

## **RETENTION OF HUMAN RESOURCES IN THE ROMANIAN BANKING SYSTEM**

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**Abstract:** Employee retention is arguably the biggest issue facing corporate leaders as a result of the shortage of skilled labor, economic growth and employee turnover. Hiring knowledgeable people for the job is essential for an employer, but retention is even more important than hiring. Employee retention involves taking measures to encourage them to remain in the organization for the maximum period of time. The key to retention is to understand the employees expectations and achieve proper alignment of their expectations with those of the organization.

**JEL classificatio: M59, M53**

**Keywords: retention, management, human resources, turnover, training, employee**

### **1. INTRODUCTION**

Every person has different reasons for working. The reasons for working are as individual as the person. But, we all work because we obtain something that we need from work. The something obtained from work impacts morale, employee motivation, and the quality of life. To create positive employee motivation, the companies must treat employees as if they matter - because employees matter. Some people work for personal fulfillment; others work for love of what they do. Others work to accomplish goals and to feel as if they are contributing to something larger than themselves. The bottom line is that we all work for money and for reasons too individual to assign similarities to all workers.

During the last decade, employee retention has become a serious and perplexing problem for all types of organization. Managing retention and keeping the turnover rate below target and industry norms is, one of the most challenging issues facing business. From all indications, the issue will compound in the future, even as economic condition changes. Employee retention will continue to be an important issue for most job groups in the first decade of the 21st century. Employee turnover continues to be one of the m unappreciated and undervalued issues faced by business leaders

Key employee retention is critical to the long term health and success of business. Managers readily agree that retaining the best employees ensures customer satisfaction, product sales, satisfied coworkers and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning. Employee retention matters. Organizational issues such as training time and investment; lost knowledge; mourning, insecure coworkers and a costly candidate search aside, failing to retain a key employee is costly.

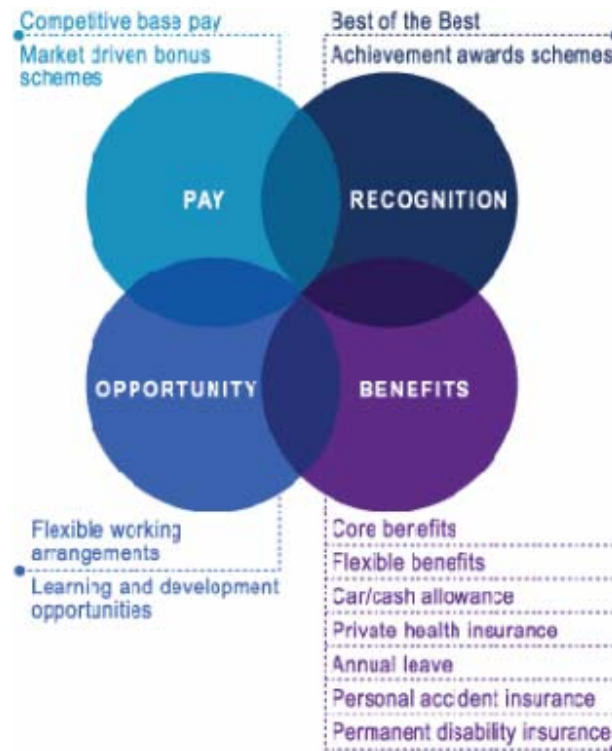
Employee retention is critically important for a second societal reason, too. Over the next few years while Baby Boomers (age 40 to 58) retire, the upcoming Generation X population numbers 44 million people (ages 25-34), compared to 76 million Baby Boomers available for work. Simply stated: there are a lot fewer people available to work.

### **2. PRACTICES FOR INCREASING EMPLOYEE RETENTION AND THE NEGATIVE IMPACT OF TURNOVER**

Motivation is necessary for work performance because, if people do not feel inclined to engage themselves in work behavior, they will not put in necessary efforts to perform well. However, performance of individual in the organization depends on variety of factors besides motivation. It is therefore desirable to identify various factors. For instance, employees' knowledge and skills are important performance drivers. Another factor is the company's ability to retain its employees with attractive benefit packages.

Motivation is a prominent tool to retain employees with greater compensation packages. Companies have now realized the importance of retaining their qualitative workforce and retaining their quality performers, contributes to productivity of the organization and increase morale among employees. Middle and top management plays a vital role in the people dimensions of the organization.

