compensation and benefits, recognition and rewards, working environment and company culture, recruitment and selection, career development and training, job design and work teams, performance management and evaluation, and communication procedures. Results of the survey questionnaire revealed that the managerial respondents found all factors of retention important with a mean average of 3.42 for level of importance and a mean average of 3.27 for level of influence.

Employee perception plays a key role because interpretations are subjective and are based on the previous and existing values, beliefs and experiences of the individual. It is the mental structure of preconceived ideas by the individual. Part of employee perception is their view of organizational justice with regard to how organizations act and react towards situations that will affect them. This includes organizational justice in; distributive justice, procedural and interactional justice. Thus the human resource practitioner should check, review and evaluate all existing HR practices, programs & policies and what must be done to improve them.

Intrinsic motivation remains a moderate to strong predictor of performance regardless of whether incentives are present (Cerasoli et al, 2014). Intrinsic motivation comes from the enjoyment of doing the activity itself. Research has found that intrinsic motivation is usually associated with high achievement (Bhadoriya, 2013). Thus, high level of importance may be due to the profile of the respondents who are mostly college graduates at 87.8% and masters & doctorate at 7.5%.

Results of the study revealed that the highest total mean was on Career Development & Training (3.44) and Performance Management & Evaluation (3.44) from the perception of the employees. Conclusion drawn from this may be because it is highly important to employees that they be skilled in their task to perform their job well. The performance evaluation being conducted in the organization is highly relevant to the employees' career goals. Opportunities for individual growth are sought since career advancement is no longer a linear progression but a series of lateral movements (Harrison, 2011). Adam's equity theory is utilized as a perception theory, where employees compare their ratios of outcomes to inputs with others in the same level they believe to be relevant.

Data gathered indicated that the lowest mean was on Recruitment & Selection (3.20) from the perception of the employees. This may indicate that Recruitment and Selection is not directly connected to the regular employees. Recruitment and Selection is a function that employees believe should be done by the HR.

In conclusion to Employer Branding, it is true that marketing campaigns used by human resource management to create strong employer brands by increasing employer brand loyalty is effective. Employer Branding as a retention technique influences employee engagement, perceived psychological contract and corporate culture is positively linked to employee retention. And a good Employer Brand reinforces the entire employment experience increasing retention (Suikkanen, 2010).

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