

Importance of Employee's Satisfaction

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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 unsatisfaction 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.*

Key Terms — *Employee Retention Strategies, High Turnover, Cost, Employee*

INTRODUCTION

Project Definition

Employees are the center piece in the organization, as employees make the quality, service, and product. The employees are responsible of the overall business success. Because of this, employee satisfaction has become a common topic on the professional world. Happy employees work hard [1] and help the business succeed, a happy employee can be about 12% more productive [1]. Not only happy employees can help improve business profit, also it can reduce cost. 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. In this process, there are direct cost that can be easy to measure, however there can be indirect costs that can be hidden and difficult to ascertain [3]. The cost of

turnover can have an average of 21.4% of the annual salary of the employee [3]. This cost can extend from one to two years, until the employee becomes a productive member of the organization.

This high hiring cost and a High Turnover can prove to be a hard blow for a company. To minimize this Turnover in a company, Employee Retention Strategies have to be implemented. The implementation of these strategies are an investment, however the reduction of employees' turnover will diminish the hiring cost and improve moral in the company. The cost of investing in the employee retentions strategies can be lower than the cost of the hiring process.

High Turnover

Employee Turnover is when workers leave the company and the open positions need to be replaced. When employees leave at a relatively high rate, it is known as High Turnover Rate. There are two common type of turnover:

- **Voluntary Turnover:** This is the most common turnover. Voluntary Turnover occurs when a staff member leaves the company for their own reasons.
- **Involuntary Turnover:** This Turnover is when the company terminates a worker based on the worker's performance or for breaking the organization policies.

Employee Retentions Strategies

Employee Retention Strategies are policies and practices placed by the organization to ensure that employees stay for a longer period of time. Employee retention strategies are designed to meet workers expectation of the company. There are different retention strategies that address many of the employee's dissatisfactions.

HIGH TURNOVER EFFECT

Employee Dissatisfaction

There are many causes for employee dissatisfaction that will have a great influence on the employee's decision to resign. A worker can resign because another organization provides a better opportunity with better benefits and payment. There are some more complicated reasons like [4]:

- **Work-life Imbalance:** This arises when the management wants employees to spend extra hours in the work or weekend, forcing the employee to choose between personal life and personal life.
- **Job Did Not Meet Expectation:** It is common to see that managers assign workers to tasks that were not defined in the job description or on the interview. This creates distrust on the employee and the employee may feel uncomfortable.
- **Employee Misalignment:** When a worker is hired, but does not have the qualifications for the job, or the employee cannot align with the company culture and objective. A candidate can have the perfect abilities, skills and experience required for a position, but if the employee cannot sync with the organization culture and teamwork, the worker will resign.
- **Feeling Undervalued:** All employees want to feel appreciated and rewarded for their job. All workers want to feel that they are an important part of the organization. Recognizing an employee's effort can be one of the most effective methods to improve moral and employee satisfaction. When the effort and actions of the employee are recognized, they are more likely to repeat their actions.
- **Organizational Instability:** If a manager is constantly changing people, goals and reorganizing teams, then employees will be confused and this will cause inefficiency.
- **Growth Opportunities Not Available:** Talented workers are always looking to improve their work life in status and

compensations. If a talented employee feels he is in a dead-end position, he is more likely to resign for a better position.

- **Relationship with boss:** A healthy boss-employee relation is needed for good communication. A bad relationship with the management will often make workers lose interest in the organization goal and reduce product quality.
- **Organization's financial stability:** To retain employees, a company must give security to the employees that the organization will provide employment for a long period of time.

High Turnover Effects on the company

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 are other effects. The high turnover can impact the quality of the product, moral of the employee and can break the relation with the customer.

