[WHAT NEW RETENTION STRATEGIES SHOULD FINANCIAL SERVICE PROVIDER IN CAMEROON ADOPT TO ACHIEVE COMPETITIVE ADVANTAGE?]

by

Samuel Frei

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CHAPTER 2: LITERATURE REVIEW

Introduction

There is no single source in the literature where there is a list of right and wrong incentives and strategies to be used. Organizations have different guidelines and different abilities to meet requirements of their employees. Within a large corporation the need of much diversity, work environments, and generations of workers have to be taken into consideration.

This chapter begins with a look at what previous studies have to report on pass research into talent and retention. The chapter will briefly cover different employee motivation theories, strategies, and other types of incentives and benefits offered by organizations. In today's organizations the examples describe are usually used to entice new employees and to make the organization appear more attractive to employees. This is by no means a complete list of available incentives but an overview or sampling of examples used in attracting new employees.

This chapter will proceed with an examination of previous research in the area of employee retention strategies, incentives, and theories. The literature review will be broken down into three sections. The first section will address the theories and research used in the area of employee retention. The second will pertain to strategies used to retain personnel, and the third will address various retention incentives and benefits.

Employee Motivation Theories

Employee motivation theories help in identifying organizational behaviours such as performance and withdrawal behaviours-that is, employee turnover (Lawler, 1970; Ramlall, 2004; Sparrow & Gaston, 1996; Sullivant, 1989). One of the issues that employee motivation theories address is what employees want or need. Motivation focuses on what need a person is trying to fulfil and what motivation, act, or objective can be used to meet that need (Maslow, 1954; Ramlall, 2004).

Ramlall (2004) described employee motivation in terms of four motivators: need, equity, expectancy, and job design. In the sections that follow, these motivators are examined separately, with corroborating and contradictory evidence on their use coming from Ramlall and others. Immediately following the four employee motivators described by Ramlall, another type motivation tool, climate survey, will be discussed. A climate survey looks at organizations at a specific point in time. This motivation tool was used by Sparrow and Gaston (1996) and Cascio (2006) over long periods of time. Both made use of climate surveys as a tool for the retention of employees and employee satisfaction using information gathered directly from employees.

Needs

Needs may be broken down into two categories: physiological and psychological. Both categories have weak and strong characteristics that change over time and in different situations. Ramlall's (2004) article chronicles two need theories, Maslow's Need Hierarchy Theory and McClelland's Need Theory.

Maslow's Need Hierarchy Theory is normally represented as a five-level pyramid with levels 1 through 4-physiological, safety, love, and esteem, respectively-identified as physiological needs and level 5-self-actualization-representing psychological needs. Maslow suggested individuals are driven by their behaviours to improve themselves to achieve satisfaction of their desires. In order to do this, one must meet one's needs at the first level, which includes basic items like food, water, sex, and sleep, before moving to the next level. The fifth level is one few individuals reach. When individuals achieve self-actualization, they have learned how to make the most of their abilities, view things in an objective manner, solve problems for themselves and others, and be creative and independent (Maslow, 1954; Ramlall, 2004).

The second need theory described by Ramlall is the McClelland's Need Theory (1961), which focuses on three needs that are important in and to the workplace: achievement, power, and affiliation. The first need, achievement, is the drive to excel and succeed. An individual with a need for achievement seeks responsibility and wants immediate feedback on his or her performance. Such individuals set goals that are challenging but at the same time obtainable and have a high probability of success. The second need, power, involves making others act in a way they normally would not. An individual with a need for power wants to be in charge and trusts his or her own judgment, knowing his or her personal weaknesses and strengths. The third need, affiliation, is a desire for friends and close interpersonal relationships. Individuals with a need for affiliation enjoy being accepted by those around them. They do not like competition and try to remain in relationships where there is a high degree of trust (Braden, 2000; Ramlall, 2004; Swenson, 2000).

