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An In-Depth Study of Retention Management

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Abstract:

The focus of this thesis is to research different retention management practices used by companies. By completing this research, hopefully a better understanding of retention management and what works in different environments is conveyed. It is very important for people to understand the different incentives, and even more important to understand them if a person is going to own their own business in the future. Theories from published human resource experts were analyzed to see why each approach works or do not work in recruiting and retaining employees. This topic is crucial to every business and should be seriously studied by all business majors. One of the hardest obstacles to be overcome by businesses today is retaining key employees.

The major conclusion of the research is that employers are moving toward improving the communications within the organization, and also improving employer/employee relationships. The employees need to feel they are contributing to the overall progress of the company, and that their contributions are valued by the organization. These attributes become the cornerstone for effective retention programs.

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The focus of this thesis is to research different retention management practices used by companies. By completing this research, hopefully a better understanding of retention management and what works in different environments is conveyed. It is very important for people to understand the different incentives, and even more important to understand them if a person is going to own their own business in the future. Theories from published human resource experts will be analyzed to see why each approach works or does not work in recruiting and retaining employees. This topic is crucial to every business and should be seriously studied by all business majors. One of the hardest obstacles to be overcome by businesses today is retaining key employees.

In a perfect business world, turnover does not exist. Since a perfect business world only exists in theory, the reality is that employees come and go, especially in this age of increased career mobility and lessened job security. The goal is not perfection, but rather to have as many good people come to work and as few of them go as is possible.

Businesses have always experienced the disruptive, unpredictable, and unforgiving market forces and demands on their products, structures, and operations but only recently have disruptive market forces emerged for recruiting, employing, and retaining employees (Sears 12). Today, executive recruiters, web-site notices, attractive help-wanted ads, and simple word-of-mouth information on companies that are seeking employees provide a continuous temptation for people to at least check into the available positions outside of their current employment. Retention of current employees is the last step of the traditional planning and staffing process, and is very critical to the survival of the company. Turnover costs typically include advertising, selection testing, drug screening, background check, overhead costs, management time, orientation time, and training time (Branham 7). Finding top-quality employees is normally considered the highest priority for all companies, but keeping the best employees has become an even greater challenge as time passes.

"Retention management seeks to keep sufficient numbers and types of employees so that organizational effectiveness is not jeopardized" (Heneman 664). Anything management can do to lower this rate is good for the company. A study conducted in 2001 by the Sloan School of Management found that there is a "systematic link between employee loyalty and organizational performance" (Arthur 17). This study concluded that there is a strong positive correlation between employee loyalty and their performance, which in the long run enables the company to reach their goals.

Maintaining adequate staffing levels can be very costly and time consuming as a result of the continuous temptation for employees to seek opportunities elsewhere. The time it takes to recruit applicants, the amount of time and money involved in screening applicants, and the time and money spent to train and develop a new hire is continuously increasing. As the population in the United States ages, many companies are also facing a shortage of qualified candidates and an increase in recruitment, selection, and training and development costs to compete for this shrinking pool of candidates.

There are some truths that need to be considered before discussing turnover. First, turnover is "both inevitable and desirable" (Heneman 664). Figures released by the Department of Labor estimated the turnover rate from May 2002 through May 2003 to average 3.14% per month, or 37.7% for that year. A company cannot desire zero turnover because it leaves employees in a stagnant position. When a company is in a stagnant position, employees do not see a clear opportunity for advancement and leave for opportunities elsewhere. Turnover is what opens up new positions and motivates employees to perform well enough to earn a promotion. Without this, the company loses efficiency and productivity, which in turn negatively affects profits and sales.

Secondly, turnover is costly and it cannot be fixed simply by allocating more money toward salary (Branham 6-7). Compensation is still important, but it is not an employee's primary incentive to work harder or more efficiently. A Gallup poll supports the claim, demonstrating that most workers rate having a caring boss even higher than money or fringe benefits (Ashby 276). This same poll discovered that how long an employee stays at a company and how productive they are is determined by the relationship with their immediate supervisor. Workers are beginning to realize their roles are of a greater responsibility and their work is what makes the business grow and prosper. With this realization, they are now expecting to be able to share in the profits (Martel 12). Base pay is a large part of an employee's concern, but other incentives such as stock options, stock shares, and cash bonuses can be motivating for certain goals. Money is only motivating to some employees, and is a short-term motivator, at best, when it does work.

