

EMPLOYEE RETENTION: BY WAY OF MANAGEMENT CONTROL SYSTEMS

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ABSTRACT

Loyalty is passé in the modern time and professionalism is the buzzword in the contemporary corporate world. The reasons of employee attrition are also changing. Now-a-days employee leaves an organization for many reasons. Some leave for growth, some leave for some family problems but majority of people switchover jobs due to only one reason that is DISSATISFACTION. Undoubtedly satisfaction and dissatisfaction sort of things have different meaning for different people but having majority of people satisfied is pretty germane for sustainable growth and high level of productivity in any organization. A threadbare analysis of attrition brings some major concerns like not having objectivity in job allocation, employee recognition and fairness in career advancements for consideration. They are also important causes of dissatisfaction for employees in organizations. This dissatisfaction finally gets a vent in the form of changing the job. This subjectivity in the issues of employee handling is the key for dissatisfaction. Management Control System is fully capable of bringing objectivity in the organization and managing this dissatisfaction which would finally be translated into high employee retention, and better productivity and better organizations.

1. INTRODUCTION

Gone are the days when the entrepreneurs were the only important stakeholder in the business organizations. Now there has been a shift from entrepreneur to people as the most important part of any organization that believes or longs for sustainable growth in the organization. People have become a very important stakeholder in any organization. But as the benefits takes precedence over loyalty and professionalism creeps into the organizations and it becomes unyielding task to retain talented people in the organizations. Evolution is a continuous process. Organizations are also systems and every system evolves with time. Organizations do not operate in vacuum. Organizations are integral part of markets which are also larger systems; ergo they are also subject to evolution. Organizations are evolving and so as the markets are evolving. Earlier we were sellers' market but now we are a buyers' market. Earlier business organizations did not bother much about what is being made, whether its price is correct or not and whether it is value for money to the buyers or not. But situations have evolved and changed drastically by now (It is our meticulous attempt to equate

evolution with change). Competition has also taken its root in full swing and it is the customers who are ruling the roost now. This could be a point of debate whether competition does more good or harm but one thing is for sure that it mounts unsurpassable pressure on organization to bring efficiency in everything the organization does. Moreover, who proactively does this corrective exercise, gets the first movers advantage and this brings an addition edge to the organization over its competitors. Otherwise it hardly takes a short span of time for an organization to come to cropper from a commanding position. This pressing need to bring efficiency in all the things which an organization does, also force organization to introduce many a new things. Human Resources Management is one such thing. Before such time organizations did not have much time to look towards such important factor of production so seriously. Gradually the organizations are coming to terms with this fact that ultimately it is its people who make all the difference in the value creation in or for the organization in long run. Rising contribution and importance of services sector in the India's GDP has merely facilitated and endorsed this fact. These new economy organizations who are our new bellwether for economic growth and development have taken note of this fact at the earliest that without concentrating upon people they can't remain in business for long. In other words it can also be said that they were left with no other option but to look forward towards the people in the organizations. Because these new economy organizations are operating in such an environment where capital stock has been relegated to second rung over human capital who have acquired the top most priority. Even the traditional economy organizations are also no longer untouched from such a situations. As our economy has come out of clutches of bureaucracy and red-tapism ,the cut-throat competition is new order of the day. The traditional organizations are also feeling the heat. Though, it is the new economy organizations that are bearing the maximum burnt in terms of high attrition rate, the traditional economy organization are also gradually coming to terms with the problem of relatively rising attrition rate. The situations gets further exacerbated owing to this fact that the most talented people are the fist who leave the organizations. The less talented and less productive people either prefers to stay in the organizations or they are last to alight the ship. Knowing the problem is the first step in curing the disease. At this point it becomes germane to take into consideration the causes of attrition in the business organizations.

1.1 OBJECTIVE OF THE STUDY

The objective of the study is to find out causes of the employee attrition from the organizations and looking for a possible solution of the problem of employee retention with the help of one of the tools of management control the Management Control System MCS).

1.2 RESEARCH METHODOLOGY

Two indexed scales have been developed. One scale is for quantifying the opinion of employees in the organization regarding the system of reward and punishment in the organization. The second scale has been developed for assessing the level of employee exodus in the organization. A correlation is found out at 5% level of significance so that the following hypothesis could be tested.