Equity Adams's theory examines how individuals look at and rate forms of exchange like salaries and recognition. Within this theory, there is an emphasis on the fact that it is important to establish balance and perceived fairness. The theory examines inputs-that are, hard work, employee skill, loyalty, and enthusiasm-versus outputs-that is, salary, benefits, and other financial rewards. When imbalances are seen, they cause tension. The most important outcomes, when one is applying Adams's theory, are likely to be seen in the area of pay with outcomes such as fringe benefits, job assignments, supervisory treatment, and status symbols (Ramlall, 2004).

Studies using equity theories have shown that there is a relationship between perceived inequity and turnover (Geurts et al., 1999). The equity theory looks at three main suppositions:

people develop beliefs of what is fair and unfair, individuals compare what they receive to what they think they have done for the employer, and people will act when they think they have not received equitable treatment. Equity relates to rewards and the efforts that went into getting rewards. These efforts, according to Ramlall (2004), can be educational, work that has been performed successfully, and how competent the employee is. When one is using the equity theory, it is important to determine whether there are any imbalances whereby individuals feel they are at a disadvantage, are being taken advantage of, or are not receiving the same or similar benefits as others (Cosier & Dalton, 1983; Ramlall, 2004).

According to Cosier and Dalton (1983) there is always more than one inequity in business. There are times when the inequity is identified and organizational leaders claim that it will never happen again. However, the company does not explain the steps that will be taken to prevent the problem in the future. When there is a lack of reciprocity, employees experience negative feelings regarding their contributions to the organization and what they receive in return, referred to by Geurts et al. (1999) as unfulfilled expectations. When this occurs, employees are more apt to leave the organization or show signs of turnover intention. Turnover occurs in the earlier stages of perceived inequity. The longer an employee puts up with inequity, the more other problems come up, such as frequent incidents of illness and absenteeism.

When using the equity theory, organizations have to be careful about the development of rewards and how they are distributed in the workplace. The rewards should be well defined in term of who receives distributions of funds, bonuses, and so forth.

In the study performed by Geurts et al. (1999), it was not resentment of other employees who caused turnover intentions or voluntary employee turnover. Instead, there were indications that the condition that precipitated turnover was management's lack of organizational commitment, which was also a contributing factor in the relationship between perceived expectations and reciprocity. The idea of a lack of organizational commitment was also supported by Abraham (1999). Another supposition Abraham reported was that when there is a lack of organizational commitment, individuals who have a long tenure with an organization are likely to have a strong desire to terminate employment, even if the individuals have a high job satisfaction.

Perceived inequity and employee turnover are themes that run throughout equity theory. Perceptions that practices are fair or unfair are just as important to employees as which rewards should be given for the amount of effort put forth. Performance, competence, and rewards are important aspects of equity theory, as are the apparent outcomes for employees.

Expectancy

Expectancy theory examines how people are motivated to receive an expected outcome. Ramlall (2004) reviewed two theories: Vroom's original expectancy theory and Porter and Lawler's extension of Vroom's theory. According to Vroom's expectancy theory, employees act a certain way that is determined by what they hope to receive.

Corbo and Kleiner (1991) elaborated on this point, stating employees will perform better if they believe they have the ability to do so and eventually they will be rewarded with something equitable to the performance. However, the employee must believe that the reward is contingent and directly linked to performance.

Expectancy theory further explains that an employee acts a certain way that is determined by what he or she hopes to receive. Employees choose the actions they feel will give them the highest probability of obtaining the most value. Motivation is coupled with desire and performance outcome (Lawler, 1970; O'Malley, 2000; Ramlall, 2004).

The goal of company leaders who want to retain valued employees is to make the employees' jobs even more attractive, especially for those employees who are high performers. This can be done by rewarding employees based on performance. As a result, according to Williams (1999), there is a relationship between rewards and performance:

When there are rewards, performance will increase and improve. Expectancy theory and reward contingency also predict that if an employee is satisfied with the outcome and rewards he or she has received, then he or she will stay with the company.

To test the outcomes of expectancy theory, Biberman, Baril, and Kopelman (1986) conducted three studies. The participants were from three industries: banking (n = 82), with 11 supervisors and 71 subordinates; supermarkets (n = 251), with 22 supervisors and 229 subordinates; and a manufacturing plant (n = 199), with 27 supervisors and 172 subordinates.