The organization culture in a long run converts to organizational ethics and people feel reluctant to leave by making it as a stepping stone when appreciation and rewards in form of compensation awaits them in comparisons to the market trend. In view of the description given it is necessary to examine the facts as how to retain them. There are four basic factors that play an important role in increasing employees retention, include:



**Figure no.1** The four basic factors that increase employees retention

Other practices that increase employees retention<sup>1</sup>:

- A satisfied employee knows clearly what is expected from him every day at work. Changing expectations keep people on edge and create unhealthy stress. They rob the employee of internal security and make the employee feel unsuccessful

<sup>1</sup> Steel, R.P., Griffeth, R.W., and Hom, D.W. "Practical Retention Policy for the Practical Manager." Academy of Management Executive, 2002; pag.149-162.

- The quality of the supervision an employee receives is critical to employee retention. People leave managers and supervisors more often than they leave companies or jobs. It is not enough that the supervisor is well-liked or a nice person, starting with clear expectations of the employee, the supervisor has a critical role to play in retention. Anything the supervisor does to make an employee feel unvalued will contribute to turnover. Frequent employee complaints center on these areas.
  - lack of clarity about expectations;
  - lack of clarity about earning potential;
  - lack of feedback about performance;
  - failure to hold scheduled meetings;
  - failure to provide a framework within which the employee perceives he can succeed.
- The ability of the employee to speak his or her mind freely within the organization. If so, employees offer ideas, feel free to criticize and commit to continuous improvement. If not, they bite their tongues or find themselves constantly "in trouble" - until they leave.
- Talent and skill utilization. A motivated employee wants to contribute to work areas outside of his specific job description.
- The perception of fairness and equitable treatment is important in employee retention.
- The easiest to solve, and the ones most affecting employee retention, are tools, time and training. The employee must have the tools, time and training necessary to do their job well – or they will move to an employer who provides them.
- The best employees, those employees should be retain, seek frequent opportunities to learn and grow in their careers, knowledge and skill. Without the opportunity to try new opportunities, sit on challenging committees, attend seminars and read and discuss books, they feel they will stagnate. A career-oriented, valued employee must experience growth opportunities within the organization.
- The employee never felt senior managers knew he existed. The company have to meet with new employees to learn about their talents, abilities and skills, to meet with each employee periodically. In this way, the company will have more useful information and keep the fingers on the pulse of the organization. It's a critical tool to help employees feel welcomed, acknowledged and loyal.
- No matter the circumstances, never, never, ever threaten an employee's job or income. It is a mistake to foreshadow this information with employees because keeping solid information away from people makes them search for another job.
- The staff members must feel rewarded, recognized and appreciated. Monetary rewards, bonuses and gifts make the thank even more appreciated. Understandable raises, tied to accomplishments and achievement, help retain staff. Commissions and bonuses that are easily calculated on a daily basis, and easily understood, raise motivation and help retain staff.
- Open communication. A culture of open communication enforces loyalty among employees. Open communication tends to keep employees informed on key issues. Most importantly, they need to know that their opinions matter and that management is 10 interested in their input.
- Career development program. Every individual is worried about his/her career. He is always keen to know his career path in the company. Organizations can offer various technical certification courses which will help employee in enhancing his knowledge.
- Recreation facilities. Recreational facilities help in keeping employees away from stress factors. Various recreational programs should be arranged. They may include taking employees to trips annually or bi-annually, celebrating anniversaries, sports activities, etc.
- Gifts at some occasions. Giving out some gifts at the time of one or two festivals to the employees making them feel good and understand that the management is concerned about them.

Why retention is a serious problem?<sup>2</sup>

Retention is the opposite of turnover and refers to the percentage of employees remaining in the organization. So, retention is important just to reduce the turnover cost? well, the answer is definitely no. Not only the cost incurred by a company that emphasizes the need of retaining employees but also very much needed to withhold talented employees from getting poached

So what makes employees leave the organization? Employees do not leave an organization without any significant reasons. There are certain circumstances that lead to their leaving the organization. The internal drivers that have a tremendous impact on turnover consist of job dissatisfaction, desire for challenging and useful work, need for autonomy, flexibility and independence, need for performance based rewards, need for recognition for participation, desire for all types of other benefits, need to learn new skill, career growth and development in all direction, desire to be on the leading edge, desire for competitive compensation, need for caring and supportive environment, and need for work life balance.

How important are training aspects for retention?

How training needs are determined, how training is viewed by employees, and how training is delivered become critically important issues. Training trends and methods for gaining knowledge, other than traditional classroom training, such as coaching and mentoring, take center stage.

New employee orientation, or new employee onboarding, is a significant factor in helping new employees hit the ground running. Training that helps each employee grow their skills and knowledge to better perform their current job is appreciated as a benefit. Training also increases employee loyalty, and thus retention, and helps you attract the best possible employees.