Also, the manager is in the best position to fix a turnover problem and it takes long-term commitment (Branham 8-9). One study showed that 50 percent of a typical worker's job satisfaction was determined by the relationship he or she held with their immediate supervisor (Branham 9). This study is supported by another report released by the Saratoga Institute, stating that work-life satisfaction is determined by the relationship between a worker and his or her boss (Ashby 276). This means that a manager's leadership style has an unquestionable effect on retention. A manager will be more effective as a person-centered, visionary, value-based leader, and the dictatorial, fear-based, heavy-handed strategy of the past will not retain employees, as it did in the past, but in fact, will increase turnover rates.

Some managers are born motivators, whom can inspire loyalty and productivity by virtue of their dynamic leadership qualities. Others inspire quietly and generate employee loyalty and enhanced performance by example. All managers can learn to be more effective in bringing out the best in people with the right training and development. When they accomplish this, the revolving door slows down, and even possibly ceases to turn for a prolonged period (Half 133).

The supervisor-employee relationship is also crucial to retention because it not only influences job performance, career development, recognition and rewards, but it also extends to such matters as teamwork, communication, organizational resources, even relationships with co-workers, customers, and other managers. A survey conducted by the Council of Communication Management indicated that recognition for a job well done is the top motivator for employee performance (Ashby 12). Regular feedback is a key ingredient to a high-quality supervisory relationship.

Reasons Employees Leave

The first step an employer must take to combat excessive turnover is to understand why employees are leaving the company. Conducting exit interviews can assemble this data. It is important to gather, record, and track the reason employees give for leaving an organization (Heneman 672). Exit interviews should be confidential to encourage openness and honesty. The type of exit interview should be compatible with the purpose in using it. It is also important to share the information with managers so action can be taken to correct problems that contribute to turnover.

Some reasons an employee will leave a company can be hard to figure out, such as an employee's dissatisfaction with their work, or a lack of perceived growth opportunities (Branham 12). Dissatisfaction may stem from a lack of challenging work, a poor relationship with their boss, or a lack of pay-for-performance (Branham 11). HR Magazine states that employees will stay with an organization when they feel valued, are recognized for their contributions, are able to develop their knowledge and skills, and are compensated fairly for their work contributions (Dixon-Kheir).

Another major reason a new employee may leave is because they had unclear or unrealistic expectations of the job (Branham 13). New college graduates, for example, may expect immediate challenge or rapid advancement. When this does not happen, they will either stop putting forth so much effort or they will leave the company. If employees were given a more realistic job preview, there would be clearer communication of what each job is composed of and what is expected of each person.

Employees may also be fed up with abusive managers or unreasonable stress caused by an excessively demanding environment (Branham 13). The company promising things and not delivering or managers who criticize and work against employees instead of positively motivating them can also cause this stress. The world of management is strewn with broken promises, whether it is a promise of a raise and benefits when there is no intention of granting it or hinting at company cars, country club memberships, and other perks that somehow never get realized. Supervisors cannot expect truthfulness and loyalty from employees who are managed with dishonesty (Ashby 9).

There are times when employees need criticism to correct errors, or even to motivate mediocre workers to meet standards. This criticism should be positive, constructive, and motivating rather than negative and degrading like the traditional criticism people receive (Half 148). To keep criticism from becoming demoralizing, a manager should focus on the task, not the person. Instead of telling an employee to redo a report, he/she should tell the employee that they are on the right track, but to include more information or to focus on the delivery of the information. This way the employee has specific tasks to focus on improving.

Composition of the workforce is also changing dramatically from years past. The United States' workforce today reflects a significant change in the age, gender, ethnic composition, immigrant status, and volume of workers with disabilities. Employers are also turning increasingly to untapped resources, such as welfare recipients and prison labor, to fill open positions (Arthur 2). Since life expectancy has increased to almost eighty years, there are currently twice as many adults at the traditional retirement age of 65 than there were thirty years earlier. This is because of the nearly 77 million people born during the baby boom era, and it's clear, when compared to the 45 million young workers of the post baby boom era, why employers are asking older employees to stay past normal retirement age or coaxing retirees back to work (Arthur 3). Retirees are being offered continuing employment on a full or part-time basis, with on-site or telecommuter options, or positions as consultants, mentors, or volunteers.