The sample was composed of full- and part-time employees. Job performance was self-reported for subordinates, and supervisors were ranked by their supervisors. The participants from the bank and supermarkets received questionnaires that had 24 outcomes, and the manufacturing plant participants received questionnaires containing 37 outcomes.

Results were based on a return-on-effort (ROE) model, which takes into account differences in the theoretical value connected to the increase in work effort (Biberman et al., 1986). The results suggested that there was a strong relationship between reward and performance. Results from the ROE showed that predictions of effort and performance were excellent if looked at one outcome at a time. The expectancy theory has proven an effective way to study how incentives and participation control motivation (Kren, 1990).

Other expectancy theories have been discussed, including the extended expectancy theory. Unlike the standard expectancy theory, in which motivation is the most direct determinant of performance, the extended expectancy theory posits that the employee's motivation determines his or her performance goals (Kren, 1990).

The valence model of expectancy theory examines how much force is needed to attain a goal as a function combined with the expectancy of reaching the goal and the valence or strength of attaining the goal (Matsui, Okada, & Mizuguchi, 1981). Matsui et al. stressed the fact that there must be a number of different levels of behaviour or performance so the individual can make a conscious choice among them.

According to Williams (1999), reward contingency could be seen as being related to functional turnover because it decreases satisfaction for poorer performers and increases the satisfaction of better workers. Williams identified two types of voluntary turnover: dysfunctional and functional. Dysfunctional voluntary turnover results in the loss of a person whom company leaders consider valuable. Functional turnover is defined as losing a person who is not valued within the company. This method may be used to separate the good performers from the bad ones; if some workers cannot meet the performance level of others, they may leave, making way for more productive workers.

Expectancy theory is still looked at as a behavioural model that can be used to explain how people make decisions about how much effort they put into job performance (Biberman et al., 1986; Kren, 1990; Lawler, 1970). Research has shown that there is a relationship between job satisfaction and employee turnover, and according to Lawler, one can explain this relationship through expectancy theory. Lawler also stressed that it is important that satisfaction be monitored, as it is an indication related to turnover that I/O psychologists and HR professionals can use as a predictor Writers in the literature have described a few types of expectancy theory. What is evident is that all have to do with individuals' expectations as to what they will receive based on their performance. Job satisfaction and performance are prominently identified as positive outcomes within the theory, in which employee turnover is the result of individuals not receiving what they consider a fair exchange, in terms of effort versus reward.

Strategies

Person-Organization Fit

According to McCulloch and Turban (2007), employee retention is a critical component of organizations' success, closely followed by job performance. When hiring, companies try to use the most appropriate methods to select the employee who best fits the description of the job, is able to learn to perform the job, functions well within the company, and, once employed, will not leave.

The best way to predict whether an employee will remain in a given position is through the use of a process referred to as person-organization fit (P-O fit). The process does not look at how well the person fits a job or position; instead, it examines the fit of the employee to the organization (McCulloch & Turban, 2007). There are five types of P-O fit: complementary, supplementary, actual, perceived, and operationalization.

Using P-O fit allows for the coverage of a wide selection of employment techniques, including selecting employees to fit the jobs available, selecting employees to fit company values, and selecting employees who possess characteristics similar to those of other personnel employed by the company, such as job performance and even career path (McCulloch & Turban, 2007; Ng & Burke, 2005; van Vianen, 2001; Winfred, Bell, Villado, & Doverspike, 2006). One of McCulloch and Turban's hypotheses was that individuals have a tendency to be attracted to the type of organization that will fulfil their needs, goals, and values. When these needs, reminiscent of the needs in Maslow's hierarchy (1954), are met, individuals have a tendency to stay. According to Winfred et al., however, this relationship of needs to turnover is questionable.

Much of the research by McCulloch and Turban (2007) using P-O fit was conducted in call centres. The researchers selected call centres because of the high turnover rate at these sites. McCulloch and Turban reported a turnover rate of 32%.

McCulloch and Turban's (2007) results were not as expected. Their results showed that P-O fit was related to job satisfaction and employee retention but was not related to job performance. McCulloch and Turban, in the introduction to their research, expressed the assumption that P-O fit is a tool that one can successfully use for determining the likelihood of employee retention. P-O fit is more appropriate if it is used with employees who have already been hired. Winfred et al. (2006) suggested that P-O fit be applied cautiously in the context of employment decisions, as the effectiveness of this tool in determining employee turnover is not proven and offers questionable results.

