

RETENTION STRATEGY AND INTERNAL MARKETING

INTRODUCTION

Traditional personal management is a staff function, which concentrates on processing paperwork to hire and fire, and handling personnel complaints. This is likely to encourage a focus on administrative efficiency and associated problem-solving. It implies little capacity for, or interest in, the totality of the organization.

The function of traditional personal management is recruiting personnel, placing people in jobs, evaluating their performance and firing unsuitable

employees. However, it is difficult for a company to eliminate as much as 20% of its workforce and still retain a commitment among those who remain.

In the 1980s, it was not uncommon for large employers to live with labor turnover among craft and professional grades in excess of 20% per annum.

In today's economic climate, three key strategies for success are recognized as being quality, customer service and product innovation. To put these strategies into motion, companies need to develop the commitment of their employees to both the organization and the job. By creating and maintaining optimism and employee working conditions, companies can foster and promote the commitment required for a strong competitive workforce.

Progressive organizations consider human resources their most precious asset. They must know how to retain them. Consequently, such companies give their employees' needs for customized benefits, child day care, parental leave, and flexible working hours equal consideration with such traditional needs as training and development, job enrichment, and promotional opportunities.

WHAT IS A RETENTION STRATEGY?

Retention strategy is attracting, developing, motivating and retaining qualified employees through jobs that satisfy their needs. This strategy is needed to link career opportunities, recognition and reward, and encourage employees to develop personal qualities as a means of competitive differentiation.

As the costs of training and development have been increasing sharply, competition for scarce skilled labor is a tendency in the future. One of the most cost effective tactics for scarce resources is to retain most able and skilled employees within the organization.

In the new paradigm, workers will be multi-skilled and to some degree will manage themselves through teamwork. Management will train workers, share business information with them, and develop bonus plans to allow

workers to cash in on the gains of increased productivity. Jobs will be protected by long-term security plans.

Employee retention is the philosophy of treating employees as (internal) customers, and it is the strategy of shaping job-products to fit human needs. More specifically, employees are viewed as internal customers, jobs are viewed as internal products, and an organization should endeavor to upgrade its capability for better meeting customer needs. By satisfying the needs of its internal customers, a company upgrades its capability for satisfying the needs of its external customers.

What are the needs of these internal customers? Some of their needs are as follows:

- To join with others in a common task.
- To have the latitude to make decisions about how work is performed.
- To receive recognition for his or her contributions to work performance from his or her peers, supervisors, and support personnel.
- To continue to learn.
- To make reasonable use of his or her intellect.
- To receive information about how he or she is doing and what is going on in and beyond the immediate work area.
- To feel that his or her contribution is important and part of a logical whole.

INTERNAL MARKETING

Retention, perhaps more than recruitment, depends upon concerted action by top management as well as line managers. Effective solutions also depend upon an understanding of the causes of labor turnover and a willingness to change attitudes and behaviors.

In order to develop stronger bonds with external customers, more and more companies become concerned with the enhancement of customer relationships. Managing customer relationships requires a different marketing approach to both external as well as internal customers. The quality of employees influences the quality of service which, in turn, influences the effectiveness of customer relationship programs.

To practice customer relationship marketing, top management must practice 'internal marketing', successfully. Internal marketing concerns marketing to internal customers. Internal marketing is to market a new paradigm, a new working relation and a new working environment to satisfy the needs of internal customers (employees). The ultimate goal of internal marketing is to provide a real opportunity to make and influence behavior and attitudes, which have real effects on internal relationships and the way the organization conducts its business.

To implement effective internal marketing, a company needs to consider:

- A strategic level where the objective is to create an environment which supports customer-consciousness and quality-mindedness among employees; and
- A tactical level where the focus is on personal internal selling and internal communication systems in order to sell quality and marketing efforts to the employees.

Successful internal marketing mainly depends on employment stability. In other words, it is necessary to develop a coherent and integrated approach to retain quality people. This change in perspective has proven difficult for

many human resource professionals. It requires not only significant adjustment on the part of HR professionals, but line managers as well. Line managers have often treated people as disposable commodities, regarding development as a necessary evil and seeking to minimize the costs of training and development. This approach to human resources significantly inhibits efforts to pull employees into making contributions to system performance.

STRATEGIES FOR THE IMPROVEMENT OF RETENTION RATES

Retention strategies are often based on an analysis of why people leave. A better method is to conduct attitude surveys at regular intervals. A retention plan should address each of the following areas in which lack of commitment and dissatisfaction can arise.

1. **Pay** — problems arise because of uncompetitive or unfair pay systems. Possible actions include:
 - Review pay levels on the basis of market surveys;
 - Ensure that individuals are paid according to their market worth.

2. **Jobs** — dissatisfaction can arise if jobs are unrewarding in themselves because they do not provide for skill variety, task significance, autonomy or feedback. Possible actions include:
 - Job rotation or enlargement.
 - Employee involvement and empowerment.
 - Suggestion systems.

3. **Performance** — problems arise because workers are unclear about performance standards, or they feel performance appraisals are unfair. Possible actions include:
 - Overall performance measures should be communicated.
 - Performance indicators should be based on customer satisfaction, cost of quality, or total cycle time.
 - Asking individuals to set up their own improvement objectives and measurement.
 - Unbundling appraisal systems into separate systems for separate needs.

4. **Training** — turnover can increase if people are not trained properly. Possible actions include:
 - New employees should go through the basic training, especially about the vision and mission of an organization.
 - Existing employees should be trained in 'hard' and 'soft' skills for quality improvement.

5. **Career Development** — dissatisfaction with career prospect is a major cause of resignations. Possible actions include:
 - Providing advice and guidance on career paths.
 - Introducing more systematic procedures for identifying potential such as assessment centers.
 - Developing more equitable promotion procedures.

6. **Lack of Group Cohesion** — employees will be unhappy if they feel isolated or are not part of a cohesive team. Possible actions include:
 - Introducing team building programs.
 - Introducing quality circles.

7. **Commitment** — lack of commitment to the organization and its values can be a major underlying cause of poor retention rates. Possible actions include:
 - Internal marketing
 - Common vision leadership