A study conducted by Interim Services reported that workers older than fifty-three give higher ratings to job satisfaction and enthusiasm because of these flexible options and affirmation of their value and knowledge. Other studies reveal, "older workers experience fewer on-the-job accidents, fewer avoidable absences, less stress on the job, a lower rate of illegal drug use, and a lower rate of admission to psychiatric facilities" (Arthur 3). When considering this information plus older workers' knowledge and experience, it is no wonder why companies are now looking to this knowledge pool as a solution to the shortage of qualified candidates.

<u>Reasons Employees Stay</u>

When looking at why an employee will stay with a company, there seem to be two common themes. These are factors that attract the employee to the company and make them want to stay, and factors that prevent the employee from leaving. Some examples of attractive factors include benefits packages, flexibility in hours, salary, career opportunities, and challenging work (Dibble 227). These factors keep some employees satisfied enough with the company and their work that they are willing to stay with the company.

Some of these factors, such as benefits and salary, are also preventative factors (Dibble 228). If an employee's salary and benefits are exceptionally good or important to them, then this will prevent them from looking elsewhere for employment; for fear that, they will lose these important benefits. Offering, for example, a health care plan, which is sufficient to retain employees, should only be a building block. Employees might stay in their jobs because of it, but when the company adds incentives such as respect and recognition, the employee is not only retained, but also becomes more loyal and productive.

Employees who feel valued within their organization are also more likely to stay. Affirmation "helps drive an individual's performance and job satisfaction" (Michaels 128). People want and need to feel valued as a productive part of the company. Praise is better than a raise, because employees who feel affirmed by their companies are more satisfied with their jobs and are not looking to leave. When they don't feel valued, they become "demoralized, are more likely to leave the company, and their performance invariably suffers" (Michaels 128). A lack of respect and recognition will cause an employee as much dissatisfaction as insufficient compensation will. Most employees prefer to stay on their jobs because it is a natural tendency to stay put. Employers who fail to tap into this natural inclination by not making employees feel respected, valued, and by not praising them for their accomplishments, risk losing them.

There is also a downside to the tendency of employees to wish to remain in their current jobs. This occurs when they stay only because of tangible benefits or because other jobs are hard to find. This will result in lowered morale and reduced productivity (Half 131).

Training and development is something else that employees will rank as something they expect from their supervisors. Employees that feel they are getting the opportunities to learn the business will become more committed to the goals of the company, because they know the company is willing to invest time and money to develop them. This is a simple way to satisfy employees who want challenges and variety. They can learn new tasks and even be challenged by learning the operations of a different department.

Cross-training, job enrichment, and job redesign are all options of developing employees further or giving employees more variety. Cross-training is complete after an employee rotates to each department or function, and learns the tasks of each. Job enrichment is complete when an employee has a job that provides enough factors that makes them satisfied (Branham 77). These factors can include skill variety, task identity, task significance, autonomy, and feedback from managers. Job redesign may be necessary in order to keep employees satisfied with their jobs. Redesigning a position may give the employee more responsibility and variety, or it may be simply empowering the employee to begin making more decisions on their own.

<u>Retention Options</u>

Employers must understand that retention begins long before an employee's first day on the job. It starts with the description of the position the company is trying to fill. If the job description does not define what is required to fill a position, then people who have the skills that are needed will not be recruited and the people with the needed skills will be overlooked. Retention is also affected when a candidate is interviewed, and if an offer is accepted, during the orientation process of becoming an employee. Everything that is done before an employee's first day impacts the company's ability to retain them once they start.

Employees who have clear expectations of their job from the beginning of the employment process are also more likely to stay with the organization. Troy State University Florida Region professors Maureen Hannay and Melissa Northam conducted a study of working adults and found that bridging the expectations gap is one of the cheapest and most effective retention tactics an employer can pursue (*New* 2). Simply providing employees with realistic job previews can reduce turnover, just by informing candidates of both the positive and negative aspects of the job. This allows the candidate to decide before being hired if they feel they will fit into the job and the organization.

