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Analysis of Factors Leading to Employee Retention in the Indian Context

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Abstract:
The purpose of this research is to weigh and compare different extrinsic and intrinsic means of motivation contributing to employee retention in an Indian firm. 500+ employees of leading Indian firms (Mahindra &Mahindra, IAMAI, and Saavn) were surveyed. 8 employee benefits affecting the retention of employees were identified and the employees were asked to rank these factors. Mean and variance for each factor was calculated and used to infer which factor is most important for each of the demographic classes. The report begins with a hypothesis that high salary is the only considerable motivation when it comes to staying at a given job or going for a new one. But, the results show that this is not the case always. Degree of involvement in the work was found to be the top motivator for people to stay in the company. The research thus gives statistical evidence suggesting which factors must be focused upon by companies to retain their employees. The report also explores how these factors are different for different demographics like male employees, female employees and how it also depends on the age of the employees.

1. Introduction

The correlation between employees and their work motivation is of utmost importance in today's world. The frequent job switches are a clear indication that proper understanding of what an employee expects from his/her workplace is important for the managers to ensure the retention of valuable employees at a given firm. The underlying basis of motivation employed by the employers has become indispensable in such a case. Employee motivation is crucial for development of corporate industrial relations. A fair idea of the employees' work motivation can be obtained from factors like the absence rate, quitting rate and so on.

'Motivation is the art of helping people to focus their minds and energies on doing their work as effectively as possible.'- *Saul W. Gellerman, Motivation in the Real World*

In a world fluctuating as quickly as the one we are currently living in, all managers and supervisors have started to look for innovative ways to ensure satisfaction of the employees while trying to maximize productivity as well.

The aim of this research is to weigh and compare the importance of extrinsic and intrinsic forms of motivation in retention of employees at a workplace. Motivation to pursue a job and enhance productivity at a firm while ensuring a decent personal life is very important, and it varies across people from different classes (based on factors such as age groups, gender differences, occupation, pay scale, skill set etc.). Despite the popular belief that monetary gain is the only considerable driving factor to choose a job and perform well, the experiences of our parents and seniors suggest otherwise.

2. Literature Review

Initial theories of management, such as the Scientific Management Theory put forward by Henry Ford and Frederick Taylor suggested that the best means of motivating employees and enhancing productivity was monetary rewards. This continues to be the belief in most people in today's world too.

B.F. Skinner, the advocate of Operant conditioning, took the route of behavior modification to improve job performance. Work environments were created which helped promote a sense of achievement, work competence and freedom in choosing the exact job method.

According to the Goal Theory by Locke and Latham, motivational goals needed to have the following aspects: clarity, challenge, commitment, task complexity and feedback. A person with a clearly defined task is bound to perform better than a person who is not even clear about what he/she is supposed to do. Also, a person when trusted with a suitably complex task feels more attached to the firm and feels more important than fellow colleagues. This is a huge source of motivation for many people around the world.
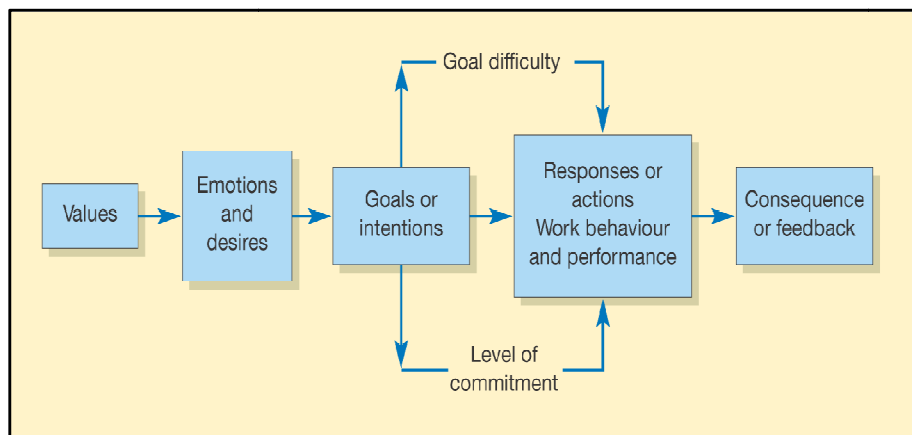
Figure 1: Basic model of Goal Motivation Theory (Locke and Latham)

Maslow's Hierarchy of Needs theory suggests that there are certain primary needs that a person needs to achieve to think about reaching higher levels and attain self-actualization at the end. So, first the basic physical needs and safety measures must be obtained, which will eventually lead to love and esteem.
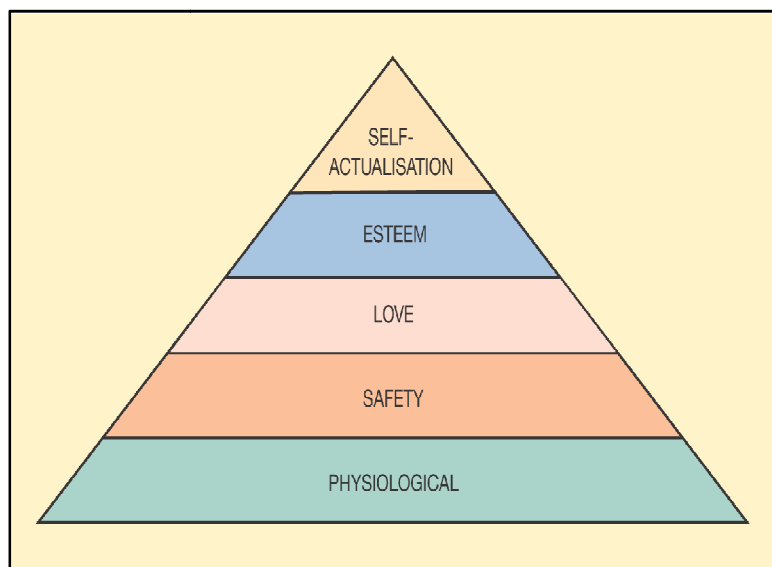

Figure 2: Maslow Pyramid

Alderfer's ERG theory (Expectedness, Relatedness and Growth) is just a modified approach to Maslow's motivation theory, the only major difference being that the motivational needs are considered independent of each other in ERG theory, however a person cannot attain higher level of need without attaining the ones under it in the Maslow pyramid.