However, P-O fit is useful in predicting work attitudes and other individual outcomes (van Vianen, 2001; Winfred et al., 2006). Winfred et al. identified a weak relationship with respect to job performance but a strong relationship with work attitudes. The most used criteria in P-O fit are those based on attitude, commitment, job satisfaction, and decisions concerning turnover (Ng & Burke, 2005; van Vianen; Williams, 1999; Winfred et al.).

Though the P-O fit concept is flexible, little is known about which individual characteristics are responsible for establishing fit. According to van Vianen (2001), there is no one way to categorize the most significant components of fit. The components include needs, goals, and personality.

Winfred et al. (2006) stated that when used in relationship with turnover, P-O fit generated debatable results. The researchers elaborated on the subject, stating that P-O fit has limited potential in predicting employee turnover. When used with value congruence, it is possible for use in predictions as to whether an employee will leave.

The McCulloch and Turban (2007) research used multiple types of testing measures, including those measuring job performances, learning ability, multitasking, and accuracy. However, the information presented in the P-O fit literature is not clear regarding whether this method is more useful for looking at employees before or after they are hired. Either way, this strategy appears to be useful for future I/O psychologists and HR professionals seeking to match individuals to jobs with the aim of reducing employee turnover and therefore increasing employee retention rates.

Employee Retention Research

Frank, Finnegan, and Taylor (2004) described employee retention as “the effort by an employer to keep desirable workers in order to meet business objectives” (p. 13) and turnover as “the unplanned loss of workers who voluntarily leave and whom employers would prefer to keep” (p. 13). Voluntary employee turnover is usually viewed as resulting not only in the loss of valuable employees, but also in the loss of knowledge, skills, morale, and financial resources (Cascio, 2006; Frank et al.). Employee turnover results in reduced earnings, lower productivity, loss of sales, loss of customers, and erosion in customer services. Researchers often examine retention and productivity with the viewpoint that they are associated with one another (Cascio, 2006; Deutsch, 1982; Frank et al.). When an organization loses a critical employee, on average the amount that is needed to replace the employee is one year's pay (Ramlall, 2004). Replacement costs can reach 1.5 to 2.5 (Cascio, 2006) times the employee's annual salary. The cost is dependent on the level of the job, and replacement costs associated with filling vacancies have been steadily increasing for years (Steel et al., 2002). These costs include but are not limited to replacement and training and other costs that are the result of employee turnover and separation. The time needed to replace an employee can be up to 6 months (Deutsch, 1982); a search can easily take longer, depending on the type of job or position.

Employee retention significantly reduces these costs and helps to increase productivity and profits (Cascio, 2006; Steel et al.).

Many employees leave because of disenchantment with their jobs. These employees may have lived through layoffs, outsourcing to foreign countries, and downsizing. Another important factor that affects job satisfaction is employees' trust in the organization. According to Frank et al. (2006), there is nothing that affects retention rates more than when employees lose trust in the organization and their loyalty begins to unravel. Frank et al. stressed that although loyalty does not guarantee job retention, it is an important influence on retention.

The manner in which retention is handled is dependent on the organization and country. The more traditional programs in employee retention are compensation based in nature. Historically, strategies such as tuition reimbursement, vacation and holiday benefits, and competitive pay were used for employee retention. Some organizational leaders have attempted to improve retention rates through improved employee selection methods such as P-O fit. Other organizations have sought to use contemporary methods of redesigning pay and reward programs and redefining their use (Frank et al., 2006).

Some of the many things that organizations fail to do are to make retention a priority, make an effort that targets recruitment of older employees, succession planning, and focusing on work teams critical to maintaining corporate functions (Dychtwald & Baxter, 2007). A large number of the jobs currently held by the baby boom generation are knowledge based. According to Lord (2002), the baby boom generation is the healthiest and the most highly educated in U.S. history. These individuals have such a significant amount of experience and training that it will be important they continue having a role in the workforce.

