



Employee Turnover and Retention Management

Case Study #1 (LIT2019): EMPLOYEE TURNOVER RETENTION (Lithuania 2019)

Abstract

“Limarko” UAB was founded in 1993. It is one of the first marine business companies in Lithuania after the Restoration of Independence. “Limarko” UAB is the managing company controlling major stakes in Limarko Group companies.

The company delivers services related to the shipping business and is currently one of the leading logistics companies in Lithuania.

The company “Limarko” UAB has an established system, that in order to create a dynamic and successful organisation, the determining factors are teamwork, responsibility and professional management.

“Limarko” company has a Staff Manager, who is responsible for staff recruitment, motivation and selection. The company has an established order of admittance requirements, which must be met by a candidate to get a contract.

Aim of the study – to reveal the challenges that the company faces in the area of staff turnover and retention.

Introduction to the Organisation

Limarko Group originated in 1993 when “Limarko” UAB – one of the first marine business companies in Lithuania after the Restoration - was founded.

The scope of activity of the company is quite wide: logistics, cargo transportation, freight forwarding, container transportation, customs brokerage, shipping agency, port services, warehousing, container sales, ship-broker services, heavyweight cargo transportation, oversized cargo transportation.

Currently Limarko group companies have a membership of nine organisations: Global Project Logistics Network, Lithuanian Shipowners’ Association, Lineka, BIMCO, Klaipėda Chamber of Commerce, Industry and Crafts, Multiport, Association of Klaipėda Industrialists, WCA organisations.

Limarko Group is a company that constantly expands its activity and searches for capable and hard-working employees. This company provides everyone with perfect working conditions in a dynamic environment, as well as career and development opportunities.

The company employs 200 employees, but the number changes constantly.

Target market – companies shipping goods abroad. Customers: both legal and physical entities.

The main aim of Limarko group companies is to provide quality services to customers, offering optimal logistic solutions. Seeking this, the company carefully observes market trends and tries to improve the quality of its services through the use of acquired knowledge.



Organisational structure of “Limarko Shipping Company” AB is linear. All employees report to the CEO. The linear structure has a minimum number of management stages and a very clearly expressed subordination.