David McClelland's achievement motivation theory says that people are driven by following arousal based and socially developed motives: achievement, power and affiliation. Employees with a higher need for achievement would set higher goals than will those with lower ambitions.

Herzberg's Motivation Theory suggests that motivation is made up of two entirely unrelated dimensions- 1. Hygiene: Factors that prevent disappointment, but doesn't motivate employees to work harder (salary, job security, working conditions etc.), 2. Factors that are involved in direct promotion of growth (sense of achievement, recognition, responsibility etc.).

In general, all of these theories were attempts to channelize the thoughts about employee retention and propose a proper framework to deal with situations where motivation is missing. These motivation theories are a part of human motivation study and are directly related with the behavior of an individual at a given firm. They are all widely used by managers all across the world to ensure employee satisfaction.

- Hypothesis: 'High salary is the only considerable motivation when it comes to staying at a given job or going for a new one'.

2.1. Method

The above mentioned issue would be studied by conducting relevant surveys in leading Indian companies (Mahindra and Mahindra, Saavn and IAMAI), analyzing them and finally obtaining a conclusive argument. If the sample of people who are surveyed is not

representative of the broader population of interest, the results of the survey will have little meaning. Therefore, the surveys will be segregated on the following bases to get a better insight into the needs of different populations. In other ways, the variables in our experiment are as follows:

(a) Age: Dynamics and needs of youth life are different from the time when a person grows old. This leads to a difference in expectations of individuals from their respective jobs. With age, a person is endowed with certain responsibilities, which might increase significance of job stability as a factor.

(b) Gender: In the present world, women are at par with men in almost every field. However, the criteria for choosing and pursuing a given job may differ for the female candidates. For e.g. it is expected that they will look for jobs with safer working conditions and provisions like maternity leave, welfare amenities etc.

(c) Student or employed? Mostly, students looking for their starting jobs are expected to be lured by higher pays. This behavior, however, might change as people work for a firm, i.e. after they gain actual experience and get an idea of the corporate world. (Note: While taking the survey from a student, they would be asked to picture themselves to be in the same shoes as a person who is already working for a company)

(Note: However, due to the restrictions of time, no company could be convinced to float the survey for us amongst its employees, so number of responses obtained from people of higher ages was fairly low. Thus, detailed analyses for only (b) and (c) could be done.)

First of all, certain employee benefits were enlisted, which would be ranked by all the people taking the survey. The results would then be presented for the entire population and also segregated for each of the classes described above. The tentative set of employee benefits that would be ranked are as follows:

- (a) Appreciation
- (b) Degree of Involvement
- (c) Help with personal problems
- (d) Job security
- (e) Higher pay
- (f) Intriguing work
- (g) Good working conditions
- (h) Work based material incentives (promotions, bonuses etc.)

3. Results and Discussion

After data was collected on all the factors, descriptive statistics were obtained. The means and variance for each factor was also obtained using the raw data.

A total of 534 people responded to our survey, which comprised of 480 males and 54 females. Out of these 534 people, 72 are students and 462 are currently employed.

The top motivator for selecting a job selected by people was revealed to be degree of involvement followed by working condition and environment. Higher pay, appreciation at workplace, job security, intriguing work, and work based material incentive were the next priorities. Sympathetic personal attention was found to be the least focus.
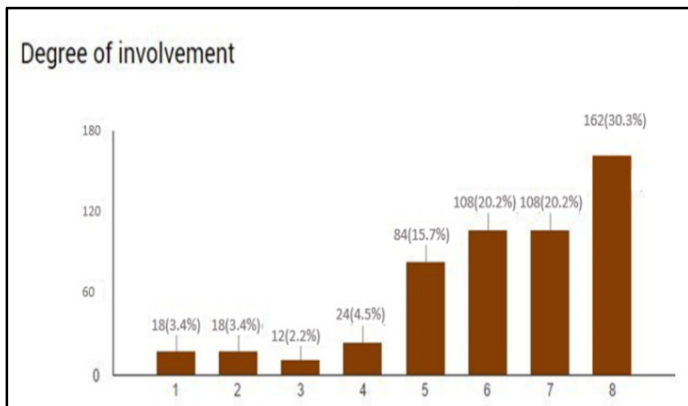
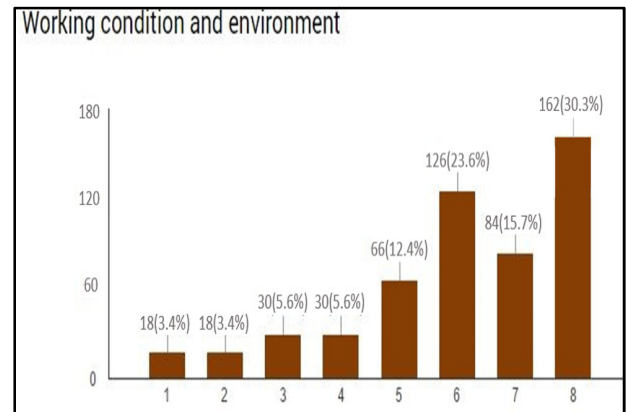*Figure 1: Effect of degree of involvement on employee satisfaction*

Figure 2: Effect of working condition and environment on employee satisfaction

Now we observe the survey results according to the demographic factors.

