

CRITICAL FACTORS OF EMPLOYEE RETENTION IN INDIAN FAST FOOD SECTOR

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Abstract: In a business setting, the goal of employers is usually to decrease employee turnover, thereby decreasing training costs, recruitment costs and loss of talent and organizational knowledge. By implementing lessons learned from key organizational behavior concepts, employers can improve retention rates and decrease the associated costs of high turnover. However, this isn't always the case. In today's environmental conscious behavior society, companies that are more responsible towards environment and sustainability practices can attract and retain employees. Employees like to be associated with companies that are environmentally friendly. Studies have shown that cost related to directly replacing an employee can be as high as 50–60% of the employee's annual salary, but the total cost of turnover can reach as high as 90–200% of the employee's annual salary. These costs include candidate views, new hire training, the recruiter's salary, separation processing, job errors, lost sales, reduced morale and a number of other costs to the organization. Turnover also affects organizational performance. High-turnover industries such as retailing, food services make up almost a quarter of the United States population. Replacing workers in these industries is less expensive than in other, more stable, employment fields but costs can still reach over \$500 per employee. Keeping into account the importance and sensitivity of the issue of retention to any organization, the present study tries to review the various available literature and research work on employee retention and the factors affecting employee retention and job satisfaction among the employees.

Key words: *Employee retention, job satisfaction, fast food, hospitality, hotel.*

Introduction

India is blessed with one of the fastest growing fast food market of the world. The Indian fast food market is growing at the rate of 30-35% per annum. Foreign fast food chains are aggressively increasing their presence in India. Fast food market in India is expected to be worth US\$ 27.57 billion by 2020 due to changing consumer behavior and demography. About 10% of the fast food market in India is organized. NOVONOUS estimates that the organized fast food market in India is expected to grow at a CAGR of 27% by 2020. Vegetarian fast food constitutes of around 45% of the whole fast food market in India and is expected to grow at a CAGR of 18% by 2020. High turnover may be harmful to a company's productivity if skilled workers are often leaving and the worker population contains a high percentage of novices. As much as 50 percent of the staff at any given fast food restaurant turn over each year, costing the whole industry about \$3.4 billion in recruiting and training. **Mak and Sockel (2001)** noted that retaining a healthy team of committed and productive employees is necessary to maintain 19 corporate strategic advantages. Hence, organizations must design appropriate strategies to retain their quality employees. Researchers such as **Amadasu (2003) [9]; Taplin et al.(2003) [10]; Gbervbie(2008)** have found that if appropriate employee retention strategies are adopted and implemented by organizations employees will surely remain and work for the successful achievement of organizational goals . In the view of **Acton et al., (2003)** the Human Resource Department plays an active role in retaining its employees. It make policies for employee betterment such that employee would be satisfied with the organization and stay with the firm for longer time. This shows that it is not just retention of employees but also retention of valued skills. Researchers such as **Cascio(2003);Heneman and Judge(2003); Gbervbie (2008)** have agreed that an organization's inability to formulate and implement strategies capable of recruiting competent employees and retaining them to achieve organizational goals is one of the main challenge facing organizations in the area of performance.

Objective of the Study

- I. To analyze the literature review with regards to the research work that has been done in the area of employee retention.
- II. To highlight the reasons for employee turnover and various retention strategies.

Significance of the study

The number of the employees' intent to quit has increased recently. Therefore, recruitment and selection costs are significant to organization (Bauer et al., 1998). This research would benefit and help most of the fast food industry to reduce the turnover rate so that can save the costs in hiring and time for retraining the new employees. Besides, it would help the organization to keep the talented and high skill employees to perform the better work.

From the individual perspective, when an employee is placed in a new environment with a new task, employee need to learn how to fit with their organization values, norms, culture, and politics. Person organization fit enables employee to get up speedy to fit with the environment and the culture. According to Porter (1974), it identified that organizational commitment has a strong belief and willingness of the employees to exert effort for the organization. A greater commitment exist, the more employees are making a value contribution to the organization rather than leave the organization. Furthermore, when an employee shows a high level of commitment, it reflects the employee is more likely to stay in the organization.

From the organization perspective, when an organization's culture offer a good environment consistent with employee's personal value and careers goals, employee can easily adapt to the organization culture and perform better. Besides that, employees have authority to make decision along with their supervisor. When the employees have more authority, employees will be more motivated as they had been given more autonomy in heavy task. It will encourage them to move forward in developing their careers and achieve organization goals.