To convince older workers they are valuable to the organization, it may be advantageous to offer some type of flexible retirement plan. Options might include reduced hours, telecommuting, special positions and assignments, and consulting opportunities. Such a plan could lead to the organization having continued access to older workers' expertise and knowledge. Indeed, the implementation of flexible retirement programs could serve to attract, retain, and motivate older workers. However, flexible retirement programs should be used sparingly and with only a few employees, according to Dychtwald and Baxter (2007), because implementing a program with a large number of employees would become unmanageable.

New retention strategies often incorporate leadership training. According to Frank et al. (2006), the individuals trained in retention leadership are then responsible for training team members, asking for employee suggestions for increased performance, contributing to mentoring programs, and making sure employees are given opportunities to use their special skills and talents. Those individuals trained in retention leadership are also responsible for additional teamwork in keeping employees current with technological advancements and the working environment. By using these methods, organizations will be able to redesign their recruitment methods and retain and attract mature workers who will help to offset the shortage of younger workers while offering their experience to the workforce.

Moreover, studies by Harris, Winskowski, and Engdahl (2007) and O'Malley (2000) have suggested that social support is correlated to job satisfaction. Social support includes assisting others, mentoring, and other interpersonal behaviours. Social support has both positive and negative consequences. Factors that have proven advantageous to job tenure are supervisory support, task support, career mentoring, and support from friends and relatives. Coaching and support from colleagues do not appear to have an effect on job satisfaction.

The findings of the study by Harris et al. (2007) indicate that career mentoring and task support were positive indicators of job satisfaction. Collegial support and coaching were identified as not being indicative of job satisfaction because it was likely when employees had problems and were highly stressed or dissatisfied in the workplace, they looked toward these resources to obtain support. Harris et al. (2007) reported that when there are high incidents of coaching correlated with shorter tenure, there may be two reasons: First, people may be looking to advance, and second, people may not be familiar with office politics and structure. Though Harris et al. (2007) did go on to identify the use of workplace social support as being important and a new addition in the literature for use in employee retention and tenure.

Exit Interviews

Harvard Business Essentials (2002) and Steel et al. (2002) suggested that the exit interview can be advantageous as a retention tool. Through exit interviews, one can gain insights into employee behavior. Valuable data can be compiled on why people stay in or leave their jobs, the root causes for people leaving their jobs, the day-to-day operations of the organization, and the performance of managers. It is important that all information on who quits and why they quit be maintained in one location. Such information can be used for retention purposes as part of the retention policy.

As quit rates among similar companies may be different, it is important that I/O psychologists and HR professionals know what the normal quit rate is for their specific company and know when it reaches a point that is considered problematic (Steel et al., 2002). The U.S. Bureau of Labor Statistics (2008) defined the quit rate as the number of quits during an entire month as a percentage of total employment.

The quit rates for industry (specifically, trade, transportation, and utilities) for the first five months of 2008 (January through May) were 2.9, 2.0, 2.0, 2.1, and 1.9, respectively. Companies in the Northeast have the lowest quit rates, followed by the West and Midwest, with the highest rates occurring in the South (Bureau of Labor Statistics, 2008). According to Steel et al. (2002), the quit rates figures that the government reports are lower than the figures reported by industries. This phenomenon may derive from the way that U.S. national averages are reported. Quit rates vary widely from one type of firm to another. When firms report quit rates, the figures are firm dependent-that is, they are specific to manufacturing, industry, and so on. The U.S. Bureau of Labour Statistics reports the quit rate as a single percentage representing the compilation of data from many types of industries.

The quit rates identified for the fast food industry are the highest rates reported by the Bureau of Labor Statistics. These figures are grouped together under accommodation and food services; the quit rates for this category for the first five months of 2008 were 4.0, 4.2, 4.2, 4.1, and 4.2.

According to Steel et al. (2002), it is just as important to look at data from employees who remain on the job as from employees who leave. Identifying the reasons employees stay with an organization can help one to identify an organization's strengths.