Transfer of training from the training provider, whether online or in a classroom, to the job, is also increasingly reviewed as the company invest more resources in training. Organizations are increasingly asking for monetary justification that the training provided produces results - be prepared to demonstrate your results.

Options for employee training and development are magnifying due to these factors:

- technological innovations;
- employee retention strategies;
- the need for organizations to constantly develop their employees' ability to keep up with the pace of change.

So, sending an employee off for training at a one-day seminar or a week-long workshop is only one of many options that exist now. This is consistent with the emphasis employees place on the opportunity to grow and develop both their skills and career while in the company employ. The chance for ongoing development, is one of the top five factors employees want to experience at work. In fact, the inability of an employee to see progress is an often cited reason for leaving an employer.

As a retention strategy for the company preferred employees, training and development rates highly. Only their perception of their salary and benefits as competitive, and reporting to a manager they like, rate higher.

Despite years of research that point to far different solutions, many companies use the wrong tactics when trying to improve employee morale, satisfaction and retention. These myths prevail, in part, because businesses have used these methods, however wrong, for a very long time and have become used to trying the same ideas.

The retention myths are<sup>3</sup>:

1. People most often leave a company for more pay.

Exit interviews, conducted to learn why people leave an organization, contain some of America's greatest fiction. People frequently say they're leaving for more money because it's the

<sup>2</sup> Phillips, J.J., and Phillips, P.P. "Why Retention Is a Serious Problem . . . Still - Retaining Your Best Employees", American Society for Training and Development, Alexandria, 2004, pag. 1-15

<sup>3</sup> <http://www.employeeRetentionStrategies.com>

easiest reason to give. More often the causes leading to departure are related to issues that were unsatisfying in the job or the company. Typical issues that cause dissatisfaction are company policies and procedures, quality of supervision, working conditions, relationship with the immediate supervisor and salary.

Yes, pay does matter. While research shows most people don't actually leave a job for more money, there are two important facts: Very-low-income workers will leave for more money because it's a survival issue. For the rest of workers, the issue of money actually is about fairness. People become dissatisfied with pay when they feel it is unfair within the company, within the industry or when pay doesn't seem to match the amount or type of work required.

To increase employee satisfaction and retention, companies make more gains by working to improve whether people feel a sense of achievement, recognition, competence and growth, whether there are choices about how work gets done and whether employees feel respected by management.

**2. Incentive programs produce long-term profits and improve productivity and morale.**

So, who doesn't like free stuff? However, incentives such as gifts and cash bonuses for meeting speed and volume goals don't affect employee commitment. They're really a throwback to outdated management beliefs that workers must be coerced in order to work hard. All the extras don't add up to the real glue that creates employee commitment: the chance to learn and grow, meaningful work, good supervisors and respect and appreciation for a job well done.

Incentives have been over-used particularly in the past decade, as management books touted the importance of improving recognition of excellent work. Yet, studies show that carrot-and-stick motivation actually does not pay off in long-term company profitability or employee satisfaction or retention. To the contrary, incentives can harm quality when employees aim for speed or other goals rather than quality.

**3. People don't want more responsibility.**

They don't want more work if they're already overloaded due to lean staffing; but people indeed want the opportunity to grow and develop their skills, advance their careers and have the opportunity for greater variety. People do want to try new things, to feel skillful and to experience the personal satisfaction of higher levels of achievement.

People don't need a job promotion in order to gain more responsibility. The same job can be broadened to include more variety, more contact with different parts of the organization and greater control over decisions on accomplishing work tasks.

**4. Loyalty is dead.**

Not at all, though it is ailing in many organizations. People are seeking greater work-life balance than in the past, and employers have made great strides in providing more flexible hours and dress codes. Still, people seek to make a contribution, and organizations that provide healthy doses of the main satisfiers enjoy significantly lower turnover and higher morale. Profits are higher, too, according to recent research studies.

Things have changed, indeed. Today's workers will, in fact, change careers and jobs much more often. When the economy is good, people have become much more at ease in changing companies, are more likely to acquire new skills and move to companies that offer greater chance to use more of their knowledge and more willing to take the risks of starting anew at another organization.

What has emerged in current management studies are that the same qualities that hold employees are the ones that best serve the customers: employees who can make quick decisions on behalf of the customer and the company; employees who have a broader scope of responsibility that allows them some freedom and leverage to solve customer problems; learning opportunities that give employees the skillfulness to address customer issues; and supportive management and supervisors who use any mistakes that occur as teaching opportunities.

**5. Improving employee satisfaction is expensive.**

Research tells us the true satisfiers can't even be bought: career growth, meaningful work, respect and appreciation and being able to influence how work gets done. In these leaner times employers have the same opportunity to gain true loyalty despite lowered budgets.