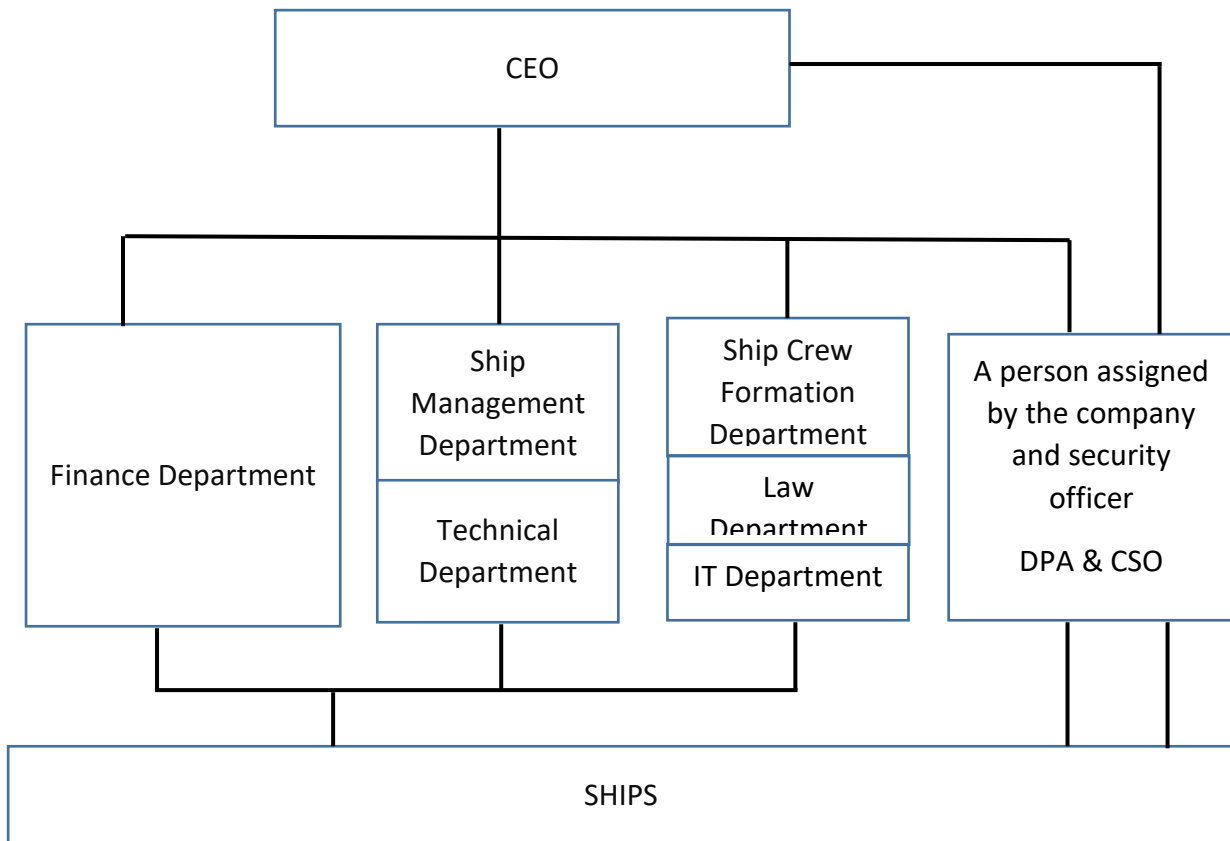


Figure1 Organisational structure

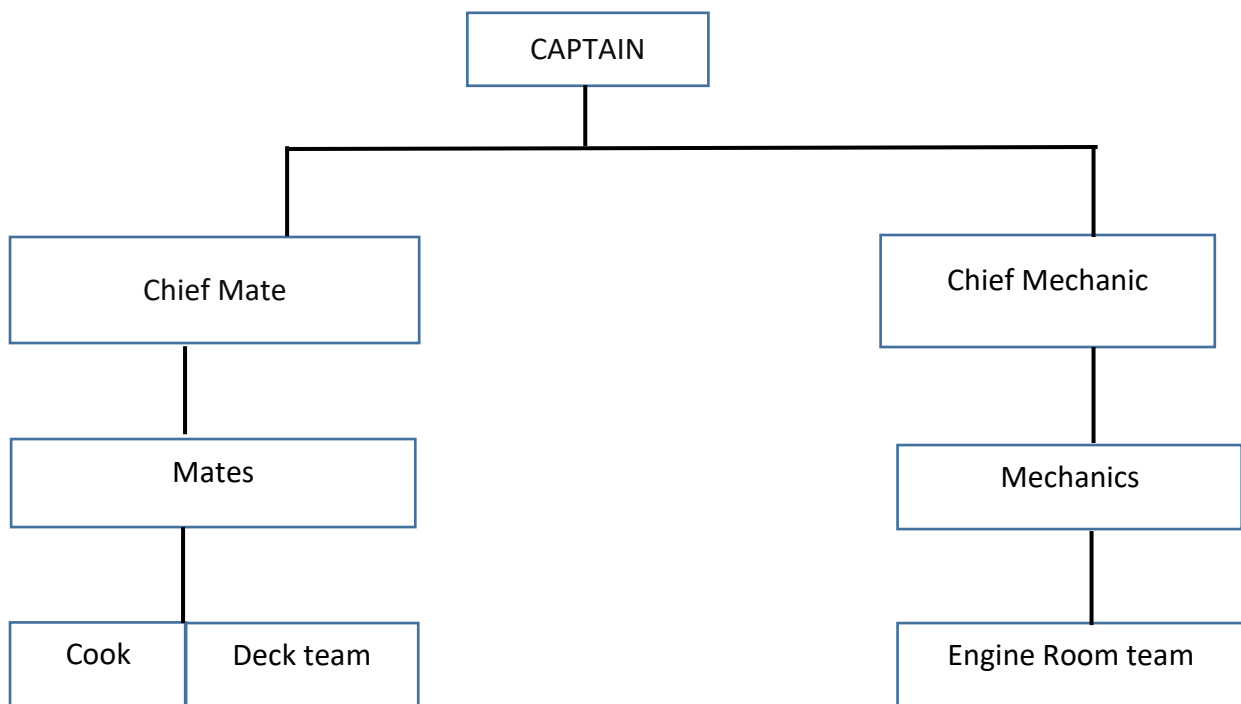


Figure2 Organisational structure in ships



HR Processes in the Company

Staff planning. The company plans its staff and its activity in regard to the staff turnover in the company. The number of employees increases when the workload increases. The staff Manager is responsible for staff planning and the Department Manager – Leader – is responsible for budget planning etc.

Job analysis. Job analysis and assessment of employees in the company depend on the individual work of every employee, as well his/her attitude towards his/her job.

Staff assessment. An employee is assessed based on his/her attitude towards the assigned job. In every case an employee is assessed critically, but only for an employee to be able to aim at a better result, thus motivating him/her.

Staff adaptation. Employee gets acquainted with the staff, workplace and company activity, work processes in the company. When the employee gets the necessary information for an efficient job, he/she is able to work perfectly on his/her own.

Staff training. The company organises various training in order to assure that its employee is perfectly aware of his/her job, knows what he/she needs to do and is able to explain it to another person.

Career planning. The company provides opportunities to climb the career ladder and plan one’s career possibilities in the future based on his/her job specifics and abilities. The company tries to encourage and motivate employees to constantly develop so that they can seek the height of their career. For those employees who are willing to develop, the company really supports and tries to encourage them as much as possible.

Management of labour relations. The company managers and employees, who occupy higher positions, try to keep an excellent and friendly relationship with all employees, so that everyone can feel equal and does not feel any discomfort.

Table 1 Human resources analysis (SWOT)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Compete in its processes; • Staff training; • Has ships of different types; • Professional managers 	<ul style="list-style-type: none"> • Lithuanian market is too small; • Banks do not value and do not understand marine businesses; • Low wage; • Lack of internal culture.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Expansion. 	<ul style="list-style-type: none"> • Political situation; • Labour force is becoming more expensive; • Increasing customs duties.

HR Challenges

The company has several main staff management problems, which can temporarily terminate the company’s activity. All companies face these problems, such as low wage, insufficient internal culture,



lack of labour force. All these problems of the company bring losses and weakness to the company. Still the company has good features, too. One of the most important and the best one is that the company has refrigerated containers, competent managers and organises training for its staff.

Lack of internal culture – employees are not interested in working in a team. They are not willing or rarely help each other. When talking about bonuses, they rarely praise one another, e.g. a person appointed by the company to observe the work done by the employees does not try to praise and inform the company manager that his colleague has worked well and deserves a bonus. Therefore, most employees lose bonuses or get lower ones than they deserve.

Low wage – it is a problem faced by all companies. Wage is always too low for employees. The problem is caused by an insufficient work experience, employee motivation and not evident employee efforts when doing certain task. Not motivated employees are no longer willing to do certain tasks. Low wage is the reason why the job is done negligently.

Lack of labour force – is a problem, caused by insufficient work experience and an unfavourable system of reward payment. When there is a lack of labour force, the company's activity is interrupted – there is a shortage of qualified employees, who could effectively use their activity opportunities in various areas, related to the company activity.

Low qualification of employees – is a problem, caused by low work experience or its total absence.

A worsening quality of staff activity – is a problem caused by work, which is done by employees worse than before, when the efforts put to do the jobs are lower. A worsening quality of activity can be a side effect of other human resources problems – lack of labour force, low wage.