- **Low Quality and Performance:** A company with a high turnover rate problem tends to have more new workers and need more time to adapt and learn how to fulfill their roles. An employee that has more experience in the company is aware of the company policies, goal, how to perform their job and the process required to complete their task. These are factors that affect product quality and performance [5].
- **Customer Service:** The new hired worker does not have any connection to the customer, while a more experienced employee knows how to work with the customer, what the customer expects and a trust forms with the years. Customers prefer to talk with the same employee instead of a different person every time. A study has shown that high turnover is related to lower-quality customer service [5].
- **Low Moral:** High turnover has an effect on coworkers. Coworkers have to perform the task left by the employee who resigned. This increases the employee's work load and

distracts them from their own task. Also, workers stop trusting the stability of the company and instigates that more employees leave the organization.

- **Loss of Talent:** Employees that have more time in the company, have more knowledge of the company culture, process, customer and their task. Having a high turnover will make the company loose this high experience employee, and very often end up working for the competition.

Replacing Cost

The cost of replacing an employee is defined by some direct and indirect factors. Advertisement, training, uniform, management time and other activities that are require for the hiring process can be categorized as direct factors. However in the process of hiring a new employee, there are some cost that are not easily quantified. Loss of productivity, quality and engagement, customer service error, re-work, etc. can be consider indirect factors. The cost of turnover cause from both the direct and indirect factors form the average of 21.4% of the annual salary of the employee [3]. This cost can extend for one to two years until the employee become a productive member of the organization. Josh Bersin (2013) explain the value of an employee over time, the new hired employees are somewhat unproductive and over time they acquire value, until the point the organization can benefit from the employees. However until the employee can be beneficial for the organization he create a cost. To expedite the process the organization most add value to de employee by investing in training, abroad training, mentorship or teamwork.

EMPLOYEE RETENTION STRATEGIES

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.

- **Hire Selectively:** The retention begging with the hiring process and making sure that the correct employees are hired [6]. An employee that cannot adapt to the organization culture or do not have the qualities for the job should never be hire [4]. A new hired worker that cannot adapt to the organization culture may have confrontation with the current employee or management and this will create a hostile environment. A new employee that do not qualify or have the skills to fulfil the position will delay schedules and coworkers. Steve Olenski (2015) indicates that management should use different tools for hiring, like hiQ. Management can use the social networks to gather information of the hiring candidates. There are many management tools that can help with the hiring process of an employee.
- **Offer a Competitive Benefits Package Salary:** To keep the top talent the organization have to pay a fair wage. Salaries have to be determined by employee's skills and experience, supply and demand, geographical location and worker seniority [6]. Also many employees are looking for a balance in salary and benefits. Including benefits like life insurance, retirement-saving plan, health insurance, flexible time, working from their home or other benefits will have an impact in the employee decision to resign. Providing workers with a job that fit their life style will have a great influence in the employee satisfaction and will lower the turnover rate.
- **Provide a Comfortable Work Environment and Culture:** A good environment and culture will make the employee feel safe and comfortable. This are feelings that employees are searching for in a job, no one wants to work in an uncomfortable or hostile environment. Because of this is best to have a properly ventilated, well-lit and good temperature office

[6], also the office have to provide the necessary facilities so that the employee can fulfill their work.

- **Offer Training:** Employees want to improve their professional life and be useful to the organization. There are many technological advancements and employees need to learn how to use them. At some point, employees that fall behind in knowledge of technological advancement will not be productive and this will cause frustration on employees. To prevent this the organization has to provide training on the new technological advancement in the company.
- **Listen to Employees:** Listening to employees can provide information on how the employee thinks, their expectations, professional and personal lives. Also, employees can provide ideas on how to improve the organization and make them feel as part of the company [6].
- **Recognize Workers Accomplishments:** When an accomplishment or good behavior is recognized, it is more likely that this employee will repeat this accomplishment and behavior. This may be the most important strategy and it can be implemented in many forms. From a simple thank you to a monetary prize [6].

COST ESTIMATE

Detail Findings

In the project some interviews were performed with employees, team leads, PMs and management of some contractors and consultants companies. In the interviews it was observed the differences in culture of these companies. There are different types of organizations and business concepts that will greatly impact the company structure and cost. There are companies that have to invest a great amount in the employee's development and there are others that can invest less. The companies that are highly specialized need to train employees to perform these tasks. Some of these trainings are abroad and have a great cost. In the interview an employee with these types of training can cost the organization from

5000\$ to 10000\$ depending on the training requirements. Also, there are some companies that do not offer any training to new hires and use more on-the-job training.