If we analyze the responses of men and women, significant differences were found in their motivational preferences. Women placed working condition and environment as their topmost priority, while men gave greater importance to degree of involvement. Men also gave more emphasis to high pay.
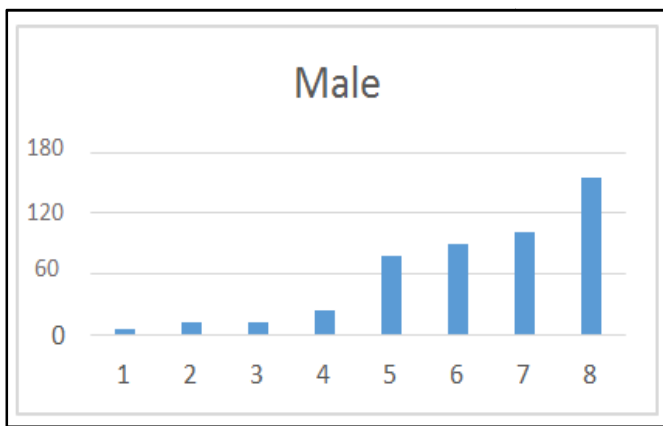
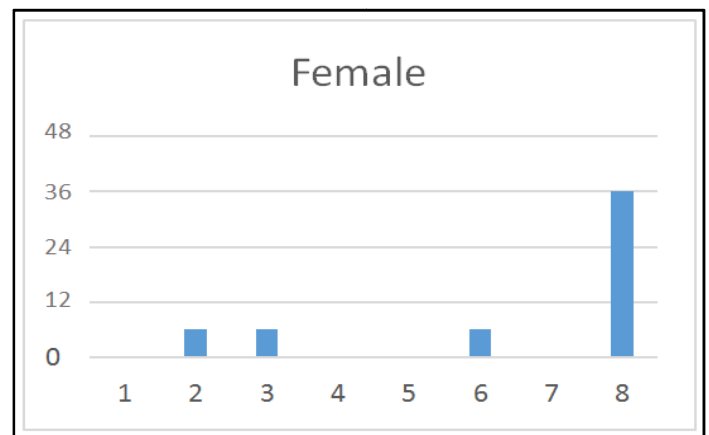*Figure 3: Effect of degree of involvement on men*

Figure 4: Effect of working environment on women

When we analyze the responses based on occupation status, we can see that working condition and environment was the first choice of students, whereas the employed gave their top focus to high pay.
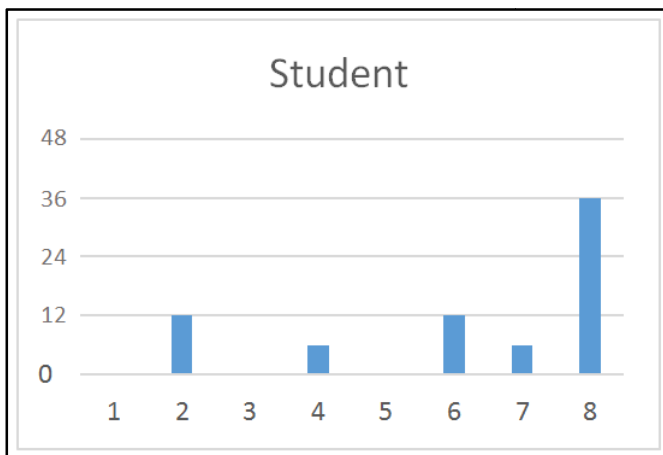

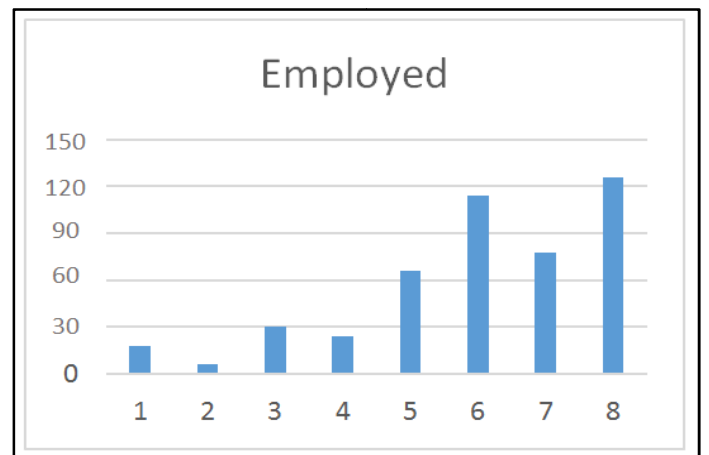*Figure 5: Effect of working environment on students*

Figure 6: Effect of high pay on employed

We can also observe the survey results according to statistical analysis. We can compare the mean and variance for each of the employee benefit factors, and then use it to infer which factor is most precise for each of the demographic factors. When we take a look at the gender based data, we observe that for women, the mean is highest for working condition and environment, and its variance is also at penultimate minimum. So we can say from the analysis here that for females, their topmost priority while selecting a job is working condition and environment. When we take a look at data for men, we see that the mean is highest for degree of involvement factor. Just like in the case for women, its variance is next to minimum. On a deep analysis of data, we see that while the mean is second highest for higher pay factor, its variance is also the second highest out of 8 factors. So it gives a less precise inference for men. So it is not one of the factors of greatest importance when considering for a job. From the data obtained, we can conclude that the optimal factor for women is the working condition and environment, while men prefer degree of involvement as their optimal factor.

4. Conclusion

The survey is a clear indication that the hypothesis we put forward initially is not correct. It can be inferred that intrinsic means of motivation (appreciation, good working conditions etc.) are at par with or more in demand than the extrinsic means of motivation (higher pay, work-based incentives etc). Also, this behavior is found to change as we observe different classes of people in terms of age and gender differences.

On the whole, it can be concluded that companies must ensure that an employee is aptly involved in the workings of the company and good working conditions are provided, along with a competent pay. This will eventually lead to improvement in employee satisfaction and retention leading to increased profitability as per the service-profit chain (refer appendix)

5. References

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iii. Personality, motivation and job satisfaction: Hertzberg meets the Big Five; Adrian Furnham, Andreas Eracleous, Tomas Chamorro-Premuzic; Journal of Managerial Psychology

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xv.   Global trends in motivating employees; Joni Romero, Brian H Kleiner; Management Research News