The company's strengths make the company's name prominent, because professional leaders work in the company. It is one of the best marine companies and the only one which has refrigerated containers. It also provides its staff with the possibility to climb the career ladder and motivates employees by giving bonuses. The company has a flexible schedule and considers the needs of its employees. Employees in this company are trained skilfully and are motivated.

Literature Review

The literature review discusses the costs of employee turnover and the importance to retain the best employees. Employee retention is related not only to the direct financial benefit. Research has proven that when retaining the best employees, an organisation can achieve higher customer satisfaction, improve sales, increase employee satisfaction with their job and become a constantly learning organisation. When valuable employees leave an organisation they take all the gained experience, relations, investments (time and money) with them and sometimes even customers or colleagues. Employee retention is one of the main factors, showing the healthiness of an organisation. If an organisation loses its important employees, it can be assumed that other important employees can also leave an organisation.

There are 10 main reasons why employees want to leave their jobs and which cause staff turnover:

- Organisation is in the stage of downturn – lost consumers, loss-making activity, talks of a possible bankruptcy;
- Bad relationships with an immediate superior – the superior does not trust an employee and the employee does not trust the superior;
- A changed life situation – employee has started a family or has given a birth to a child and the



existing conditions no longer satisfy the needs of the employee;

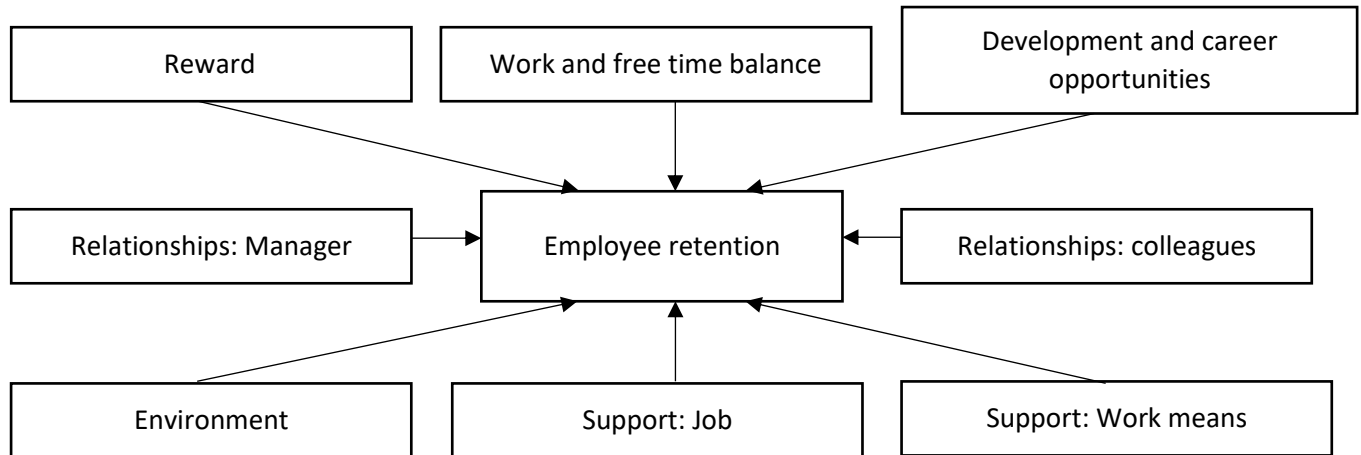
- Employee values do not correspond to the organisational culture – e.g. an organisation has a hierarchical management structure and an employee himself/herself wants to control the process of the work that he/she does;
- The job is no longer pleasant – it is not important what happened, but if the job causes stress, it is already time to change the job;
- Organisation is unethical – e.g. it lies to customers about the quality of a product or information is stolen from competitors and it does not meet the employee's ethical standards;
- Employee behavior is considered to be inappropriate – the employee is late too often or has too few skills to do the job. All this labels him/her as a loser, and it will make the employee leave the organisation as soon as the opportunity arises;
- Bad relationships with colleagues – if it is group work, bad relationships with colleagues will encourage an employee to leave his/her job;
- Too much stress at work – it negatively affects relationships with friends and family;
- No challenges – the work is boring, without any responsibility and there are no development opportunities. An employee does not feel good at work – it is mostly the consequence of organisational culture. An employee cares of the reputation of an organisation, its mission and goals or simply the working conditions;

Factors which help attract and retain employees:

- Responsibility at the start of the career
- Flexible and transparent organisational culture
- Global opportunities via various experiences
- Strong values of trust, justice and respect in an organisation
- Autonomy at work
- Learning opportunities
- Clear and approachable leaders
- Competitive reward
- Advanced programmes of human resources management
- Open, transparent and caring organisation
- Respect valued
- Learning and development programmes

An employee retention policy is not a simple formula. In order to retain the best employees, the process of employee retention as described in the case, should be followed, and an employee retention strategy that is suitable for one's organisation should be chosen. To implement the strategy, it is necessary to choose a suitable model of employee retention and use means to implement the factors of the model. An employee retention strategy is an attitude towards the existing internal situation of an organisation and environment, and also a prediction of where an organisation will be in the future. The process of formulating an employee retention policy consists of data collection on the present situation of employee retention, determining the problems and goals for employee retention, and creating an employee retention strategy with the help of additional sources of information, such as research conclusions on employee retention, research on salaries, data on why employees stay or leave. There are no universal strategies of employee retention, every organisation has to create its own.

Table 1 A generalised model of employee retention:



The generalised model of employee retention consists of 8 factors: reward, work and free time balance, development and career opportunities, relationships with managers, relationships with colleagues, environment and support, which consists of the work itself and work means.

Methodology

Type of research – quantitative.

Sample of research – 23 employees of the company.

Method of selecting sample of research: target selection.

Method of data collecting – written survey.