Retention strategies can be divided into two categories: blanket and focused. Blanket strategies are directed at the organization. Blanket strategies are designed to affect overall retention rates by changing hiring and recruiting practices or I/O psychologists' and HR professionals' retention processes. Focused strategies are designed to target a specific audience, department, or turnover type. Steel et al. (2002) reported that using exit interviews as a sole source of information is questionable, as follow-up surveys have elicited different reasons for quitting than those employees have previously given. When an organization uses a third party to deliver a survey, former employees are more likely to be candid.

The analysis of data from exit interviews and quit rates is a strategy that can play an important role in employee retention. The problem of retention is not an easy one to fix, although organizational retention policies, survey feedback, job enrichment, and job reviews (preferably from another party) can aid in the process of addressing retention. here are many issues I/O psychologists and HR professionals need to examine when an organization has a problem with high turnover that points directly to a retention problem.

In the future, I/O psychologists and HR professionals will be looking at turnover, labor, low trust issues, erosion of company loyalty, and talent shortages. One way to address these issues will be to treat employee retention not only as I/O psychologists' and HR professionals' problem, but as a problem that the entire organization should be involved in handling (Frank et al., 2004).

Examining the literature is not the only step one should take in attempting to understand why there is such a large turnover rate in some companies. Information on employees and their reasons for remaining in a company and/or quitting an organization to join another may be even more significant to research.

Problems do not occur at a single point. Organizational leaders in association with HR professionals and I/O psychologists should examine the problematic areas that contribute to employee turnover. HR professionals and I/O psychologists have to negate the uncertainty employees feel early in their tenure with the organization. Moreover, researchers have found that individuals who quit tend to leave their jobs within 90 days of hire (O'Malley, 2000; Rye, 2002; C. Smith et al., 2004). This finding implies that the organization, HR professionals, and I/O psychologists need to look at the work environment to make sure employees perceive it favorably.

Employee retention contributes to the organization's competitive advantage. The financial output required to train replacement workers can be substantial. The process of developing retention strategies that are attractive to workers and aid in the organization's competitive advantage is not as simple as checking one organization or HR professionals' and/or I/O psychologists' department or even the employees of one organization. It is, however, a step toward checking turnover problems, addressing problems in the organization's environment, and finding ways to improve employee retention for the organization.

The research performed by Cascio (2006), Deutsch (1982), Dychtwald and Baxter (2007), Frank et al. (2004), McCulloch and Turban (2007), and Steel et al. (2002) is significant to the study of retention because these researchers examined not only employee retention, but also the present situation of job engagement, traditional and newer strategies that aid in retention, recent findings in research, and future trends. These authors also suggested what HR professionals and I/O psychologists can do to fight significant turnover problems in organizations. The next section of this chapter includes a discussion of the most important benefits and incentives used for employee retention.

Incentives and Other Benefits

Money

A study by C. Smith et al. (2004) indicated that young workers have no loyalty to employers and often change jobs, sometimes within 3 months of being hired (O'Malley, 2000; Rye, 2002; C. Smith et al., 2004). During the early period on the job, new employees are trying to determine how they fit into the organization and if it is right for them. If they stay throughout this introductory period, they will usually remain with the organization (O'Malley, 2000). G. P. Smith (2001) took a different viewpoint, positing that young workers want to align themselves with an organization, especially when the organization has a cause-for example, saving the environment or stopping pollution.

If organizations lose high performers because employees feel that their efforts are not being acknowledged, a retention strategy should be employed, such as performance contingent rewards (Steel et al., 2002), whereby employees receive monetary compensation that keeps pace with their progress. The use of a contingent-rewards strategy meets two needs: acknowledgment and financial compensation. When employees' financial needs are met, the motivation for financial gains diminishes, and other factors become more important, such as recognition and job advancement (Maslow, 1954; G. P. Smith, 2001). Though money is important, individuals also look for positions that have meaning, offer purpose, and allow them to make a difference.

Elements of the work environment-employee satisfaction, job quality, and workplace support-are considered more some individuals more important than money.

However, money remains near the top of the list and includes financial gains. Better career development and greater job challenges have been identified as other important aspects of a job (G. P. Smith, 2001).