Many new employees spend their first few days at a new job in a room reading employee handbooks and policy manuals. They see everyone around them working, but no one has the time to personally ease them into the flow of the department and company. This is a situation which can be changed, and improve retention within a company. An employee's first day should be planned, and the written materials can always be taken home and read. It is most important to have new hires interact with the current staff. If at all possible, a mentoring program should be implemented. Mentors can be chosen or people may volunteer. The mentors will be freed from routine tasks so they can spend time with the new hires introducing them around, and answering any questions they may have. It is also good to try and involve a newcomer in their duties immediately, even if it is a small task. Small tasks give a sense of contributing. It is very important to never allow a new employee to go home at the end of the first day feeling bored, confused, or unwelcome. Getting off on the right foot will pay off tremendously in the future.

<u>Compensation Options</u>

The first way employers try to persuade employees to stay with the company is by utilizing competitive pay options. The first pay option offered in times of a tight labor market is signing bonuses. These bonuses range in value from a low of five percent of starting base salary to a high of 25 percent (O'Malley 196). For executives the amounts can be much higher. The actual percentage offered will depend on the industry, the employee's discipline, and the specific talents of the individual.

Pay options include base pay, competency pay, skill-based pay, incentives, commission, overtime, and premium pay (Dibble 84). These options are all used for producing results that meet a goal, rewarding workers for working unattractive shifts such as holidays, and encouraging employees to acquire new skills and competencies. Other pay options include general pay increases and cost of living adjustment increases that all employees receive and are not based on performance or skill. Bonuses for meeting or exceeding goals of the company and profit sharing are other pay options that gain an employee's commitment to the company because the payouts depend on the company's success.

When using compensation as a retention strategy, employers need to recognize that employees have their own concept of fair pay based on the type of organization, the type of benefits offered, working conditions, and other jobs within the organization. Employees also use the market wages to compare and determine what is fair.

There are several other pay options that employers may use, but pay according to the market, pay for assigned responsibilities, and skill-based pay are some of the most commonly used options (Dibble 98). Being an employer that is paying "competitive" wages is important when there is a tight labor market. Competitive companies are those which set their compensation levels typically about 25 percent higher than the average levels of pay compared with similar organizations (O'Malley 197).

Pay can also be based on a job evaluation plan that represents the values of job factors to the organization. A second variation is to identify all key competencies and behaviors for all employees, and assigning them a value. Another alternative is to pay the person, not the job. Looking at an employee's skills and assessing their value to the company is one way to implement this pay option.

An important supplement to pay options and assessing an employee's skills is employee evaluations. "Employee evaluations were considered to be the opportunity for management to point out employee inadequacies" (Half 148). Sometimes managers also rely too heavily on evaluations, using them as a substitute for regular face-to-face contact. Managers with this outlook on employee reviews compile complaints about performance and "present them as a litany of dissatisfaction" (Half 157). The manager has so many negative points to cover that there is little, if any, time for praise or, more importantly, discussion of future goals and the employee's role in reaching them.

This outlook has, fortunately, changed and today's management has embraced a more forward-looking philosophy of employee evaluations. Managers now see it as a time to exchange information, to analyze and discuss collectively how the employee can play a greater role in the company's future, and to correct deficiencies that may hinder achieving that (Half 148-9). A useful employee review should be multifold, presenting both the employer and employee a chance to see where things stand between them and to solidify their relationship. In addition, it can and should serve as a valuable motivational tool. To be truly effective, periodic evaluations must be perceived by both the employee and management as a positive tool. When this is achieved, the influence upon people to stay with the company is improved significantly.

Unless managers clearly understand each employee's responsibilities, it is difficult to conduct effective evaluations. This may seem obvious, but it is a critical point when discussing employee evaluations. An employee's performance should be assessed only in regards to specified goals, and unless a manager has a full understanding of what an employee is suppose to do, they can not accurately determine whether or not it has been accomplished. This is another situation where the job description is an invaluable tool in helping the company retain employees. When the purpose of the evaluation is clear to the manager, it puts employees at ease.

