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ABSTRACT

A high employee's turnover can be a hard blow to a business, because after investing money and time in a single or a group of employees, very often they end up jumping to another company. The main cause of this is the un-satisfaction of the employee with the company. In many cases management, know this can have a negative effect to the company, but do not know how to solve it. With different interviews and research it was found that all companies have different business structures and because of this, not all the employee retentions strategies can be used in all companies. However, a good retention strategy can be implemented and be cost effective to the company.

OBJECTIVES

- To prove employee's satisfaction have a impact in a company profit.
- To use employee retention program to reduce cost in a company by keeping good employees.
- To identify if is it cost effective to develop a business system that reduce turnover.

DEFINITIONS

- **Turnover:** Turnover is the act of replacing an employee with a new employee.
- **High Turnover:** A turnover rate that implies the company's employees leave their jobs at a relatively high rate.
- **Employee Retention Strategies:** Retention strategies are policies and plans that organizations follow to reduce employee turnover.

EMPLOYEE RETENTION STRATEGIES

There are many strategies that can be implemented to minimize the high turnover rate in an organization. By minimizing the turnovers the organization will prevent a negative impact in an organization. There are many effective strategies that can be implemented, however this strategies have to be evaluated to identify which will have the best impact for the company.

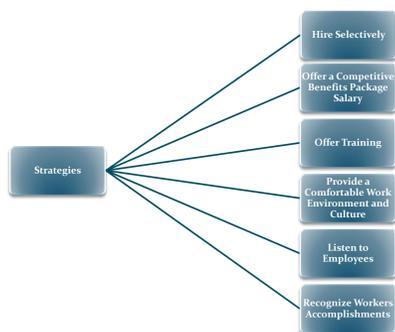


Figure 1
Employees Retentions Strategies

High Turnover Effect

High Turnover can greatly affect the profit of a company in multiple ways. The most evaluated is the cost of replacing the employees that resign, however there other effect. The high turnover can impact the quality of the product, moral of the employee and can break the relation with the customer. The cost of turnover cause from both the direct and indirect factors form a average of 21.4% of the annual salary of the employee [1]. This cost can extend for one to two years until the employee become a productive member of the organization. Studies have shown that there is a significant cost in losing a good employee. Ref. [2] quantified that it may cost 1,000,000 when 10 professional or managerial employees leave. The process of an employee resignation and new hiring of staff to fill this vacancy can prove to be costly.

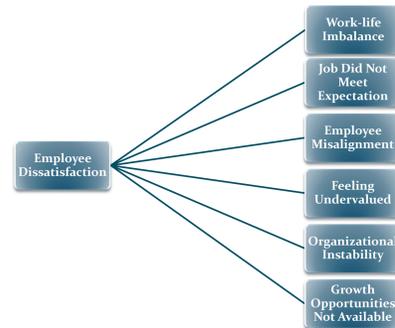


Figure 2
Causes That Force The Employee To Resign

COST ESTIMATE

The companies that are highly specialized need to train employees to perform this tasks. Some of this trainings are abroad and have a great cost. This types of training can cost the organization from 5000\$ to 10000\$ depending of the training require. In Figure 3 it can be observed that if the company have a 25% Turnover Rate the organization have an estimated cost of \$62000 every year. However if turnover rate can be decrease to a 10%, 5% or 2% it can be observed that the cost will dramatically decreases with a cost of \$24800, \$12400 and \$4960 respectively. If the organization have a 25% turnover rate and use retentions strategies that can reduce this high rate to a 10% turnover rate there is a reduction cost of 37,200 that can be invest in the company, employee and establish employee retentions strategies.

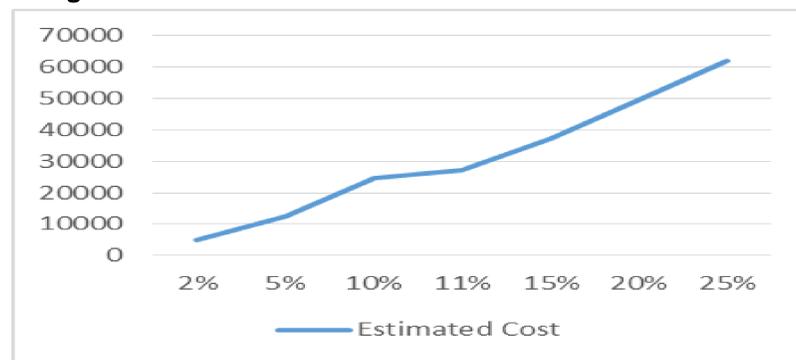


Figure 3
Cost vs Turnover Rate Graphic

STRATEGIES ANALYSIS

In the Interview, candidates and employees were asked to rate some reasons to quit from most to less common. Figure 5 shows that the most common reason to quit is to have an incompetent boss with a 34.5%. In the Pareto Chart can be observed that Incompetent Boss, Unappreciated, Growth Opportunities and Work-life Imbalance form a 64.2% of the most common reasons for employees to quit their job. This 64.2% can be address and resolve with some cultural changes, organization policies and strategies that may be affordable for the company.

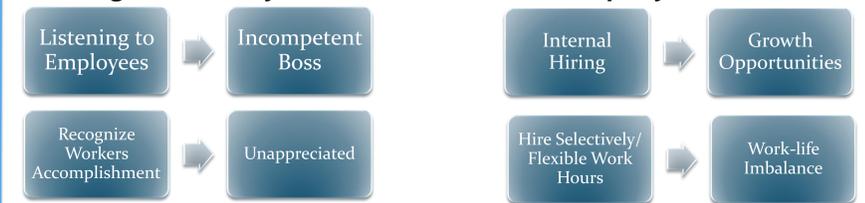


Figure 4
Employee Retention Strategies That Can be Used

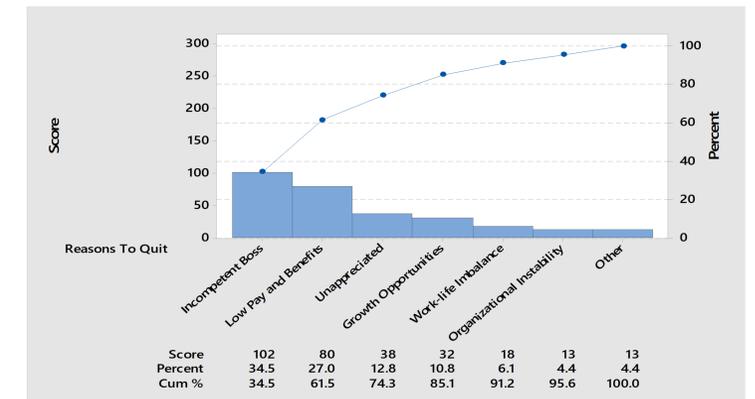


Figure 5
Pareto Analysis

CONCLUSION

In the analysis performed with the information gather and interviews it can be recognize that companies can and should invest time and money in Employee Retentions Strategies. The cost of hiring a new employee depends on the type of development that the company requires. There are some organizations that do not invest much in the employee development, however there are some that need to invest because the nature of the task that the employee will perform requires the investment. The retention strategies must not be seen as a cost for the company and more as an investment, because this strategies directly impact the improvement of the organization. For an organization to grow it first must be capable to retain the top employees.

References

- [1] Boushey H. & Jane Glynn S. (November 16 2012) There are significant business cost to replacing a employee. Americanprogerss.org <https://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>.
- [2] Fitz-enz, Jac (Aug-1997) It's Costly to Lose Good Employees Workforce <https://www.questia.com/magazine/1P3-13451007/it-s-costly-to-lose-good-employees>