The trinkets and prizes given in recognition and rewards programs aren't necessary ingredients for developing an engaged workforce. The "glue" that holds people is made of much different stuff:

Management that listens and responds to employees' ideas about improving service, supervisors who support people's growth and initiative, training in how to do the job successfully, good relationships with coworkers and genuine appreciation for a job done well. There are no costs incurred to build or enhance these motivators.

**6. Employee satisfaction is "fluff."**

Does having engaged workers make a difference in the bottom line? Studies now show that lower turnover and greater levels of employee satisfaction have a definite positive impact on customer satisfaction and profitability, which are the key factors in company growth and sustainability. Investing in people and using the most effective management practices increases profit.

**7. Supervisors are the problem.**

Many senior leaders express dismay about the quality and actions of their middle managers and front-line supervisors. The "blame game" is old, yet the solutions are strikingly similar to those required to build an engaged workforce. In most organizations today, supervisors have more people reporting to them than in the past, more demanding customers than ever and greater amounts of change – all occurring at the same time. Yet, the amount of training provided to managers and supervisors in many organizations is minimal. More importantly, the amount of time that senior managers spend in dialogue with middle and line managers also is minimal.

Middle managers and supervisors can appear resistant to improvement efforts. However, the true failure exists in our understanding of their world, the challenges they face and the support they need in order to be successful. Successful organizations seek to build teamwork between senior leaders and middle managers and line supervisors (which is a key ingredient in creating teamwork throughout the company).

**8. My company/industry/people are different?**

Yes, every company is unique, and every industry has its own set of unusual challenges. However, a very costly mistake is made when we believe information from other sectors doesn't apply to us or our organization. Retention research studies cross all industries, all types of work settings and in varied economic conditions. Still, the same results come up time and again.

We build employee loyalty – and, indirectly, customer loyalty – through providing people with growth and learning opportunities, minimizing red tape, allowing people to think and make good choices, supporting middle managers and front-line supervisors and appreciating the efforts that people give to help our customers.

The consequences of turnover are:

- High financial cost. The cost of employee turnover includes hiring cost, training costs and productivity loss. This adds thousand of money to a company's expenses.
- Survival is an issue. In a tight labor market where the success of company depends on the employees with critical skills, recruiting and retaining the appropriate talent can determine the success or failure of the organization.
- Exit problem and issues. With increased litigation at the work place, many organization spend significant time and resources addressing the issues of departing employees.
- Productivity losses and welfare interruption. In most turnover situation, a person who exist abruptly leave a productivity gap. This void not only causes problems for in the same team and within the flow of work.
- Service Quality. With a much emphasis on providing excellent service to external and internal customers, high turnover has a tremendous negative impact on the quality of customer service. Turnover of frontline employees is often regarded as the most serious threat for proving excellent external customer service.
- Regaining Efficiency. When an employees resigns, then good amount of time is lost in hiring a new employee and then training him/her, and this goes to the loss of the company directly which many a times goes unnoticed. And even after this one cannot assure of the same efficiency from the new employee.
- Good will of the company. The good will of the company is maintained when the attrition rates are low. A higher retention rate motivates potential employees to join the organization.