Appendix
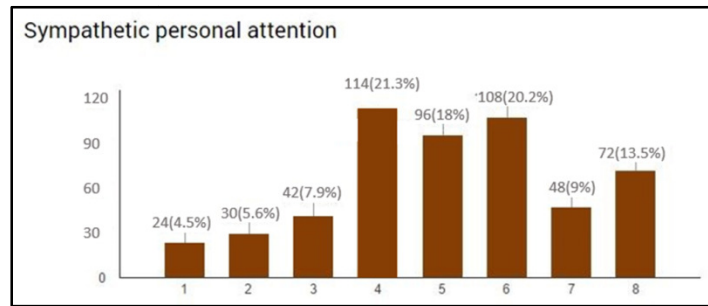
Figure 1: μ = 5.067416, σ = 1.877111

A questionnaire was floated amongst the employees of Mahindra & Mahindra, Saavn and IAMAI. 534responses were received, based on which this study was done. The demographic segregation is as follows :
1. 10.1 % Female, 89.9% Male
2. 86.5% Employed, 13.5% Students
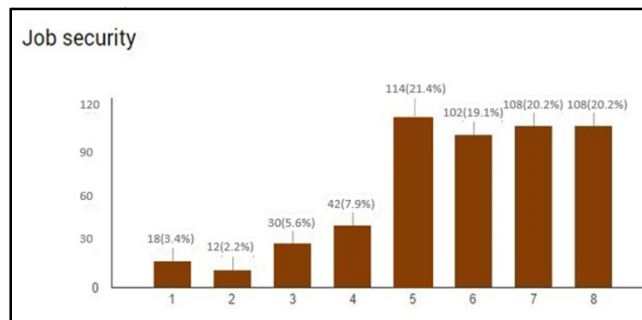
Figure 2: μ = 5.808989, σ = 1.791844

Employees were asked to rate different employee benefits on a scale of 1-8 (8 being top priority). Mean and deviation for each aspect was calculated using :

$$\mu = \frac{\sum(i*count(i))}{\#responses}$$

$$\sigma^2 = \frac{\sum count(i)*(i-\mu)^2}{\#responses}$$

count(i) = Number of responses which were rated i (0 <= i <= 8)
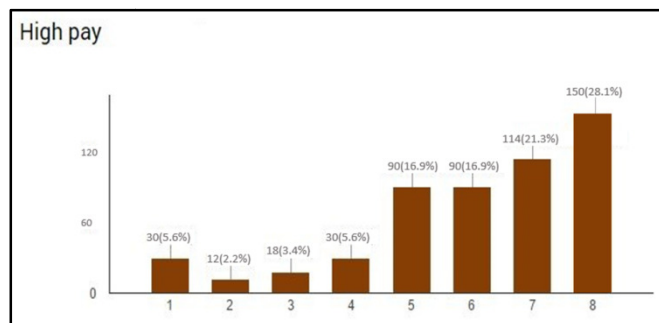
Figure 3: μ = 6.022472, σ = 1.948653

Following graphs depict the responses received :
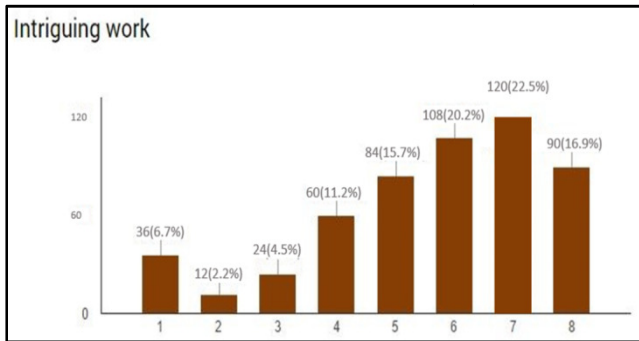
Figure 4: μ = 5.617978, σ = 1.951695
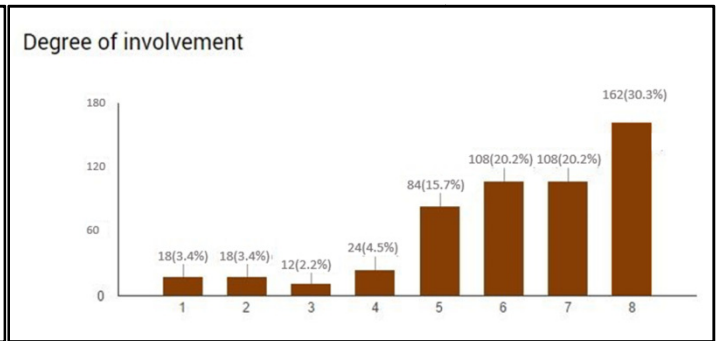
Figure 5: μ = 6.191011, σ = 1.816754

Figure 6: μ = 5.94382, σ = 1.75691
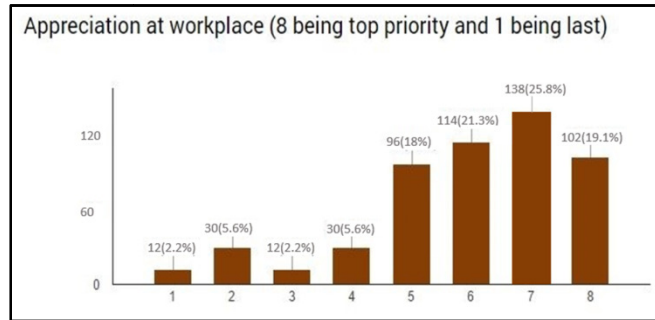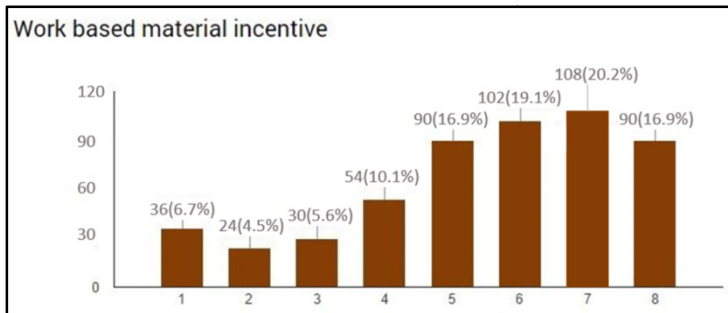
Figure 7: μ = 5.483146, σ = 2.022971
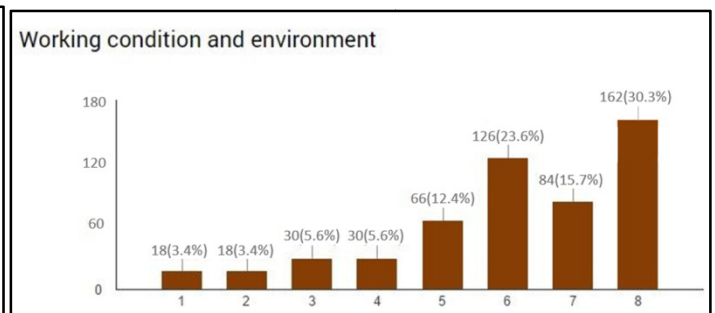
Figure 8: μ = 6.05618, σ = 1.898311