Research Methodology

The study in conceptual in nature follows an analytical approach deduced after reviewing the literature available in the concerned field through different credible sources like research articles, journals & other such published material written both at national & international level by scholars & academicians.

Reasons for Employee Departure

- **Luthans, Baack, and Taylor (1987)** reported that gender of the employee significantly influences employee turnover. According to their study male employees were found to have more organizational commitment since they generally work at better positions than the female employees.
- **Stalcup and Pearson (2001)** reported in their study that for employees working in a hotel long working hours and regular relocations were important reasons for employee turnover intentions.
- **Lapotin (2016)** reported in his study that dozens of Muslim employees at a Wisconsin manufacturing company left their jobs after the company changed its prayer-on-the-job policy to one that prevents them from participating in their daily prayers.
- **Griffeth et al. (2000)** have concluded from their studies that when high performers receive inadequate remuneration, they are likely to seek for alternative employment.
- **Samantrai (1992)** pointed out that a poor relationship with an immediate superior leads to employee turnover. These suggestions were confirmed by Harris, Wheeler & Kacmar, (2009), who found that a poor relationship with superiors increases turnover rates..
- **Harris, 2000; Kinnear & Sutherland, 2000; Maertz & Griffeth, 2004; Meudell & Rodham, (1998)** have explained that factors such as competitive salary, friendly working environment, healthy interpersonal relationships and job security were frequently cited by employees as key motivational variables that influenced their retention in the organizations.
- **(Borman & Motwidlo, 1993; Cable & Parsons, 2001; Feldman, 2003; Spector, 1997)** said that the continuing prosperity of a firm is likely to be enhanced by employees who hold attitudes, value and expectations that are closely aligned with the corporate visions.
- **Mobley et al. (1979)** noted that age, tenure, overall satisfaction, job content, intentions to remain on the job and commitment were all negatively related to turnover.
- **Meta-analytic research by Hom and Griffeth (1995)** showed that job satisfaction is a significant predictor of turnover, with overall job satisfaction explaining more variance than the sub-dimensions of job satisfaction itself like satisfaction with the work itself, satisfaction with coworkers and, satisfaction with the supervision etc. considered individually
- **Price and Mueller (1981)** presented an updated model that encompasses many of the earlier retention factors while introducing several new ones. Drawing from earlier perspectives, job satisfaction and perceived alternatives were considered proximate causes of decisions to stay, whereas pay, promotional opportunities, constituent attachments, kinship, and organizational commitment were included as distant influences.

- **According to Prakash & Chowdhury (2004)** late night work shifts aggravate the problem of attrition in BPOs. Similarly, **Joshi, R. (2004)** on the basis of his study has also contended that Odd Working hours forms a factor responsible for attrition. (**Chakravorty, 2005**) observed that the industry involves unusual work hours as the BPO industry caters to customers in the west and the time difference could vary from 8-12 hours. **Raman, R (2006)** also stated that Odd Working hours is a crucial factor in respect of attrition in the Indian BPO industry.
- **Gupta, Vibha (2013)** emphasized that night shifts and weekend work results in dissatisfactory work-life balance which is a major driver of attrition. Thamizharasi, K and Uma Rani (2014) conducted a study on work stress and job performance evaluation of employees in BPOs. It was observed that every employee is expected to work for long hours, perform multiple jobs, available for 24 hours in seven days. Such circumstances cause disenchantment, reduced job satisfaction among employees of which the final outcome is employee attrition.
- **Joshi, R (2004)** opines that issues such as Unsatisfactory Monetary Rewards, Lack of Clarity about expectations from employees make them un-successful, other issues are Lack of Clarity about performance based incentives & benefits, Lack of Feedback about performance and failure on the part of management to provide a framework within which the employee perceives, cause employees to quit their jobs.
- **Budhwar et. al (2006)** observed that the emphasis on career development and training appeared to be somewhat less in the Indian BPOs as compared to their western counterparts. **Raman, R (2006)** used a new term “Drag Attrition” which is caused by factors such as low perceived value of their job, lack of recognition of work experience of BPO, outside the BPO industry, dearth of opportunities for career advancement, lack of time based promotions.
- **Bhaduri, A. (2008)** opines that longevity in an organization is about doing everything that careers are about. The author argues that in order to tackle attrition, BPO organizations have resorted to gimmicks like weekend parties, branded café in the office, gym facility, excursions etc such measures prove to be of short term relevance so if organizations want to manage attrition in the long term then it has to pay serious attention to career building of its employees. He suggests that one should start by looking at the performance management system of the organization. In his opinion, every manager should be adequately trained to give candid feedback and also to coach the members in his team so as to propel them towards learning and excelling in performance and thus facilitating their career growth which is a potent tool to fight attrition in the long run.
- **Ananthraja A. (2009)** examined the factors responsible for employee turnover in business process outsourcing companies. He identified System-Related Factors such as changing policies of company, lack of technical career advancement, lack of opportunity for continuous up-gradation of skills, facts that proprietary technology does not add value to bio-data, postgraduates are not given any additional benefits, delay in promotion, lack of transparency in appraisal and promotion policies, unfair appraisals, unsure future, limited career growth opportunity combine and contribute towards employee attrition in BPO sector. The researcher suggested that every organization should focus on Employee Relationship Management (ERM) to retain their employees. Fulfilling the reasonable expectations of employees should be a continuous process.