The hypothesis is made that the said correlation between both the issues (system of reward & punishment in the organization and level of employee leaving the organization) is high (.8 or more).

$$H_0 : r > .8$$

$$H_1 : r \neq .8$$

Both the scale has been developed on the level of 10. The figure of first scale was easily arrived at by the questionnaire filling but the second scale was filled in by the HR manager using the following key.

% of Employee left in Last Year	Figure of Indexed Scale
0 to 10%	2.5
10-20 %	5.0
20-30 %	7.5
30 % or more	10

1.3 DATA

The data has been collected from the sample survey of 100 companies. The companies were selected on the convenient sampling method. And the questionnaire was filled in by the HR Manager of the company.

2. DATA ANALYSIS

1. The estimated values of correlation coefficients are as follows.

$$r = .968^*$$

(* the correlation is found to significant as the p-value of correlation estimate is found to be .000.)

2. The hypothesis is as follows

$$H_0 : r > .8$$

$$H_1 : r \neq .8$$

This calculated correlation coefficient value is further tested with the hypothesis value of $r > .8$ using one tail-z test (left tail) which has the following results.

- The Calculated value of $z = 26.71$; the critical value of z at 5% level of significance is -1.645 .
- Because the calculated value is much far off from the critical value, the null hypothesis is accepted that the correlation coefficient of .8 between both the variable is accepted.

3. CAUSES OF EMPLOYEE ATTRITION

There could be many reasons for one to leave an organization. After all one has to work in every situation whether he works in this organization or in a new organization therefore it is imperative to have the idea about why at all someone leaves an organization and joins the another one. Had the employee been not interested in the work the story would have been altogether different. But if this is

not the case and the person concerned is still working; it means something was unusually difficult or terribly wrong in the previous organization.

This world is not heaven nor is the people gods who are living in the world. Both, this world and people are imperfect. It means their problems are also not going to be perfect. Rather everything the people, the organizations and the problems of people who work in the organizations all are imperfect. Therefore we have to look towards them not as if we are looking towards perfectionists but as if we are looking towards imperfect ones. Now we are in position to concede that their reasons for leaving the organization may or may not be real. But in most of the cases it could easily be understood that whatever had been the reason for leaving, the employee was ultimately DISSATISFIED with the organization and decided to quit. In fact a dissatisfied employee is worse than not having an employee at all because when one is not satisfied he does more harm than the good for the organization. He disseminates the virus of dissatisfaction to other employees of the organization. Besides this he also does not do his works up to the mark and continuously grumble against the organization which sets a bad example to the other members of the organization.

Here we can start thinking for a solution to the problem in hand. Hitting such a problem head-on has two approaches. One way is to look at the various reasons for dissatisfaction and looking for how to cure them individually or collectively. The second approach could be to look for ways and means that how the employees could be kept satisfied so that they do not feel dissatisfied at all. This second approach is a better way of looking at the problem because instead of saying that the glass is half empty we are concentrating on saying that the glass is half filled. There are couple of questions which comes up easily as we start talking about the second approach of making satisfied, because we know this very well that people are not saint that they are going to behave in most decent manner and only good things are expected of them after all as we have said earlier that except God all the other things are imperfect and incomplete in this world.

It means that if we follow the second approach, we are basically talking that everyone could be satisfied. Here my proposition is that yes it is very much possible to keep everyone satisfied but he may or may not be happy. Being satisfied and being happy are two different things. All those who come for work, they do come for work. They may not be happy with their lives, they may not be happy with their spouses and they may not be happy with any damn thing, but when they are ready to work they should definitely deserve to be satisfied with their work. Some people may differ with us on this count on this grounds that there are some people who are bad and they simply don't want to work, not to speak of their satisfaction. It is the proper or improper placing of people which makes all the difference. It is not the subordinate who may be labeled as shirker is bad but the boss who does not know how to use his subordinate may be questionable much more than the subordinate. We are bringing our attention towards inwards from out wrong habit of looking outwards for anything and everything. So I am taking this for granted that no one is bad in the whole world if we place employees in a proper manner. Someone may not be suitable for some organization but he would definitely be

pretty useful for some other organization. Means, this suitability could be taken care of very seriously at the time of recruitment and even later on also. But, if someone is fit-in in the organization, this issue that some employee is bad does not exist at all. He should simply be placed at the proper work so that he would also be productive. It means everyone who is willing to work in the organizations is a genuine case for getting satisfaction with his work. In spite of this fact people leave the organization because they are dissatisfied from the organization. Therefore it is high time for introspection.