Training and Advancement

Training and advancement are important. When opportunities for training and advancement are not available, individuals tend to leave organizations (Steel et al., 2002), especially those who work in technological areas such as software development and information technology (IT), where keeping current is imperative (Rye, 2002; G. P. Smith, 2001; Steel et al, 2002). According to G. P. Smith, if people are allowed to grow in their jobs, they will stay. When employees see that options for advancement are limited, they search outside the organization for improved career opportunities (Steel et al., 2002) raining programs offer employees the chance to learn new skills. The motive behind completing training is to improve current skills and become more proficient and productive. There are ways to measure how effective training has been by looking at workers' behavioral performance on the job.

Specific courses related to the business can be offered to all employees who the organization deems important. Such courses can help employees advance into supervisory/managerial positions. Thus, training becomes a win-win proposition whereby employees learn new skills or obtain degrees that make them more beneficial to the company (Rye, 2002). Training programs can also be offered to supervisory personnel whom the company wants to advance in the organization. By developing skills off-hours with the company paying, supervisory personnel can make themselves more attractive for promotion because they have already taken the initiative to learn the skills necessary for success and performance in higher positions in the organization.

Another type of training that may be useful for organizations is expectation lowering (Steel et al., 2002). Expectation lowering shows new employees that downward cycles are possible in business and that the downward cycle is responsible for the result of unmet business expectations. This type of training gives employees a chance to share with others their experiences of disillusionment from previous jobs. This training is intended to show that the fact that there is a temporary downturn does not mean that leaving one's position is a solution.

Advancement is an important tool for supervisors to use because employees have a tendency to be competitive (Deutsch, 1982; Maslow, 1954; Rye, 2002). Training is important not only to all levels of personnel, but also to the organization. Training helps to maintain the organization's technological advantages and keeps employees current on new knowledge. Expectation lowering is important for new employees, as it identifies difficulties that may appear and allows the employees to become more familiar with the workforce climate.

Informal Rewards

Informal rewards can also be used as employee retention strategies. These rewards can be in the form of social activities, loyalty bonuses, and rewards for making suggestions that improve work quality and production, and Christmas parties (C. Smith et al. 2004). These types of work inducements are not negotiated for all workers but are used in addition to those benefits.

Sometimes an informal reward is more beneficial than a formal one like a pay raise. An informal reward was described by Rye (2002) as one that takes little or minimal planning and includes some form of recognition. An informal reward can be something as simple as a plaque and can serve to motivate employees, aid in job satisfaction, and help performance. Informal rewards are inducements individuals must work for and earn.

Giving credit where credit is due is inexpensive and is important to the employee. It is critical to inform personnel of those who deserved and received credits or rewards.

Employer recognition programs are useful in providing employer acknowledgment (Sujansky, 2007). According to Rye (2002), it is important that the employee be told why the manager thinks that an outstanding job has been performed and that the employee knows that the manager is not just arbitrarily selecting employees. An informal reward can be delivered in a variety of ways, such as leaving a note on the employee's desk, taking the employee out to lunch, making a public announcement, or having someone higher in the organization call to offer congratulations for a job well done. Informal rewards can help to keep employees motivated.

Formal Rewards

Formal rewards help to keep employees focused on objectives, deadlines, and other job priorities. These rewards may be based on performance, productivity, or task objectives. It is important that these rewards be designed so that they accommodate all employees, not one specific group. For instance, if formal rewards are designed to represent or be given to those in the repair or manufacturing department and other departments are ignored, poor morale and other problems could result (Rye, 2002).

According to Steel et al. (2002), when morale is high, turnover is low, and when morale is low, turnover is high. The programs, when developed, should be as flexible as possible so everyone has an equal opportunity to receive the reward.

When setting up a formal reward system, one must determine how one will select the winner (Rye, 2002). This is more important when there are different groups and departments that will be vying for the reward. One way to develop the process is to offer rewards for outstanding employees, employees reaching high sales quotas, employees in teams and groups, and employees offering service that goes “above and beyond,” based on customer feedback. Another solution would be to have the employees vote on the person whom they feel is most deserving of the reward. A reward for a team or group may be as simple as treating the team to a lunch of pizza.