Factors leading to employee retention

Compensation and employee retention Trevor et al. (1997) has proved that rise in pay has a negative impact on turnover. Davies, Taylor, & Savery (2001) forwarded the view that compensation to top workers is given by every organization but very few organizations uses it strategically. They said that “Salary and benefits policies are not being used strategically, within the organization to improve morale, reduce turnover, and achieve targets within an establishment”. Gardner et al., (2004) [30] were of the view that pay is considered as a motivator as well as employee retention technique. Milkovich and Newman (2004) have clearly stated that among all types of reward, monetary pay is considered one of the most important and significant factor in retention. In a research by Moncraz, Zhao and Kay (2009) it was concluded that although compensation was not one of the top factors influencing non-management turnover but compensation can act as a critical factor in reducing managerial turnover and increasing commitment.

Reward and recognition Agarwal (1998) gave an explanation to the term reward as something that the organization offers to the employees in response of the work as well as performance and something which is desired by the employees. According to Walker (2001), recognition from bosses, team members, coworkers and customer enhance loyalty. “Watson Wyatt” a global consulting firm, conducted a survey in USA, in the year 2002 among 12750 employees at all levels of job and in all major industry sectors to know about their attitudes toward their workplace and their employers. It was found in the survey that recognition is important for workers and they want to listen that their work followed recognized and appreciated. Silbert (2005) forwarded the view that reward is important because it has an enduring impression on employees which, in turn, gives the employees an impression that they are valued in the organization.

Performance Appraisal and Retention

Performance appraisal is the assessment of individual performance to the overall contribution of the organization. It serves as an interface between management and employee. An effective performance appraisal will result in a satisfied, motivated and committed employee Hong et al. (2012). According to Mehta et al. (2014), good performance appraisal not only helps companies to keep a track on its employees it also helps individuals to improve their performance in their weak areas. A good performance appraisal results in a better employee-supervisor relationship resulting in a great place to work for.

Promotion and Opportunity for growth

Pergamit and Veum (1989) in their study found a close and positive correlation between promotions and job satisfaction and which in turn helps in retaining employees. Research by Meyer et al. (2003) has shown internal career development of employees is often the best predictor of an employee's effective commitment. Prince (2005) argued that talented employees are required for maintaining a competitive advantage and employees want career growth opportunities to develop and rise in their career ladder. Such plans include advancement plans, internal promotion and accurate career previews at the time of hiring. Eyster, et al. (2008) state that job flexibility along with lucrative career and life options, is a critical incentive for all employees.

Participation in decision-making

Hewitt (2002) has mentioned that modern businesses always keeps its employees well informed about all the important affairs of its business and involves them in decision-making at all levels which can exploit the talents of its employees. Supporting the view Noah (2008) found in his research that employee involvement in decision-making helps in creating a sense of belongingness among the employees, which helps in creating a good congenial working environment and contributes towards building a good employer-employee relationship.