The studied companies do not perform a cost analysis of the turnover process. In one of the companies, the management did not pay attention to this cost and disregarded it as a little cost.

Cost Analysis

To observe the impact of a High Turnover in a company, the cost of the highly specialized company to perform the cost analysis was used. In the interview it was provided the estimated cost of training cost, management cost, advertisement cost, uniform and miscellaneous cost. The Turnover cost is made up of other costs mentioned in the paper, however the analysis company does not have records or estimates of other costs. In Figure 1 it can be observed that if the company has a 25% Turnover Rate the organization has an estimated cost of \$62,000 every year. The organization analyzed has a Turnover Rate of 11% incurring in an estimated cost of \$27,280. This 11% is an acceptable turnover rate in companies. However, if the turnover rate can be decreased to 10%, 5% or 2% it can be observed that the cost will dramatically decrease with costs of \$24,800, \$12,400 and \$4,960 respectively. If the organization has a 25% turnover rate and uses retention strategies that can reduce this high rate to a 10% turnover rate there is a reduction in cost of 37,200 that can be invested in the company, employee and establish employee retention strategies.

In the interview, candidates and employees were asked to rate some reasons to quit from most to less common. Figure 2 shows that the most common reason to quit is to have an incompetent boss with a 34.5%. In the Pareto Chart it can be observed that Incompetent Boss, Unappreciated, Growth Opportunities and Work-life Imbalance form 64.2% of the most common reasons for employees to quit their job. This 64.2% can be addressed and resolved with some cultural changes, organization policies and strategies that may be affordable for the company.

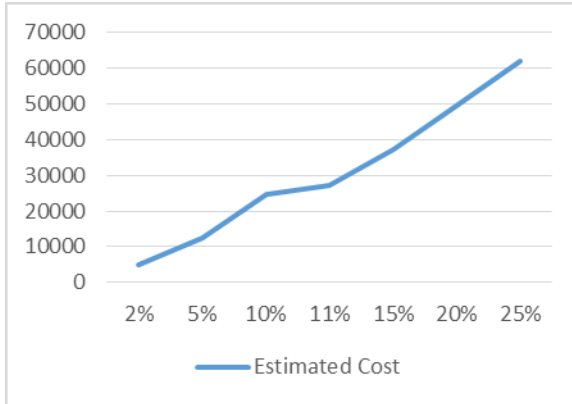


Figure 1
Cost vs Turnover Rate Graphic

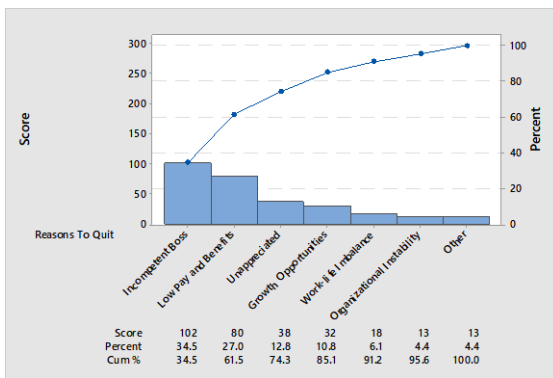


Figure 2
Pareto Analysis

If management starts using the Retention Strategy of listening to employees then the causes for the friction between employees and the boss can be identify and resolved. For the Unappreciated percent management can use the retention strategy of Recognize Workers Accomplishments with a simple thank you or a monetary prize. Management have to develop a good relation and communication with their employee for this two type of problem be resolved. For Growth Opportunities the organization can create a policy of internal hiring to fill the open positions. In Work-life Imbalance the company can hire selectively or establishing a policy that provide flexibility on the working hours. When management hire a new employee they got to make sure that the employee life style do not inhibit their work life as this will create future problems for the employee and the company.

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.

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