An incentive that compliments a compensation strategy and also helps build employee loyalty is profit sharing. Many companies have instituted profit sharing plans, in which a portion of the company's profits is distributed to its employees. Many of these plans are informal, where the board of directors sets aside a certain portion of the profits to be distributed among the employees at the end of the fiscal year. Other plans, more formal, will have a formula that establishes the amount to be set aside. In many organizations, only managerial employees are included in the profit sharing; in others, all employees who have reached a specified number of years with the company are eligible; still in others, all the work force is eligible to share the profits (Ashby192).

Stock options are another incentive plan being implemented by companies today. Some companies give shares of stock as bonuses or encourage employees to purchase shares, because the employees that purchase stock have an ownership stake in the company. As shareholders, the employees share in profits by receiving dividends, and the higher the profits, the higher their dividends. This should give the employees an incentive to help the company grow through its efforts, which will result in higher stock prices and higher profits. It also can help build employee loyalty, but it does not always work this way. Stock options work great when the market is rising, but can be a disincentive when the share price does not move up or is undervalued.

Work-Life Balance

With families today having two working parents, balancing work and family responsibilities is a much larger source of stress than in decades past. Personal needs were once taken care of on personal time, but the line between work and personal time is becoming more and more indistinguishable as time passes. Thus, work-life balance has become the new focus by companies to satisfy their employees. In 2000, a study of more than 6,000 North American employees, conducted by the Randstad North American Employee Review, found that "62 percent prefer a boss who understands when they need to leave work for personal reasons over one who could help them grow professionally and 51 percent prefer a job that offers flexible hours over one that offers an opportunity for advancement" (Martel 28). This study shows that employees have begun to demand an increase in flexibility of work hours. Employees who are not satisfied with their work-life balance will seek out another company with better work-life balance benefits and options.

Flexibility is one option that allows employees to better balance their work and family responsibilities, and allows employers to retain a happier employee and still get the job done. There are several flexibility options that employers may implement, depending on the environment and what will produce results. There are typically three different types to choose from. They are flextime, flex-schedule, and telecommuting and working at home.

Flextime is best implemented in an establishment when there are core hours of business, such as from 10 a.m. to 3 p.m. Employees can establish their own regular schedules, with the agreement of their supervisors, around the core hours. Flex scheduling has two different options. One is to have employees work four ten-hour days a week with the day off rotated so that everyone has a chance for three-day weekends. This is also referred to as compressed workweeks. Employees choosing compressed workweeks as a flex option still give the same productivity, usually in four days rather than five, but instead receive three days off. Some employees prefer this option because it allows them time off during the week to take care of personal business, which may reduce the employee's stress. This will also give the employee higher satisfaction and morale, which can positively affect on the job performance.

The second option, flex scheduling, is implemented by varying the hours worked each day to match the amount of work for that day. Say, for example, a business is extremely busy on Mondays and Tuesdays; an employee can work a ten-hour shift those two days, a regular eight-hour day on Wednesday, and six-hour days on both Thursday and Friday. This still gives the employee a forty-hour week, but allows he/she some personal time on Thursday and Friday.

Telecommuting and working from home are other sources of company flexibility. Telecommuting consists of employees regularly working away from the main work site and allows the employee to "stay in touch by telephone, email, and shared computer files"(Dibble 204). The regular, assigned workplace is at customers' or suppliers' facilities, on the road, or at home. Telecommuting has been made more available by the large amount of personal computers, laptops, and wireless telephones, and telecommuting will become an even more popular retention strategy as more bandwidth emerges and technologies advance.

Telecommuting has many supporting arguments for implementing this in companies. It reduces real estate and office occupancy costs, an elimination of office environment distractions, and is a potential edge in hiring and retaining desired employees (Martel 31). Some employees are allowed to work from home as a convenience to them, for one or more days out of a week (Dibble 204). This option gives the employee an increased sense of independence and sense of control over his or her work-life balance, eliminates commuting time, and it is a potential for increasing productivity.

Even with all these positive outcomes, companies are still hesitant to allow employees to telecommute. It has been a trend that telecommuting employees lose direct supervisory and peer relationships, which are often critical to promotion and advancement (Martel 31). The company also has to pay to equip the alternative workplace and train employees to operate in them. The employee must also deal with home distractions, which can lead to a loss of productivity.