Employee Voice and Retention

Daniel G. in his study suggested that the organizations which give more opportunity to its employee to voice their dissatisfaction related to workplace conditions are more likely to retain their employees i.e. there are more chances that employees will remain with such an organization (Spencer, 1986) as they feel that the organization is equipped with better grievance handling system. (Spencer, 1986)

Communication and Retention

Efficient communication process helps the organization to retain its employees (Cloutier et al., 2015). They also suggest that in order to maintain a healthy work culture, leadership should be able to operate in an interpersonal, group, organizational and intercultural communication effectively. According to Sinha & Sinha (2012), effective communication not only improves the identity the employee associated with the company but also creates an environment of openness and trust. James & Mathew (2012) in their studies found out that effective communication plays a greater role to generate an amicable environment at the workplace. Attridge (2009) in his studies found that better communication from company executives helps better employee engagement.

Work-life balance and employee retention

Work-life balance is increasingly important for engagement and affects retention. Hyman et al., (2003) in their empirical research in the UK found that interventions of work demands into personal life (e.g. working during the week-end) resulted into heightened stress and emotional exhaustion among the employees. In a study conducted by the Australian Telework Advisory Committee (2006) it was found that 70% of businesses that incorporated telework options reported a number of positive benefits, such as increased business productivity and reduced costs, improved employee flexibility and work life balance, and increased workforce participation .

Work environment and employee retention

According to Miller, Erickson & Yust (2001), employees get benefited by work environment that provide sense of belonging. Wells & Thelen (2002) have stated in their study that organizations which have generous human resource policies, have a very good chance to satisfy and retain employees by providing them an appropriate level of privacy and sound control on work environment which enhances the motivation levels to commit with the organization for the long term. Ramlall (2003) stressed the need for recognizing the individual needs of an employee in an organization as it will encourage commitment and provide a suitable work environment.

.Training and Development and Employee Retention

Messmer (2000) found that one of the important factors in employee retention is investment on employee training and career development. Organization always invests in the form of training and development on those workers from whom they expect to return and give output on its investment. Tomlinson (2002) forwarded the view that organizations can keep the leading edge in this competitive world by having their employees well trained in the latest technologies. Garg & Rastogi (2006), explained that in today's competitive environment feedback is very essential for organizations from employees and the more knowledge the employee learn, the more he or she will perform and meet the global challenges of the market place. Handy (2008) has mentioned that proper innovation, and assimilation of new knowledge is essential for survival in any work environment. Thus knowledge is the most expensive asset of any firm.

Leadership and Employee Retention

Eisenberger and associates (1990) suggested that employee's perception regarding an organization is strongly influenced by their relationship with the supervisor. McNeese-Smith (1995) mentioned in his study on Leadership behavior of hospital directors found that there is significantly positive relation between productivity, work satisfaction and organizational commitment of staff. Brunetto and Farr-Wharton (2002) were of the view that supervision of the immediate manager increases the level of job satisfaction in the public sector employees. Chung-Hsiung Fang, Sue-Ting Chang, Guan-Li Chen (2009) has found that leadership style can affect organizational commitment and work satisfaction positively and work satisfaction can affect organizational commitment and work performance positively.

Job Security and Employee Retention

Abegglen (1958) found during the study of Japanese workers that employment features like lifetime employment and seniority system, job security lead to high commitment, job satisfaction as well as retention of employees in an organization. Researchers such as Ashford et al., (1989) [56]; Davy et al., (1991) conducted studies on job security and job satisfaction and found that that job dissatisfaction is the outcome of insecurity among employees. Rosenblatt and Ruvio, (1996) conducted a research on the job insecurity and found that job performance and organizational commitment are negatively correlated with job insecurity.

Conclusion

Human resource management is complex and troublesome to understand. Employees are assets who can make or break an organization. Their contribution is immense in the profitability and growth of the company. They bring innovation and pave the way for sustainable development for the organization. Attention is paid on the new trends that are started making their presence felt in the market. Retaining them will help in the long-term growth of an organization and will also add to their goodwill. But the most difficult task faced by an organization today is retaining as well as satisfying these resources. Although the research paper tried its level best to reveal the various research works done and the contributions forwarded by various researchers in the area of employee retention and job satisfaction, but still much scope remains for more exploration in the field of employee retention and it by taking into consideration the factors like compensation practices, leadership and supervision, career planning and development, alternative work schedule, working conditions, flexible working hours etc.

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