Presentation of the research instrument: a written survey. The company Manager was given thirty surveys, which were given to the company employees. The aim of the surveys was to find out the problems in staff turnover and its retention.

Time and place of the research: the surveys were given 9 April 2019 in "LIMARKO" company office. Surveys were returned on 11 April 2019.

Findings and Analysis

Employee qualification. A number of employees have worked in the company for more than one or two years. Employees already have significant experience, therefore competences correspond to the company requirements. Qualified employees are able to do their tasks on time and responsibly, know how to plan their time, and master the obtained material on certain tasks. The problem is that wage offered by the company can cause it to lose its employees.

Employee training. The company regularly organises employee training, whenever a new employee joins. Usually decisions on staff training are made by the company manager not considering the need but choosing topics of training at his/her discretion, what he/she thinks is relevant in the labour market that year. He/she also teaches and introduces the rules of the job etc. The company manager has prepared a teaching book "HANDBOOK" for every new employee, which perfectly explains everything.



The problem is that independent learning and interest in the company can make employees interested in leaving the workplace.

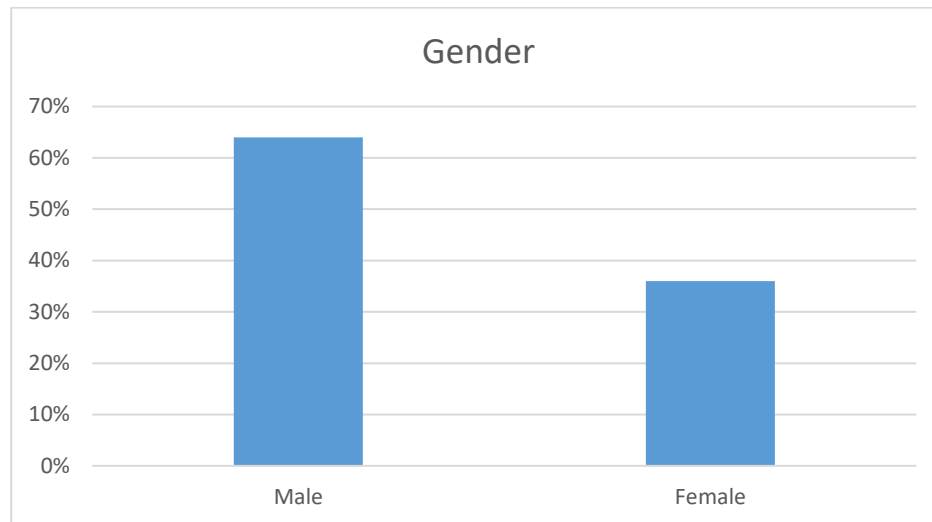


Figure3 Employee distribution by gender

The analysis of “Limarko” surveys has revealed that the majority of employees in the company are men. 15 employees participated in the survey. Men made 64%, and women slightly less - 36%.

The majority of the surveyed employees of the company (50%) have worked in the company for more than 15 years. Even 36% have spent more than 10 years in the company. The lowest number of the company’s employees (7%) have spent less than 5 years working there, others have worked in the company less than 2 years (7%). This shows that the company has a slight employee turnover because the majority of the employees have spent more than 15 or 10 years in the company.