Another benefit an employer may offer can include childcare facilities so that parents may take their children to the work site instead of having to make extra stops on the way to and from work, and even allows them the ability to visit their children during their lunch hour or break. This is a great benefit provided by some employers for parents of young children, but there must be a corresponding benefit for employees who don't have children.

Another, often overlooked, benefit that companies offer is direct deposit of paychecks. This saves employees time and puts the money directly into an employee's selected account more quickly than they could themselves (Dibble 200).

Changes in Business

The time has long passed since a person joins a company early in his or her career and expects to stay with it until he or she retires. The image of the 1950s showed the American economy insulated from the world economy. Husbands worked, wives stayed home with the children, and high school students were most concerned with whom to take to the prom. A career was a means to an end-bread on the table, a roof over your family's head, and status as a manager in a large, respected company. "Work was work, but you could look forward to a nice pension. There was peace and prosperity for all" (Dibble 7).

Long-term employment relationships and internal career movement were work-life features that benefited both employer and employee. Employees got the advantages of more predictable and less one-sided work arrangements, while employers realized they could invest in training, job security formed employee loyalty and commitment, and internal promotions provided broad-based motivation to employees aspiring to climb the career ladder at a low cost (Sears 66). This type of "stable, insulated, and predictable employment environment" (Sears 66) reached its high point in the 1950s, but endured until the early 1980s. Although there were occasional upheavals, and both good and bad employment times, the prevailing work/career model was long-term employment. Jobs were defined with titles, duties, and responsibilities that carried structured pay arrangements and standard benefits. Career paths within the company were channeled through an employer specific sequence through a hierarchical pyramid structure, and governed by length of service with awards and privileges for longer-term service. (Sears 67). The further an employee progressed in a company, the higher the incentive to stay and strive for more. These employees felt they belonged to the organization.

With global markets that are more competitive, the IT revolution, and the relentless pressure to deliver shareholder value, companies have been forced to take down the rigid pyramid structure (Sears 69). Businesses today focus on a flatter, more decentralized company. The economic growth of the mid-1990s helped the emergence of the employment marketplace, which has become one of the most important business developments of this generation (Sears 69). Employers began giving up the notion of job security, training opportunities, and promotions, while employees began to take responsibility for their own careers as the new millennium approached.

Nowadays people have the mindset of working for a company, rather than belonging to an organization. Employees that find they are not getting what they want from their current job will look for alternatives, within or outside their current employer. Talented people want the big money and all the perks to go with it. More importantly though, they want to feel "passionate about their work, excited by their jobs, enriched by their career opportunities, uplifted by the company's leaders, assured by the depth of its management, and inspired by its sense of mission" (Michaels 41). These employees will work hard, but they want a sense of fulfillment, and without it, they will be inclined to look elsewhere for it. A research report released by Linkage Inc., found that a high performing employee is worth five times more to a company than a lower performer in terms of productivity (New 1). This is why it is so important for managers to have a more customized retention strategy, rather than a big, across the board program for all their employees. If employers want to retain their employees, they must pay attention to what they want, and they must realize that their wants change as time passes. Retention strategies must be flexible and adaptable to changes overtime, including economic changes and changing employee needs.

Another large change in the business world is the structure of organizations. Corporations were once fully staffed and jobs were performed by functional definition. Each person had a task and did it. The accounting staff worked the numbers, and the marketing staff marketed the company and its products. With downsizing, management found itself having to meet increasingly difficult objectives with fewer workers. It was no longer sufficient for employees to function only in one narrowly defined area of responsibility. They needed to understand the relationship of their function to all the others in the company. Because of this, cross-training has become an important and integral part of the current management approach at many companies. Cross-training is a good option for a number of reasons. One reason is increased productivity through improved communication, and a second is through more strategic hiring decisions. The human resource department must focus on finding individuals who will adapt into a cross-training corporation, and find someone who is willing to multi-task and be able to work in team settings.