A threadbare analysis of causes of dissatisfaction leads us to this conclusion that in organizations only two things – **REWARD** and **PUNISHMENT** are relevant as far as the satisfactions or dissatisfaction is concerned. Here again I would reiterate the point that no one is perfect so there would be neither perfect problems nor are their perfect solutions exist. But the biggest source of dissatisfaction in the organizations is due to not having fairness in the execution of both rewards and punishments. We can easily understand this by taking simple example that if somebody commits a mistake and he is punished for the same he would not feel bad (though he may not be happy with this) as long as he is the culprit. But, if has not committed the mistake and he gets punishment which would lead to grave dissatisfaction. Same is applicable to reward and punishment system in the organization. According to us the best solution to the problem of talent retention is to bring fairness in both the systems of organizations; fairness in the system of reward as well as in the system of punishment. Having subjectivity in the system of reward and punishment is the major reason for not having fairness. The next obvious question is how to remove the subjectivity from the organization and to bring objectivity in the system. Here comes the **MANAGEMENT CONTROL SYSTEM (MCS)** for rescue which is also one of the latest tools for planning and for better control in the business organizations. MCS is fully capable of bringing the objectivity in the system which would automatically remove the subjectivity from the system of reward and punishment of the organization.

4. MANAGEMENT CONTROL SYSTEM (MCS)

A management control system is a logical integration of techniques for gathering and using information to make planning and control decisions, for motivating employee behavior, and evaluating performance. The purposes of a management control system are-

- to clearly communicate the organizations' goals to the employees
- to ensure that managers and employees understand the specific actions required of them to achieve organizational goals
- to communicate results of actions across the organization
- to ensure the employee/managers can adjust to the changes in the organization

A well designed management control supports and coordinates the decision-making process and motivates individuals throughout the organization to act in concert. The first and most basic component in a management control system is the organizations' goals. Because the focus of the management control system is on motivating decisions that help achieve the organizations goals. A

basic adage of management control system is that “you get what you measure”. It means the measures of performance will influence managers’ decisions; therefore measure of performance should be consistent with the organizations goals. To design the management control system that meets the organizations’ goals or organizations needs, the whole job of designing is done in four stages. (Fig-1)