Gender-based and occupation (including age) based Data comparison
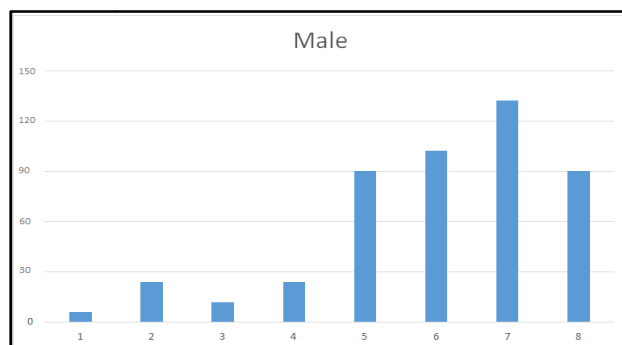
Figure 9: μ= 6.025, σ = 1.65812

1. Appreciation at Workplace
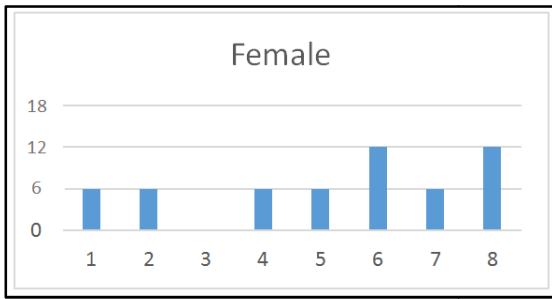
Figure 10: μ = 5.222222, σ = 2.346524
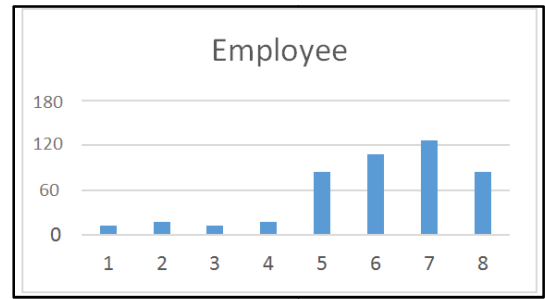
Figure 11: μ = 6.012987, σ = 1.686413
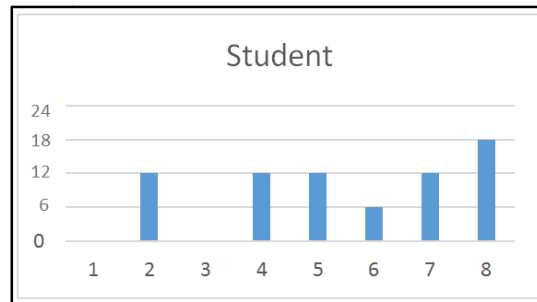
Figure 12: μ = 5.5,σ = 2.101587

2. Degree of Involvement
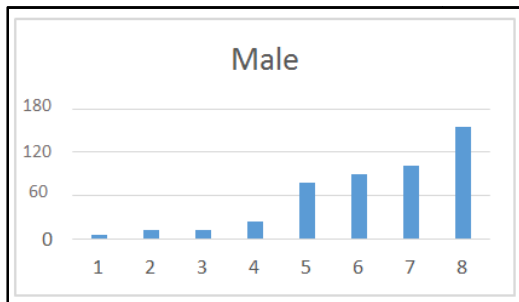
Figure 13: μ = 6.6875, σ = 1.669347
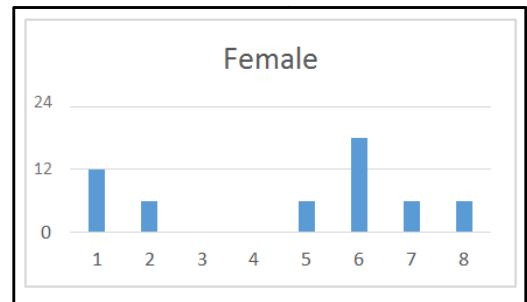
Figure 14: μ = 4.666667, σ = 2.494438
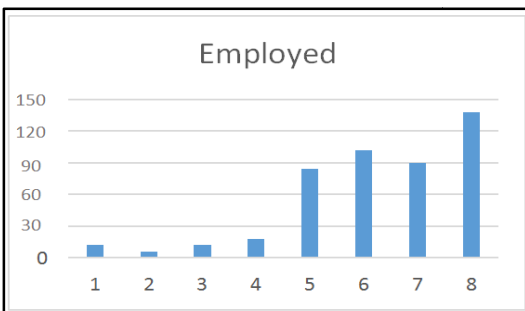
Figure 15: μ = 6.272727, σ = 1.656442
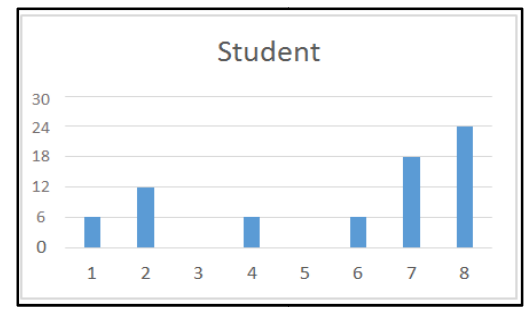
Figure 16: μ = 5.666667, σ = 2.560382