Not only will the cross-training encourage more strategic hiring practices, but it will also encourage more efficiency in hiring employees. Managers who spend time in each other's departments will gain a better overall picture of the company wide hiring needs and are less likely to fall prey to duplicated hiring and overstaffing. The result is savings in payroll dollar, which can be put to better, more focused use, including sensible utilization of part-time and temporary help (Half 136). Should future downsizing be necessary, the more reasoned staffing approach accomplished through cross-training results in a workforce of the proper strength. In addition, employees are prepared to shift gears and to expand their areas of responsibility. There may be fewer workers, but they will be better ones.

Incentive pay plans that were also used when mass production and manufacturing was the leading trend in the economy due to the earliest part of the Industrial Revolution, and based on piecework, since managers assumed people would work harder and faster if they received a direct reward for production (Ashby 191). The economy is moving rapidly away from mass production and manufacturing based businesses to custom engineered production and service type industries, and piecework based incentives have been replaced with newer more motivating programs, such as stock options and profit sharing.

Recommendation

The first thing that needs to be realized is that what motivates and retains employees will change from time to time. It may be a generational change or even an economic change. To find out what retention options will work best for a company, the manager must learn as much as possible about their employees. This includes their interests, goals, lifestyles, and even the level of income at which they will be satisfied. This knowledge and understanding will enable the managers to determine and implement the most appealing options for the employees.

Communication is the key ingredient to a good supervisor-employee relationship, and should be improved as a first step in the retention process. Both people need to be clear on expectations, deadlines, processes, and procedures. Regular feedback from supervisors is also a necessity. New hires are sometimes hired, and then they do not hear from their supervisors unless something goes wrong. Managers need to be able to recognize improvement and outstanding performance, and it needs to be recognized in a timely and fashionable manner. Employees also need to be told where they need to improve. Mistakes, errors, and failures are a learning opportunity that is often overlooked by both managers and employees. Managers are an invaluable source of information, and with their help, managers can help new hires become comfortable and confident in their new surroundings by providing them with guidance and suggestions on dealing with difficult issues and people. Regular communication is needed about motivations, needs, and goals to ensure that everyone is working together for the betterment of the company.

This high quality supervisory relationship is a partnership that requires an "investment of time, setting of mutual expectations, exploring what is really important to both parties, making a commitment to follow-through, and to hold each other accountable" (Dixon-Kheir). The time and money invested in training the department managers would have a payoff of lower turnover.

The first step to this solution is training current supervisors in communication and career counseling. After this, a program should be put in place to make sure supervisors are following through with employee's counseling. Surveys can be distributed to get feedback from employees about the program to be sure that communication is open and free among them and their supervisors. When hiring or promoting new supervisors, communication should be a key factor. Anyone in a supervisory position should have excellent communication skills, and should be comfortable giving both positive and negative criticism.

Building better communication within the company will be the first step to improving the employees' loyalty, and this is invaluable to the company. It also will improve long-term employee performance, which should not be dismissed or downplayed. Clear communication will also help management in the long run, when wanting to implement change throughout the organization. Communication is also crucial to the company if it decides to have cross-functional teams, because the change to cross-functional teams will not be successful if it is based on faulty and incomplete data or an unrealistic presentation of the way a department functions. The last thing affected by better communication is the improvement of employer/employee relationships. Effective communication is crucial to retain key employees, as previously discussed.

After the company has established an open line of communication between managers and employees, the next step is to evaluate the needs of the employees to discover what other retention options are needed, such as health benefits and stock options.

Conclusion

Overall, the most important concept of retention management is the need to have a buffet of options for employees. The employees need to perceive that each individual person has the same amount of options, so if childcare facilities are offered then another option needs to be offered for childless workers. Health benefits should also be an option, and if someone does not need to use the health benefits offered the company may want to substitute paid time off or an extra thousand dollars base pay. In this case, the paid time off or extra base pay does not cost as much as the employer would pay for their share of the employee's health benefits, and not only keeps the employee satisfied but saves the employers money.

The second most important concept is that the needs and demands of employees change over time. The options and benefits that satisfied employees five years ago may no longer work today. Options that have never been offered may be what the employees want now. Retention management is always changing, always being researched, and employees are always being surveyed to find out what the newest trends are and which trends are no longer working. From this, employers must decide which options and benefits best fit their employees' needs.

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