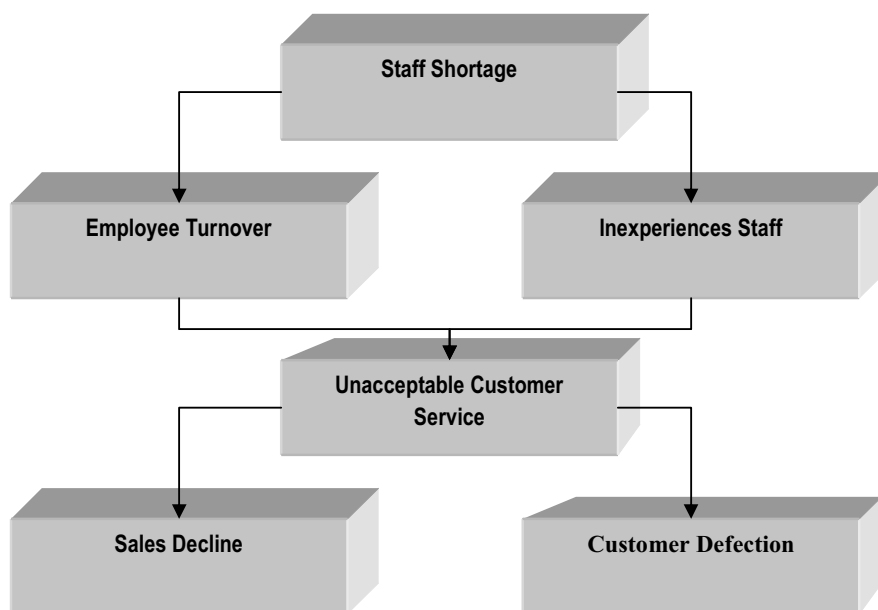


Figure no. 2 Customer service consequences of turnover

### 3. AMBITION SG 2015 – A PRACTICE USED BY BRD – GROUPE SOCIETE GENERALE FOR INCREASING EMPLOYEE RETENTION

Ambition SG 2015 is a transformation program started two years ago that should guide the immediate and long-term actions needed to succeed. This transformation was already indispensable and now it has become urgent.

Each individual must clearly understand and take ownership of his/her objectives and the means at his/her disposal. For managers, the survey is a tool that helps measure their team's understanding and buy-in in their team and decide on the action plan to be implemented. Each one of the employee has a role to play in enhancing the adaptability, which is now more vital than ever.

The strength of this model is based not only on the long-term relationships that it builds with clients, but also on its diversification (multi-businesses and multi-clients) and on an appropriate balance between financing solutions and deposits collection.

The first Employee Barometer in 2009 highlighted three essential areas of improvement for our future. Since then, the action plans implemented throughout the Group have enabled to obtain some convincing initial results in each of the three areas:

- **STRENGTHEN AWARENESS OF THE STRATEGY.** The Executive Committee and the Management Committee have carried out numerous roadshows and visited most of our entities to present and explain Group strategy. On their side, managers have also provided the necessary explanations on the subject.
- **ENCOURAGE PERFORMANCE MANAGEMENT.** An appraisal process common to the entire Group has been rolled out and will be finalised in 2012: the majority of employees now benefit from a precise, individual performance appraisal.
- **IMPROVE MANAGEMENT COMMITMENT.** The awareness-raising work done with all managers has helped them to buy into Group strategy while reinforcing trust relationships with their teams.

*In terms of business environment/need for transformation*, employees are aware of the rapid changes in the Group environment: 81% believe that they will face significant changes to their jobs in the next 5 years. However, only 60% think that our people are prepared to change. The ability of managers to drive change is therefore crucial.

*In terms of management & management practices*, employees trust their managers to make the right decisions and believe they are doing a good job (81% trust their direct manager, 75% trust their department head). They believe that management practices are changing for better: teamwork, fulfilling commitments, delegation and support for employees are all up vs. 2009. However, certain management practices could still be improved: only 48% of employees feel that their managers actively cooperate and share experiences with other entities.

*In terms of performance management & career development*, employees think that their performance is appraised more objectively and that the way results are achieved is taken into consideration as much as the results themselves. Nevertheless, only 50% of employees are satisfied with the development opportunities that exist within the Group, mainly for reasons of mobility: deemed to be good within each entity (62% believe that it is easy to have access to opportunities on that basis), but perceived as more difficult between divisions and departments.

First finding: the majority of employees are now aware of the Group strategy and 81% have heard of Ambition SG 2015: the proactive approach to communicate on the subject over the last two years has clearly achieved results.

Group strategy better understood as well as better known: the proportion of people who support it is up by 13 points since 2009 and stands at 49% (see chart, below). This positive trend needs to be further strengthened. Another interesting result that calls for further improvement: 53% of employees consider Ambition SG 2015 an essential programme. The work done on explaining and communicating about concrete projects and results must therefore continue and managers need to contribute more: today, only 40% of employees claim to be regularly informed on this subject by their management. The employees clearly expect more regular updates on the Group transformation programme's progress.

Communication is all the more important as we need to speed up the programme and because the initial results are proof of our collective ability to adapt to the complexity of our environment.