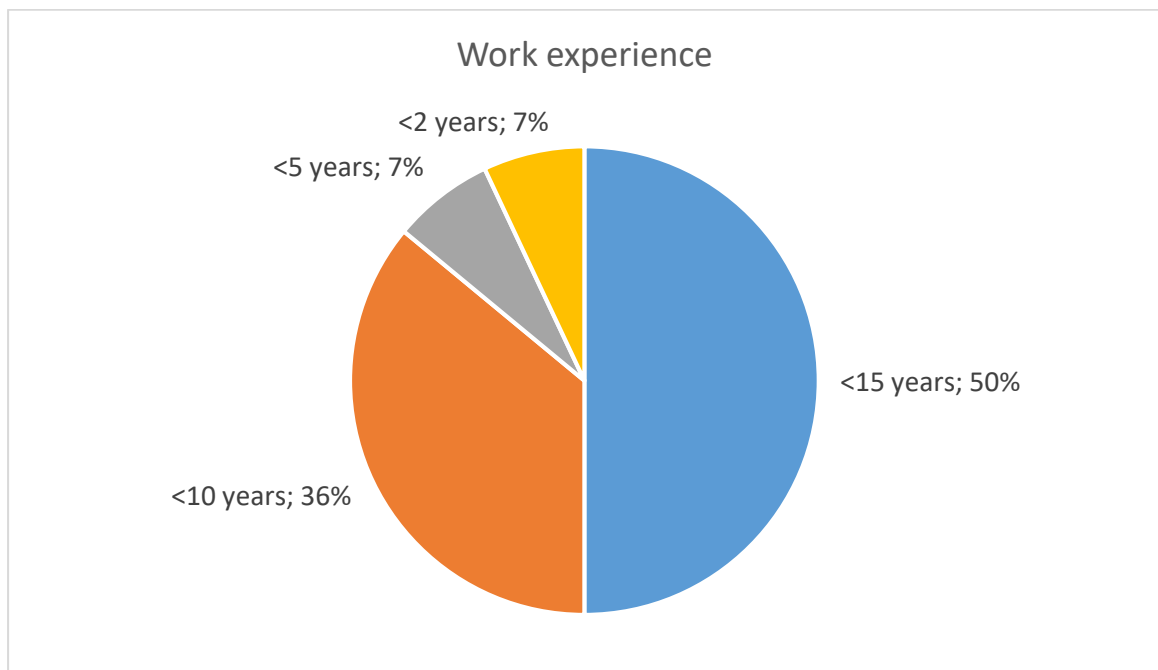


Figure4 Employee distribution by work experience in the company

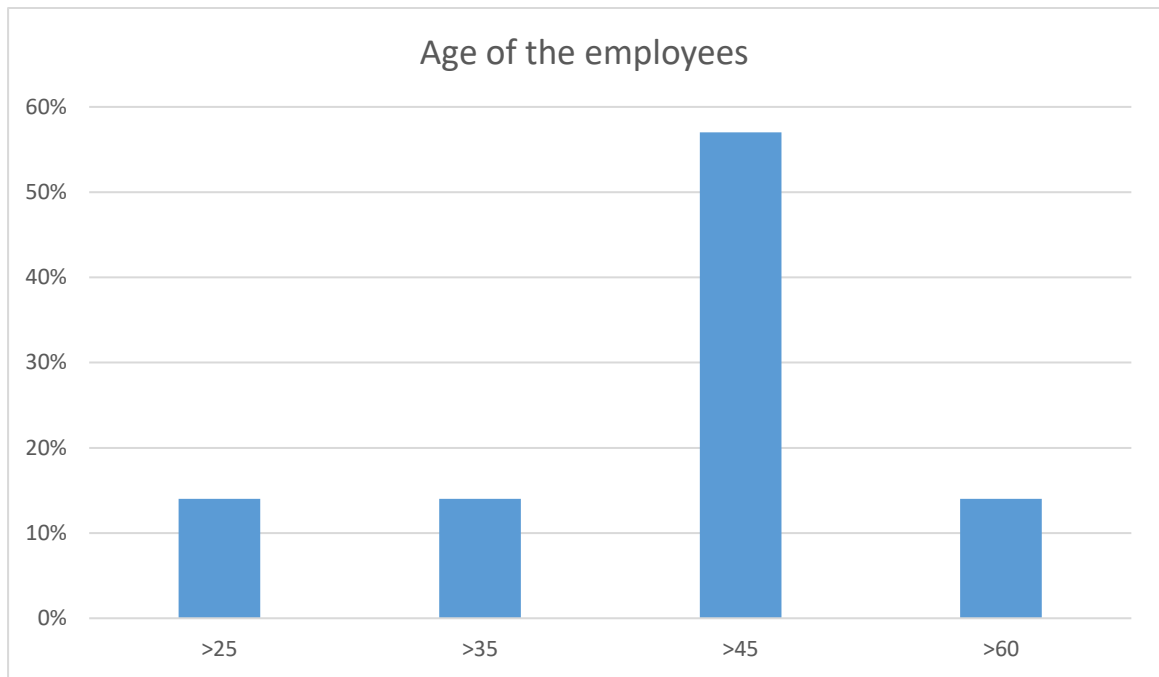


Figure5 Distribution of employees by age

From the fifteen surveyed employees of “Limarko” company, the majority of them are older than 45 years – they make up 57% of the company employees. Two employees older than 60 years (14%) participated in the survey. Two other employees from the surveyed ones are older than 35 years, they also made 14%. The remaining employees make 14% and are older than 25.

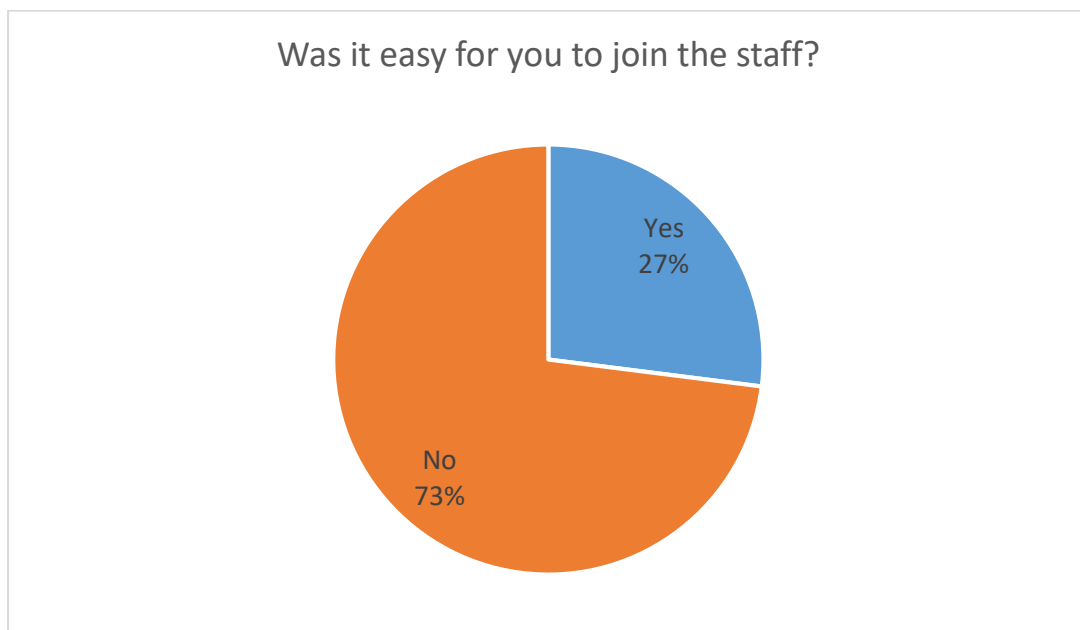


Figure6 Distribution of employees by their joining the new staff

As we can see the majority say that adapting to the new working environment was difficult and it can be a serious problem in the company.