Fringe Benefits

Fringe benefits are powerful tools for retaining valuable employees. They may also help the competition to entice an employee leave one organization for another. Improving an individual's compensation package can be a strong motivation. According to Rye (2002), even as the workforce becomes more mobile, fringe benefits will be important. Fringe benefits have to compensate everyone within the organization; the benefits cannot only benefit one group or even a few departments within the organization.

Employees and employers continue to look at the salary or pay grade as important; however, this does not lessen the importance of fringe benefits related to medical coverage, sick leave, vacation days, and so on.

Profit Sharing

Another type of incentive is profit sharing. Though profit sharing has been around for a number of years, it is becoming more popular because everyone from the lowest paid worker to the highest can benefit from the program. Some employees have reported that the main reason that they changed jobs was that the new job allowed them to benefit from profit sharing and other tax advantages (Deutsch, 1982). Employers are starting to use profit sharing as a rewards approach (Rye, 2002).

Stock Options

There is also an interest in stock options; one such type is Employee Stock Ownership Plans, more commonly referred to as ESOP. This type of plan enables the employee to acquire stock in the company in which he or she works. This tends to cause the employee to become more interested in the growth and success of the organization.

This type of plan can also offer an incentive for employees to stay with companies by extending tax-deferred advantages and opportunities to accumulate money for future purchases (Deutsch, 1982; Rye, 2002). Stock options are long-term retention devices and go by various names, including restricted stock, deferred compensations, performance unit plans, and phantom stock (O'Malley, 2000). A blue chip company uses restricted stock. The only restriction to the employee is tenure-years of service-and the employee is promised a certain quantity of stock, the value of which is ensured. If the employee remains with the company for a certain amount of time, he or she receives the stock.

Wage-Tenure Contracts

When a company posts a contract with stated wages, the company is required to pay the designated amount, no matter who gets the job. By doing this, the company is able to use wages and contracts that work in tandem and are useful in recruiting and employee retention (Stevens, 2004). This is a method that companies use to restrict employee mobility and the taking of trade secrets, formulas, and other future organizational plans to competitors. If an employee terminates the contract, he or she can face financial penalties, including having to pay back past bonuses and other types of gains (O'Malley, 2000). This method reduces employee turnover and is essential for matching the job to the individual.

This method is effective because the longer the employee is on the job, the higher the wages the employee receives. This type of contract also increases the retention of an employee because the employee is obliged to comply with the contract, which reduces employee turnover (Stevens, 2004).

Conclusion

The above literature review on employee retention has shown that there are many strategies, theories, and incentives that are successful for employee retention. There have been over a 100,000 studies performed on the subject of retention. Most of these studies, however, have been conducted from the viewpoint of the employer looking for ways to improve productivity, job performance, and job satisfaction. The majority of the studies were performed using quantitative research methods.

The use of qualitative research in psychology is relatively new, with only 6 studies shown using qualifiers of phenomenology, qualitative, and retention. The 6 studies were performed in the areas of nursing and education. The use of the qualitative method is of more benefit for the research that is to be performed because the purpose is to describe and explain from an individual's voice the benefits and incentives that are the most effective. Similarities can be studied in the future from the viewpoint of the most or least attractive incentives for use.

Little has been presented on the best strategies and incentives for retaining valuable employees in the workforce so that the organization can maintain competitive advantage. The few researchers who have addressed this issue-specifically Dychtwald and Baxter (2007), Frank et al. (2006), and Lord (2002)-have focused on problems associated with retaining employees for extended periods of time and/or ways to entice individuals back into the workforce. Shaw, Dineen, Fang, and Vellella (2010) focus on the retention problem from an organizational viewpoint based on HR systems. According to Lee, Gerhart, Weller, and Trevor (2008) there remains little known about why employees leave their jobs. Other researchers have offered little except in the areas of performance, productivity, and job satisfaction.

The proposed research will be designed to look at long-term employee retention, starting with the use of retention strategies earlier in employees' tenure, enticing employees back into the workforce, and attracting and keeping qualified employees. With organizations facing a shortage of skilled workers in the future, there is a need for more studies on ways for organizations to keep skilled labor, attract workers back into the workforce, and supply and keep new workers while the organization maintains its competitive advantage.

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