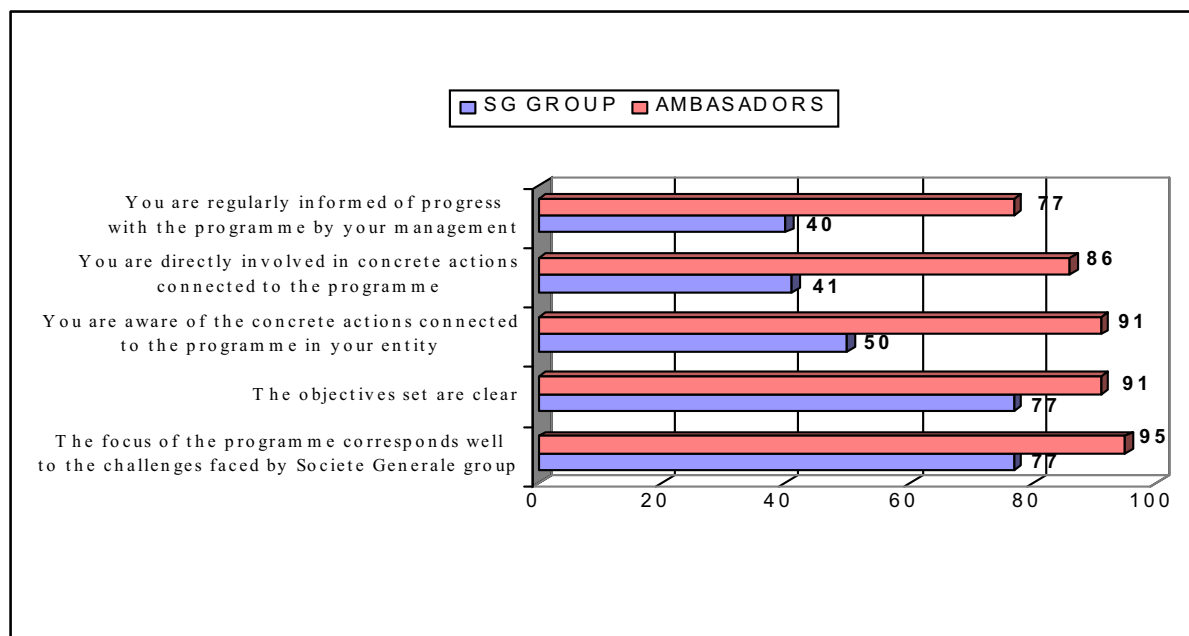
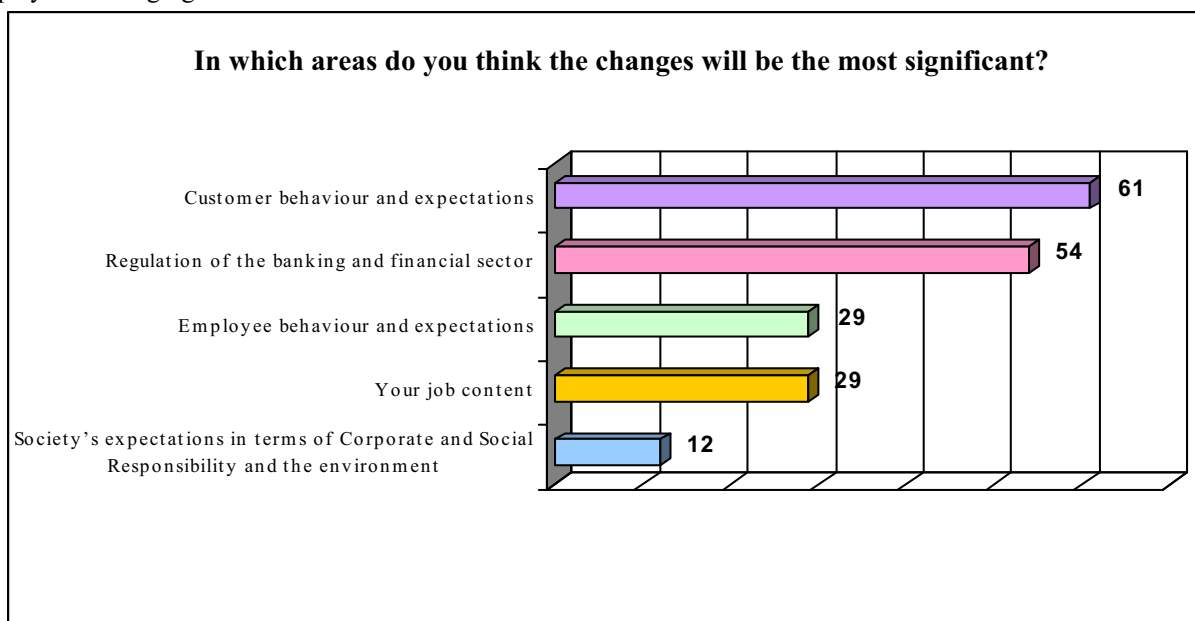


Figure no. 3 Ambition SG 2015: a better grasp of strategy



Business environment is a clear awareness of the need for transformation. Employees are nevertheless aware of the need for transformation: 81% think that their jobs will go through significant changes in the next 5 years, whereas only 60% of them feel prepared for change. The ability of managers to drive change is therefore crucial for the Group's future.