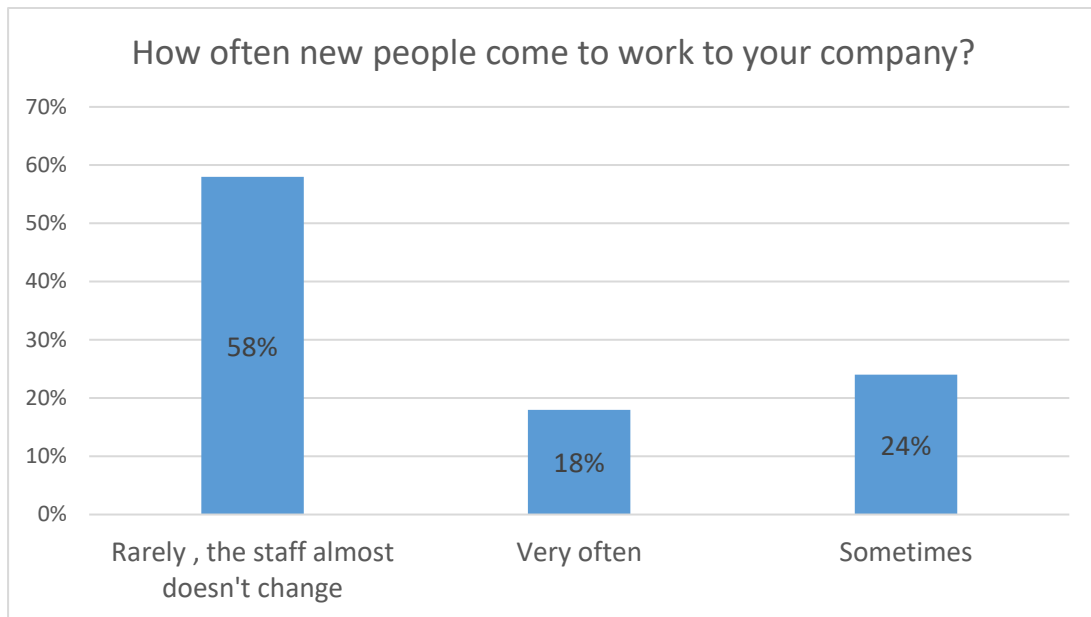


Figure7 Employee turnover in the company

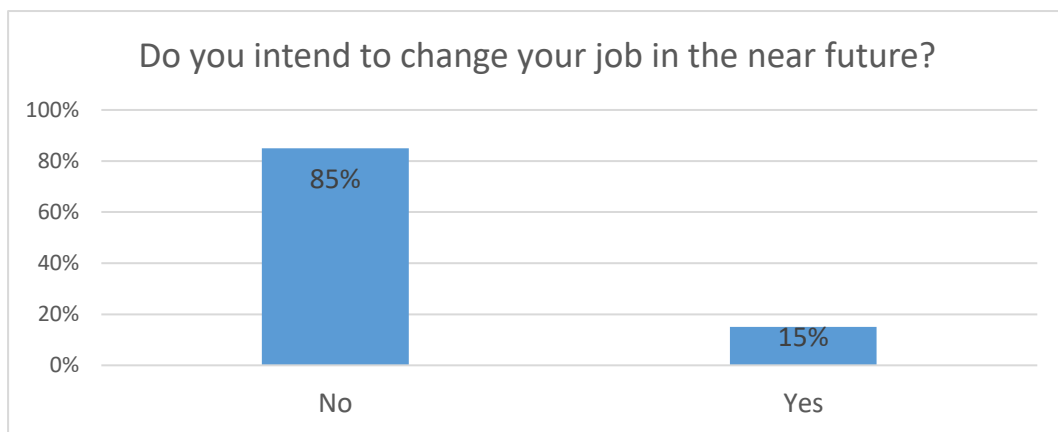


Figure8 Plans of employees concerning the change of jobs

85% of the surveyed employees do not intend to change their workplace in the near future and the rest (15%) do intend to change their workplace in the near future.

Employees also said that the reason for changing jobs could be an unsatisfactory reward, one of them said it would be due to a lack of motivation, and others did not answer.

Employees were asked what the company should do to retain its employees. The majority of employees named a reward raise as a means of retention, also several employees talked about paying bonuses and getting a company car.

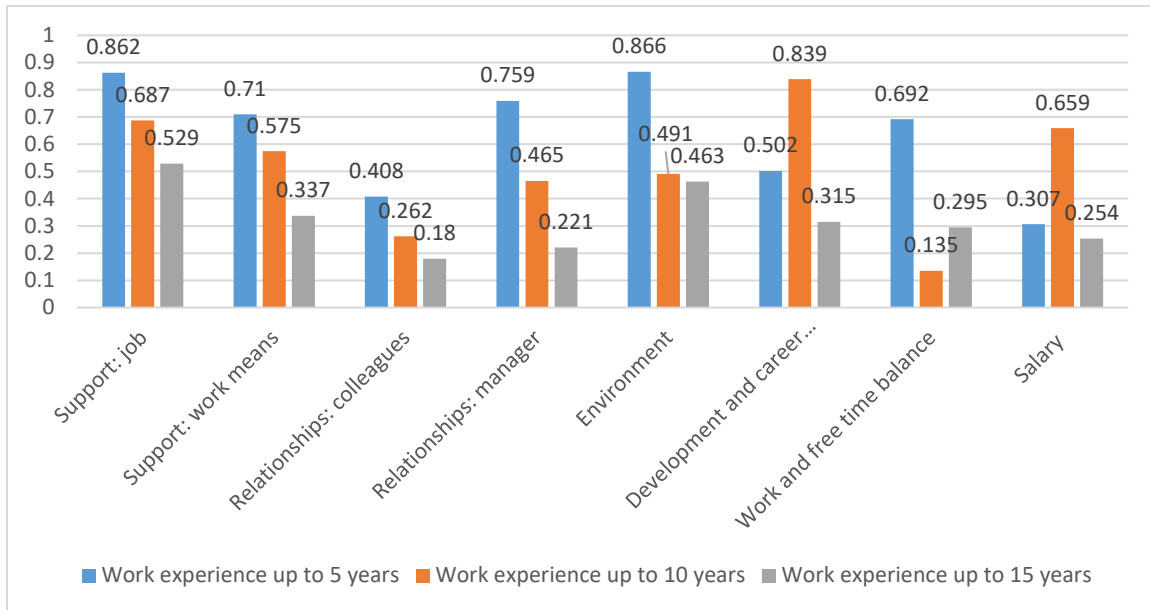


Figure9 Dependence of the correlation coefficient of the factors of employee retention on the time spent in the organisation