3. Sympathetic Personal Attention
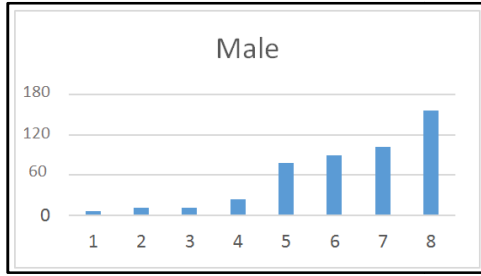
Figure 17: μ = 5.025, σ = 1.823287
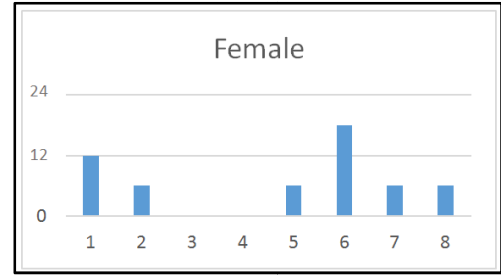
Figure 18: μ = 5.444444, σ = 2.266231
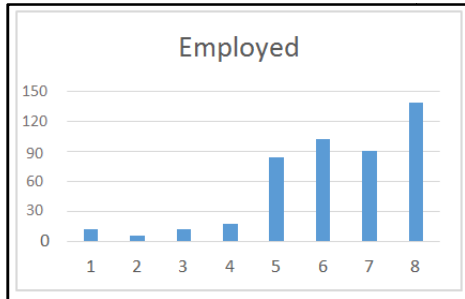
Figure 19: μ = 5.051948, σ = 1.885668
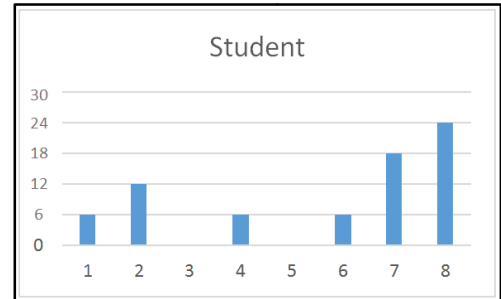
Figure 20: μ = 5.166667, σ = 1.818119

4. Job Security
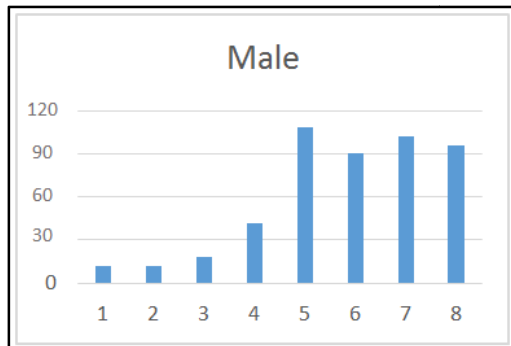
Figure 21: μ = 5.875, σ = 1.713002
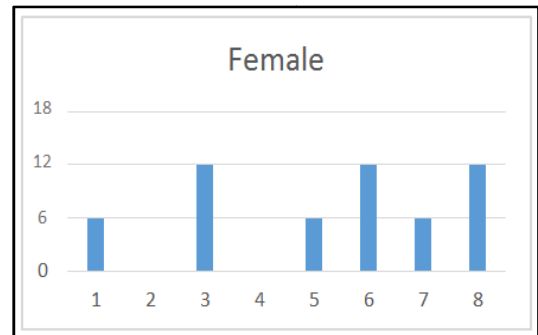
Figure 22: μ = 5.222222, σ = 2.298685
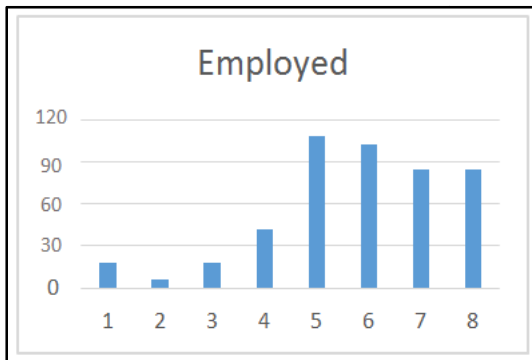
Figure 23: μ = 5.766234, σ = 1.727517
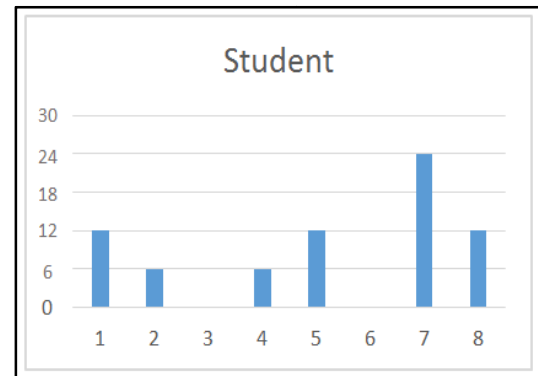
Figure 24: μ = 6.083333, σ = 2.13925