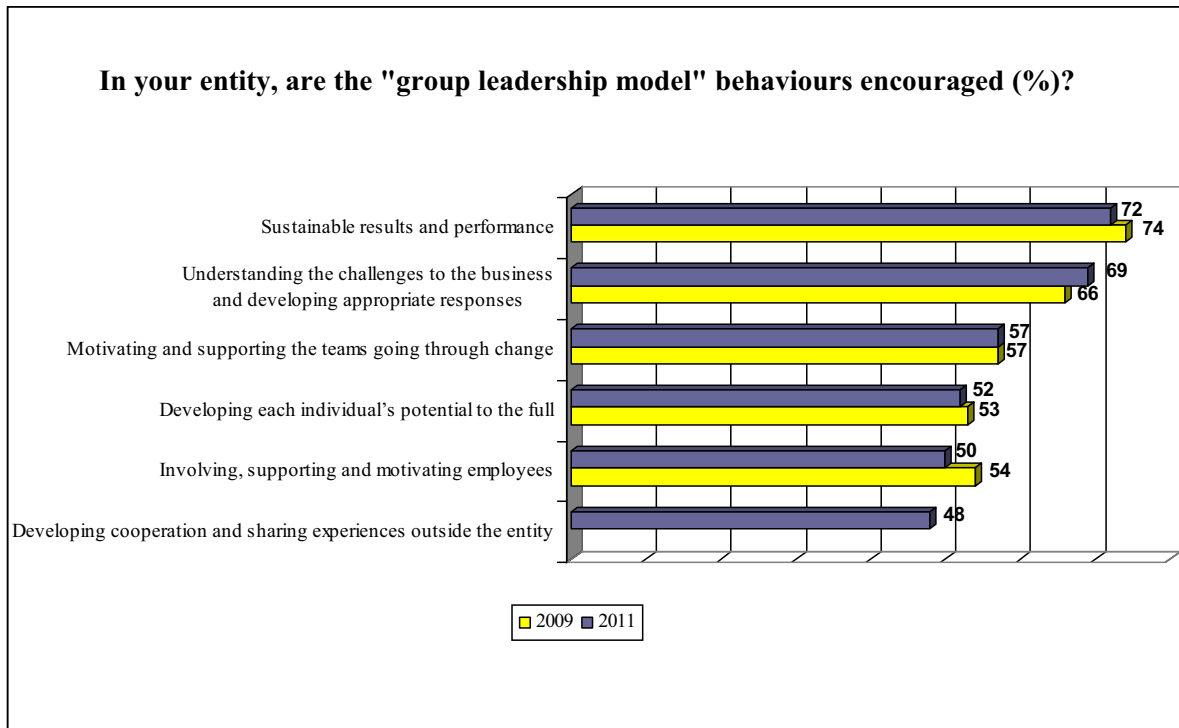
Change is possible if every team understands exactly how it contributes to the transformation, what its objectives are and what resources it has to achieve them; and if everyone sees that they have a role to play in a changing environment.



**Figure no. 4** Business environment: a clear awareness of the need for transformation

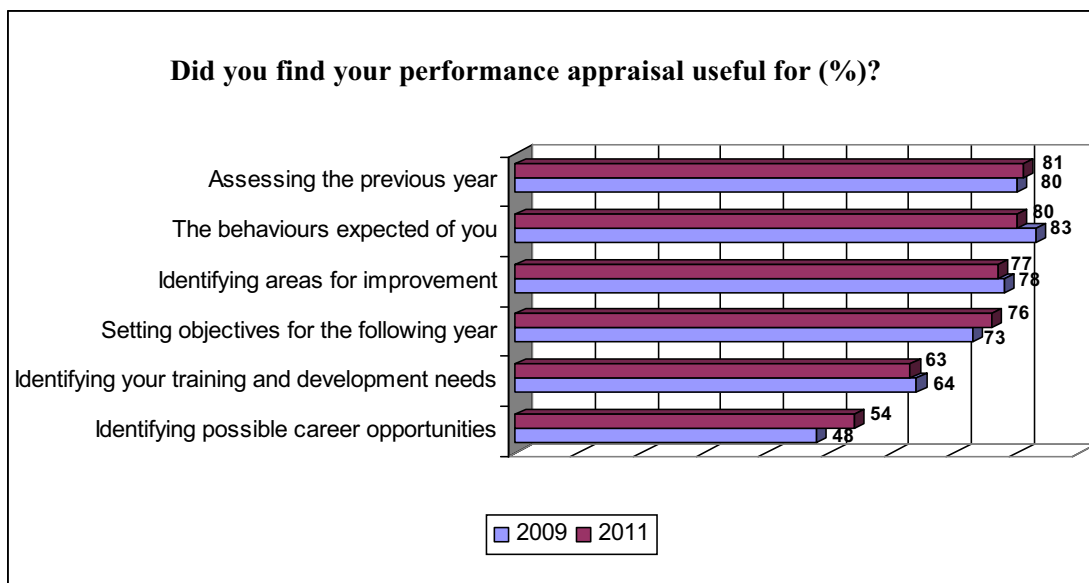
Trust in management is high as 75% of employees trust the management of their department and 81% their direct manager. In order to succeed with the far-reaching transformation it undertook two years ago, the Group has made management practices a priority. These efforts are clearly reflected in results that have improved for all criteria related to best management practices. The employees believe that they are given more consideration by their manager: 77% feel supported, 74% find that their manager takes into account their point of view and shares successes with them. 52% believe that they are appreciated as individuals rather than for the role they play, representing an increase of 10 points since 2009.