From the results of the research, it can be judged that the longer an employee works in the organisation the stronger the link between the employee retention and the retention factors. For the employees who have spent more than 5 years in the organisation, a very strong link occurs with the job factor, environment factor and relationships with managers factor. With the increase of work experience in an organisation, a trend of a strengthening link is noticed across all factors, except reward and development and career opportunities. This can be explained by the fact that in the space of one year, employees get used to an organisation and start searching for development and career opportunities. It is evident, therefore, that reward correlation increases. The research results show that employees with such work experience can sacrifice their work and free time balance for career or reward. For the employees who work in an organisation for the first year, only the job itself has an average link, all the other factors have a weak or a moderately weak link. This can be explained by the fact that the employees who have just started their work mostly pay attention to the work itself and other factors strengthen over time.

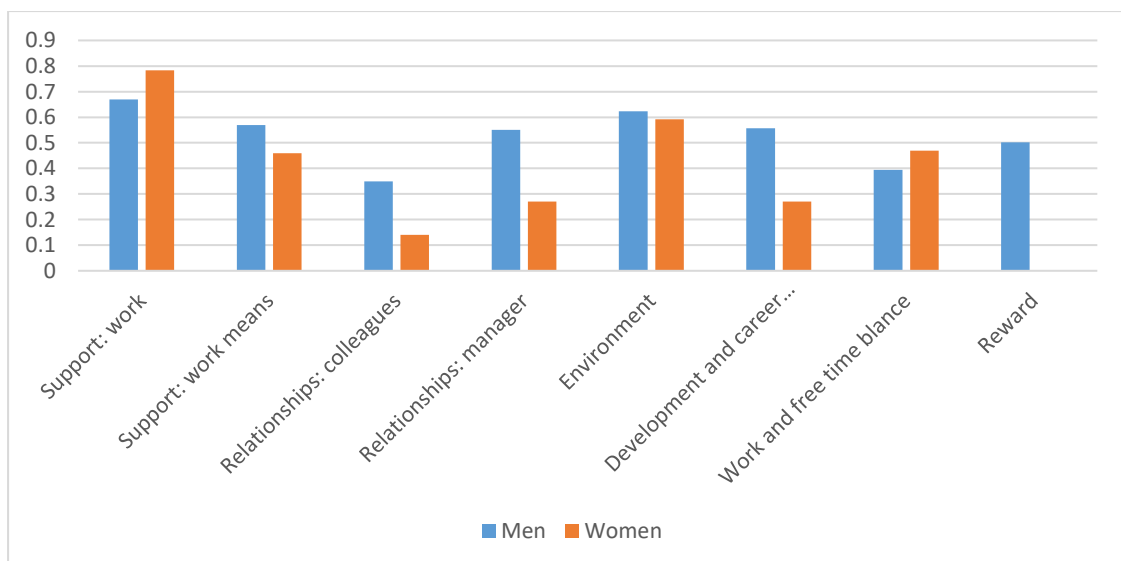


Figure10 Coefficients of factors correlation of men and women retention



For both women and men there is a strong link between employee retention and job factor, as well as environment factor. For women, the links between retention and reward, relationships with colleagues and managers, and development and career opportunities are much weaker. The link of just two factors is stronger with women retention than with men. The factors are the work itself and work and free time balance. It is natural that for women it is more important to have a flexible work schedule and an opportunity to match work with family life.