5. High Pay

Figure 25: μ = 6.1625, σ = 1.893698
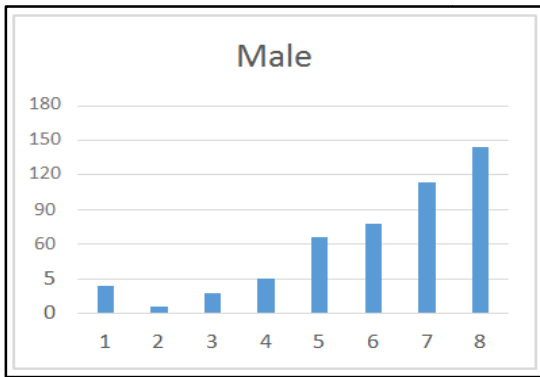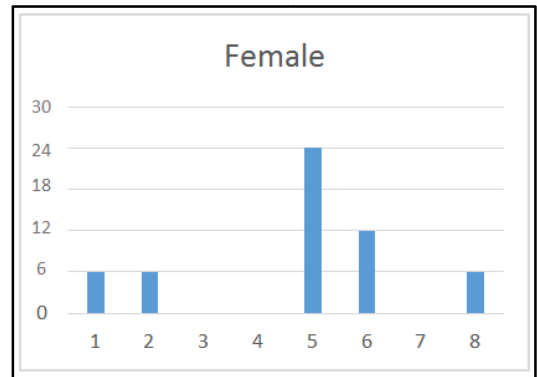
Figure 26: μ = 4.777778, σ = 1.987616
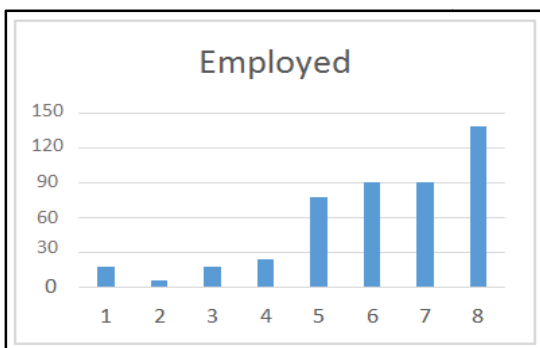
Figure 27: μ = 6.155844, σ = 1.809534
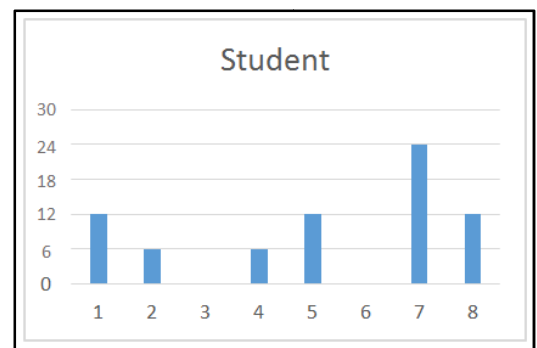
Figure 28: μ = 5.166667, σ = 2.511087

6. Intriguing Work
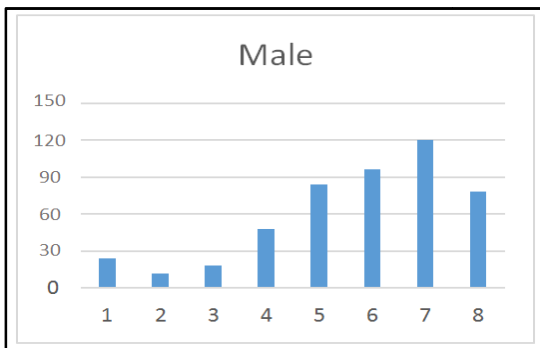
Figure 29: μ = 5.7375, σ = 1.842171
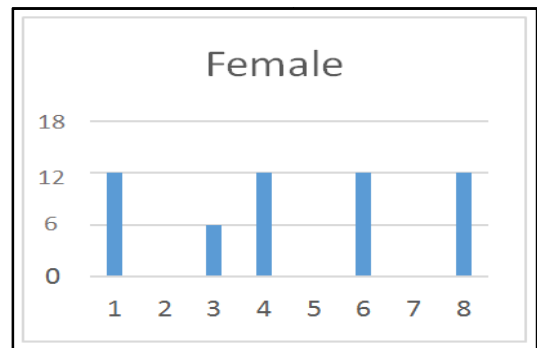
Figure 30: μ = 4.555556, σ = 2.499383
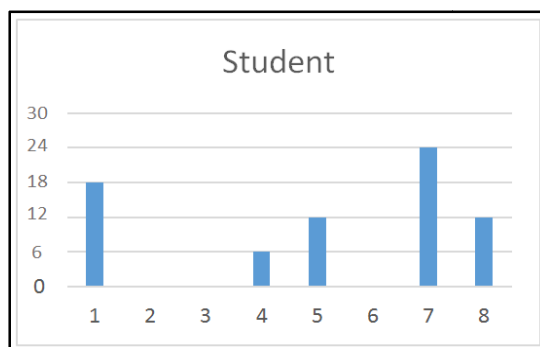
Figure 31: μ = 5.701299, σ = 1.809534
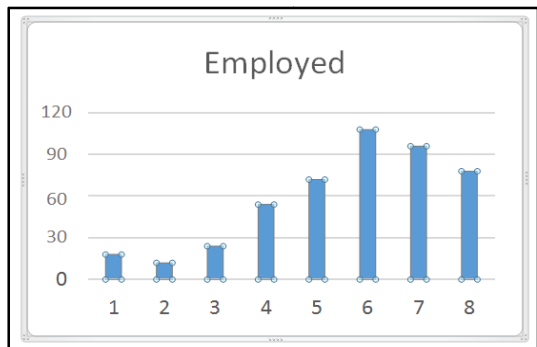
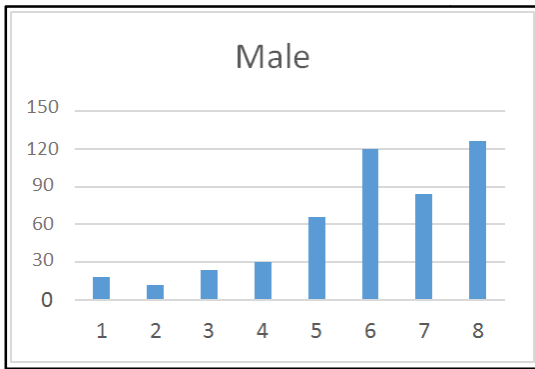Figure 32: μ =5.083333, σ = 2.628635

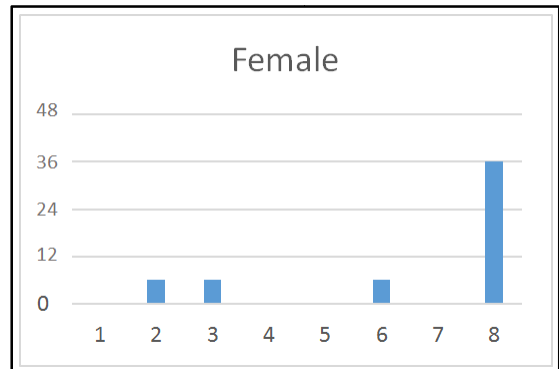## 7. Working Condition and Environment

Figure 33: μ = 6, σ = 1.843909

Figure 34: μ = 6.555556, σ = 2.266231
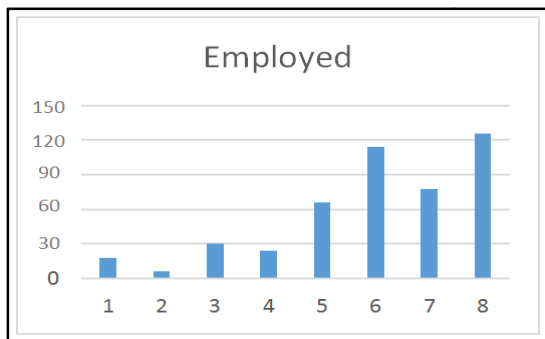
Figure 35: μ = 6.025974, σ = 1.837375