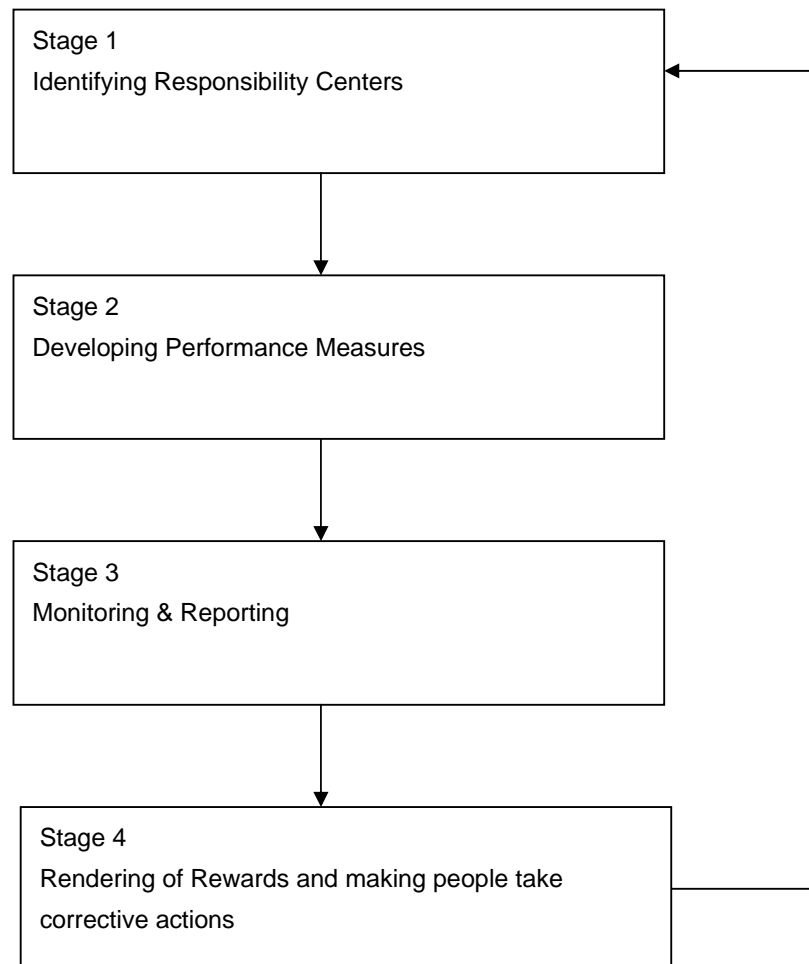


Fig1: Management Control System

Stage 1: Identifying Responsibility Centers

Under this stage the whole organization is divided into responsibility centers and for every responsibility center their goals are decided and responsibilities are also fixed.

Stage 2: Developing Performance Measures

For every responsibility center the performance measures are fixed. Means if some responsibility has been assigned then the method of their measurements are developed at this stage. Unless we measure the performance, no objectivity could be introduced in the system. To practically implement

this performance measures, Key Performance Indicators (KPI's) should be developed for every responsibility center. KPI's are measurement of the performance in a very clear cut and quantifiable terms.

Stage 3: Monitoring & Reporting

After having fixed the responsibility centers and having placed the KPI's in place the job of MCS just begins. Because this system needs continuous reporting and monitoring so that it is ensured that everyone follows the system to the fullest and if there seems to be any need of improvements in the MCS itself that could also be introduced.

Stage 4: Rendering of Rewards and making people take corrective actions

After having gone through the first three stages up to the reporting the next obvious stage is to render rewards to those who perform better than expected. Besides this the next step is taking corrective actions for those who performances are found to be low and taking the decision of even firing to those who are either far below expectations or are not having the scope of improvement at all.

5. TALENT RETENTION BY MANAGEMENT CONTROL SYSTEM

As the organizations introduces the MCS in the system of rewarding and punishment, a positive feel factor starts taking its root at the workplace. Subjectivity also goes away. Policy of appeasement, sycophancy, and favoritism also gets sidelined and objectivity starts taking its place in the whole system. MCS is one such system in which the top management also ties its hand. Unless the performance is as per the objectivity of MCS, no one could be rewarded despite the willingness of the top management. This also brings full transparency in the system which is a very good sign for the development of professional culture in the business organizations. Consequently every thing would be converted in the high level of productivity. Employees also know in very crystal clear manner that what is expected of them in the organization. Key Performance Indicators (KPI's) also brings quantification of expectations from the employee and in turn the employee also know, that too in quantified terms, that how he can perform better, what are his priorities etc. At the time of evaluation no one would be unaware of his performance similarly all the employees would know that what they could expect from the organization. They may not be happy with the outcome but they would know this very well that why something is happening at all. If he is punished, he knows that why he having such a situation, similarly if some of his colleague is getting rewarded again he knows this very well that why his colleague is being given such a gala time. In both the situation one many not be happy but there would not be any room for dissatisfaction with the organization. He may have all rights to be dissatisfied with himself or with his performance but in no case he would be dissatisfied with the organization. The added advantage of MCS is that it could also increase sense of competition in the organization. As long as the competition is healthy, it would definitely benefit the organization in more than one ways. Here we are hitting the problem of employee attrition from two sides. On the one side

we are making the employee more satisfied and on the other side we are creating an environment of competition so that employee would get less time to think of anything else. MCS is not only capable enough to have employee attrition reduced but it would also have the potential to bring high level of productivity in the organization. Both the things omen good for the organization in the long run.

6. CONCLUSION

There is no system which is cent percent fool proof. It can't be expected that just by introducing the management control system (MCS) all the problems related to the employee retention is going to be removed altogether. But with all sincerity it could be expected with MCS that it has the potential to solve many such problems in the business organizations. One caveat which is attached with every system is applied here also that unless the system is properly executed in letter and spirit we can never expect good results in short run and rich dividends in the long run. Because developing one MCS is in itself a mammoth task but successful implementation of MCS is even much more arduous than the mere developing of MCS.

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