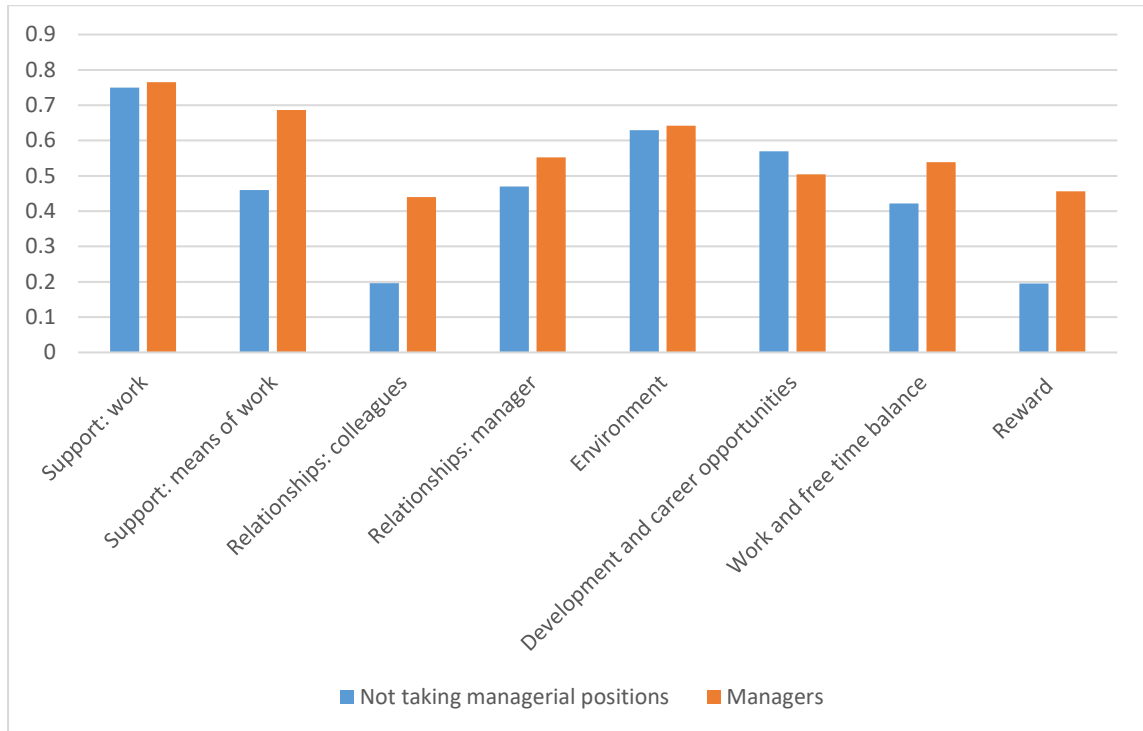


Figure11 Coefficients of factors correlation of men and women retention

The analysis of the research results determine that the majority of factors are equally important for both managers and those employees who do not occupy managerial positions. For managers, reward, work and free time balance are more important and the biggest difference is in the relationships with colleagues. Relationships with colleagues and managers are more important for managing employees because when doing a management job the need to communicate with colleagues and managers is bigger.



Practical Human Resource Management Tool

Figure 12 presents a form of employee assessment, which can help to find out the needs of your employees.

<u>Employee information</u>			
Employee name		Assessment title	
Suggestion		ASSESSOR TITLE	
The last date of assessment		The date of this day	
<u>Your position</u>			
<u>Qualities</u>			
Have you ever thought of changing your job?	Yes/no		
What makes you think about searching for another job?			
What would motivate you to stay in this job?			
Relations between colleagues			
Higher salary than in other companies			
A company car			
Given bonuses			
Work at home			
A more flexible work schedule			
Training at work			
Health insurance card			
Given additional work			
Shorter working hours			
Reduced workload			
Gifted trips to foreign countries			

Figure12 Employee assessment form



Below are the means for implementing every employee retention factor, starting from the strongest link.

Work. Work must provide employees with the opportunity to realise their creative abilities, and it must be interesting and challenging. Employees have to be given independence when doing their job, work must be adapted to the abilities and talents of employees, responsibilities have to be clearly distributed, deadlines for work completion have to be set realistically, and employees have to be involved in the decision-making process.

Environment. The main aim when forming a work environment is to make it so pleasant that employees want to come to work. Positive communication, honesty, and the development of a family-friendly feeling have to dominate in the organisation. An employee must feel secure in his/her role in an organisation. Employees want to work in good organisations and to know the aims of those organisations, therefore it is necessary to take care of the image of an organisation and to communicate its mission, vision and aims to its employees.

Means of work. Work means have to provide the opportunity to work productively and to do one's job well. It can be attributed to hygienic factors, but good means of work are also a motivational factor to employees, therefore it is necessary to encourage the use of the newest technologies, and invest in the modernisation of hardware and software.

Development and career opportunities. The following means can be used for employee training: seminars, conferences, trainings on mastering new technologies, scientific holidays, studies in universities, personal help in a workplace, expert training, training in other organisations. Employee promotion opportunities: internships, studies abroad, transfer to another division of an organisation, transfer of duties, career ladder.

Relationships with managers. The best option would be that a leader is a professional. A manager has to give a feedback on the work done. Managers have to exchange information with their subordinates and encourage them to develop.

Work and free time balance. Flexibility at work can be given when setting a flexible work schedule, providing the opportunity to work from home and dress in a free style. Work and free time balance can be improved through the provision of additional services in the workplace: catering, libraries, wellness complexes, health care services. Organisations can help take care of dependents (children, parents).

Reward. Reward is a hygiene factor and it is most important that it is externally competitive and internally fair to ensure its link with employee retention will be totally low. If a reward is not competitive or is unfair, the idea of an employee retention policy has not even been considered because one of the hygiene factors is not satisfied. Means of reward can be as follows: bonuses depending on work results, shares in an organisation – it is an especially applicable method when an organisation is being established, investment funds, life insurance, pension funds, days-off, additional holidays, discounts for purchases or services, subscribing to wellness complexes etc.

Relationships with colleagues. Relationships with colleagues can be improved when setting team goals and rewarding for their implementation, through intensively communicating and exchanging information when organising regular meetings, and creating sense of community (common goals, emphasising values, informal communication).

When generalising, it can be stated that in order to retain the best employees it is necessary to follow the process of an employee retention policy and to choose an employee retention strategy that suits



your organisation. It is also necessary to select an appropriate employee retention model for the implementation of the strategy, as well as to use the means for the implementation of the model factors.

Conclusion

The results of the research reveal the problems related to staff turnover and its retention. After analysing the surveys and after getting acquainted with the “Limarko” company, it can be concluded that the longer an employee works in an organisation, the stronger the link between employee retention and retention factors. For the employees who have spent more than 5 years in an organisation, a very strong link exists with the job factor, environment factor and relationships with managers factor. For the employees who have worked in an organisation for the first year, only the job itself has an average link, all the other factors have a weak or a moderately weak link.

Almost all factors are equally important for both managers and for employees who do not take managing positions. Only several differences have been determined. For managers, reward, work and free time balance are more important and the biggest difference is in the relationships with colleagues. Relationships with colleagues and managers are more important for managing employees because when doing a management job, the necessity to communicate with colleagues and managers is bigger. The link of just 2 factors is stronger with the retention of women than with men. The factors are the work itself and work and free time balance. It is natural that for women, it is more important to have a flexible work schedule and an opportunity to match work with family life. Retention of women is much less related to reward, relationships with colleagues and managers, as well as development and career opportunities.

Reflections on HRM in EU SMEs

The case study has revealed that employee retention methods should vary depending on employee work experience, the position that they occupy and their gender. In other words, it is very important for a company to plan employee retention individually for every employee, instead of planning globally for the entire company hoping that a universal employee retention plan will suit everyone. Since the employee retention problem is relevant to other EU SMEs as well, it is worth paying attention to the results of this research and to allocating resources to plan for individual retention of key employees.



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