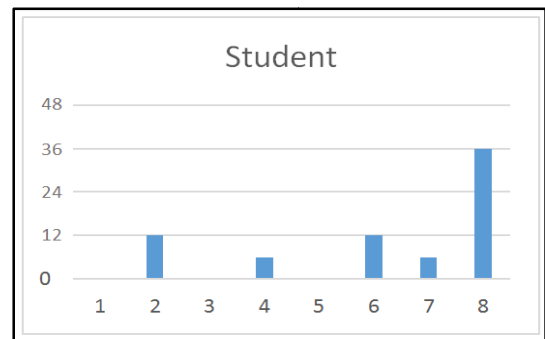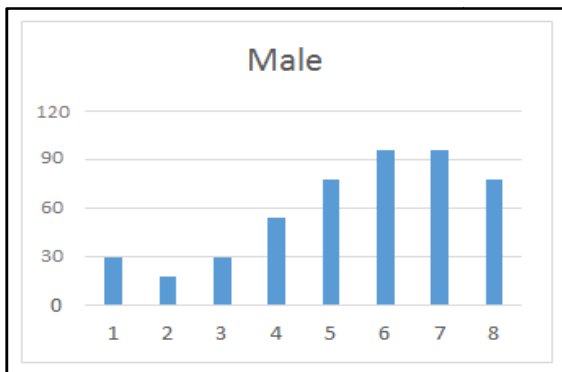*Figure 36: μ = 6.25, σ = 2.240722*

8. Work-Based Material Incentive

Figure 37: μ = 5.4875, σ = 1.981122

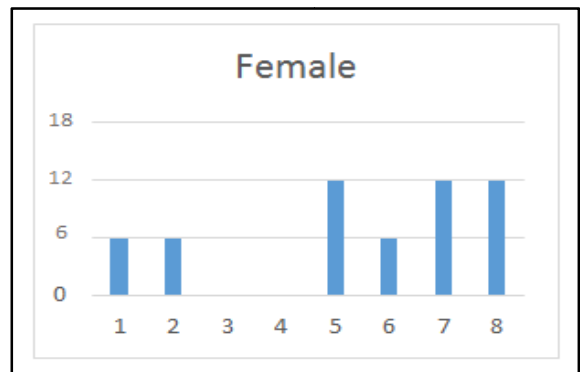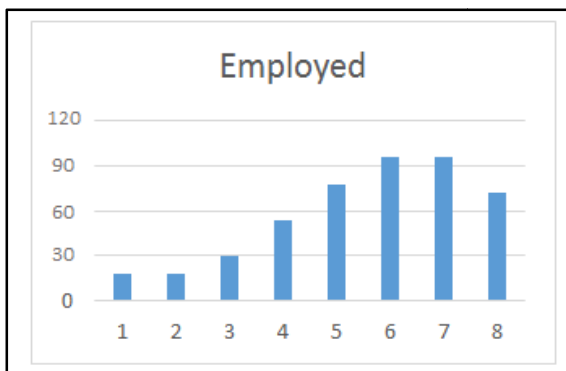*Figure 38: μ = 5.444444, σ = 2.362255*
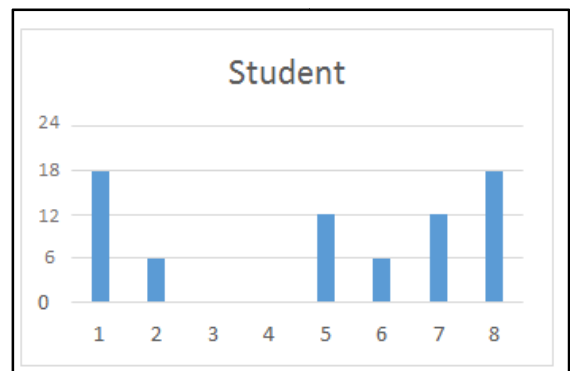

Figure 39: μ = 5.571429, σ = 1.861633

Figure 40: μ = 4.916667, σ = 2.782635

➢   Significance of this study

Employee retention and satisfaction forms the base of 'The Service- Profit Chain', which links employee satisfaction to customer loyalty and profitability.
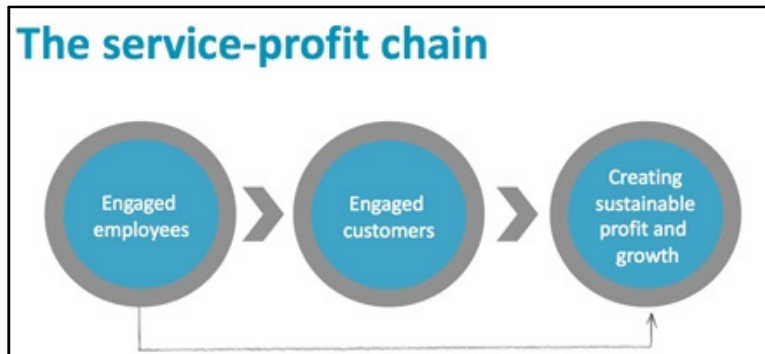

Figure 41: The service-profit chain

Thus, it is very essential to identify the factors which ensure employee retention. Working on these factors, companies can understand trends and links between employee and customer satisfaction which will essentially lead to improved profits.

This study has put service profit chain to work by quantifying the factors critical for employee retention & loyalty which shall help companies improve their operating strategy and drive customer satisfaction.