Progress remains necessary in the way our leadership model is applied: of the 7 behavioural skills that we wish to promote by using the model, some are actually going backwards, especially employee involvement and motivation. Furthermore, cooperation and sharing experiences with other entities remain less than 50% (see chart, below).



**Figure no.5** Management practices: further progress required on employee development and cooperation

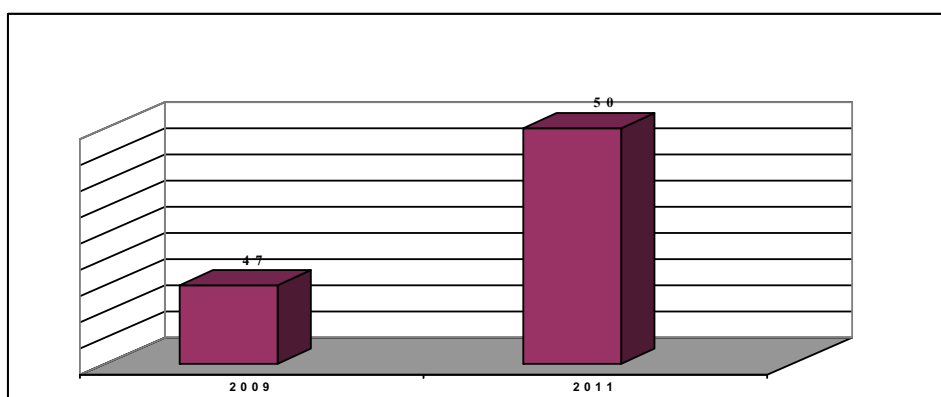
Performance appraisals are felt to be more objective, useful for assessing results for the previous year, setting objectives for the year to come and identifying possible career opportunities (see chart, below). The appraisal process takes behavioural criteria more fully into account: 57% of employees realise that the way in which results are obtained counts as much as the result itself.



**Figure no.6** Performance management: a more objective, behaviour-focused appraisal process

Career development is a priority to be further strengthened. Even if 62% of employees are satisfied with the training made available by the Group, only 50% are satisfied with career opportunities (see chart below). While 56% feel that internal mobility is encouraged, it only really occurs within the same pole or entity: only 13% of those who have changed jobs during the past 5 years claim to have changed entities or functions. As a result, even if the opportunities within each entity seem within reach (for 62% of employees), this is much less the case across the Group (34%). So the challenge is to make mobility simpler and more practical: the many possibilities offered by a group of our size, with a multitude of functions, should be more visible for everybody. This is a priority issue for any employer that wishes to be attractive.

In conclusion, employees' high expectations must be satisfied by each and every manager paying greater attention to the development of his or her team. This is one of the essential drivers for the Group's transformation. This aspect of the manager's role is more than ever a priority.



**Figure no. 7** Job satisfaction : personal and career development

#### 4. CONCLUSIONS

In recent years, managing retention has become a critically important topic that commands the attention of top executives and has become a part of the organization's strategy. The consequences of excessive turnover are significant and costly-both from the perspective of the organization and employee. Measuring and monitoring turnover is essential to bringing the appropriate attention to the issue and taking constructive action.

Understanding the employment climate is fundamental to developing an understanding of retention. The commitment of any organizations and firms is to achieve the higher productivity whereby the employees as functioning organizational system. The idea that motivated and committed workers are the essential condition for accomplishing the organizational goal. The human resource management practices have to be addressed in this position, in order to examine the behavior and performance of the employees. This paper proposes that the certain human resource management practices create the favorable approach on the job satisfaction which will be explicated reversely on the turnover. Three main variables of human resource management practices namely supervision, job training and pay practices have play a crucial role to enhance job satisfaction of employee.

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