

# A THEORETICAL ANALYSIS OF THE BRIEF FACTORS INFLUENCING FACULTY RETENTION IN SELF-FINANCING COLLEGES

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## Abstract

*Self-financing colleges are in a faculty crunch, there are so many causes for the faculty members to leave the colleges. Theory of organization equilibrium by March and Simon is one among the oldest model of employee turnover. This article mainly deals with the updations of this theory. Taken together the different models stated here is thought to reflect many of the potential influences on employee retention. This article will help to make the necessary measures to retain the employees. This will certainly bring down the causes for employee turnover and helps the management to reduce the employee turnover level mainly in self-financing colleges.*

**Key Words:** *Employee attrition, employee retention, employee turnover, Organizational Equilibrium, Self-financing colleges.*

## Introduction

India's higher education system is the third largest in the world, next to the United States and China. (Annual Report, MHRD 2006-07), (MHRD, 2015) The main governing body at the tertiary level is the University Grants Commission, which enforces its standards, advises the government, and helps coordinate between the centre and the state. Accreditation for higher learning is overseen by 12 autonomous institutions established by the University Grants Commission (2015). Besides various government initiatives, the role of the private institutions in the development of education industry in India cannot be denied. Now with the sudden spurt

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in the number of private colleges/institutes/universities providing professional education in the recent past has resulted in the increased demand for highly qualified professionals in the market. Thereby, a large number of faculties are required by these institutes for their curriculum development and academic deliverance. Again, the lucrative opportunities available in the corporate sector exert a pull on the existing faculty towards the corporate career from academic profession. This creates a void at various levels in the existing institutes to be filled in. The occupational migration of faculty from academics to the core industry, the additional faculty requirement of the existing institutes for newly introduced programmes and the faculty required for the newly established college's altogether creates an immense demand for faculty. This high demand and low supply is resulting in faculty crisis in the country, especially in self-financed institutions. In this context faculty turnover has a serious impact on the institute and its reputation thereby resulting in the increased costs both direct and indirect. The biggest challenge for every institution is to ensure that the faculty attrition rates are kept within the permissible limits. Employee retention is a complex issue facing numerous organizations today (Rice & Goessling, 2005) With our aging population, labour shortages and unemployment rates going toward all-time lows, attracting and maintaining top talent is becoming a significant concern for many employers (Kaye and Jordan, 2003). The three pillars of any higher education institution are: quality of faculty, infrastructure facilities and learning environment. With the increasing demand-supply gap, organizations are facing immense war for talent. Like business and industry, education field too is discovering the need for talent so as to meet the new quality standards demanded by the society and is also facing

leadership crisis. While most higher education institutions, especially professional institutes and colleges are able to develop the needed skills in students for success in the working world, experience shows that the management of upcoming technical and management institutions has failed to be just and fair in the treatment with their faculty members, leading to high faculty turnover. (Maheshwari, 2012) Studies have shown that many factors influence employee retention and morale; these include effective communication, employee recognition and an environment that inspires learning, creativity, innovation, flexibility and learning (Beck, (2001), Kaye and Jordan, 2003, Rice and Goessling, 2005)

India is the single largest provider of global talent, with one in four graduates in the world being a product of the Indian system (Nikhil, 2013). One in four employees in the organized sector in India is set to switch jobs, the highest attrition rate globally, according to a Hay Group study (Kaur, 2013) The series of fresh investments planned across sectors could raise demand for talent even as economic conditions remain tepid, raising concerns on employee engagement and retention. In educational institution 'employee retention policies' play an important role. The self-financed Courses are run and financed by the college management itself. The self-financed courses do not get any government funding. Therefore, it is required to study, that how the college management attracts the best lecturers and tries to give them fair returns. Again, it is required to study the perception of the lecturers and accordingly the colleges can follow the different strategies to retain the existing staff and reduce the employees' job turnover. This has become the big challenge for the colleges because of increasing competition and the changing government rules and regulations. Employee attrition is one among the major challenge faced by

the self-financing colleges in Kerala. Turn over highly affect the performance of the students also. In this study the researcher analyses whether monetary benefits are the only reason for the faculty members to retain in an organization.

Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Every organization invests time and money to groom a new joinee, make him a corporate ready material and bring him at par with the existing employees. The organization will be completely at loss when the employees leave their job once they are fully trained. Employee retention takes into account the various measures taken so that an individual stays in an organization for the maximum period of time. Employees today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees.

The process of employee retention will benefit an organization in the following ways:

**The cost of turnover:** The cost of employee turnover adds hundreds of thousands of money to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.

**Turnover leads to more turnovers:** When an employee is terminated, the effect is felt throughout the organization. The unspoken negativity often intensifies for the remaining staff.

**Goodwill of the organization:** The

goodwill of organization is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization. Regaining efficiency: If an employee resigns, good amount of time is lost in hiring a new employee and then training an employee and this goes to the loss of the company directly which many a times goes unnoticed. And even after this companies cannot assure us of the same efficiency from the new employee. (Akila ,2012)

### **Employee Retention**

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace. Get Les McKeon defined employee retention as a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that addresses their diverse needs. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Not too long ago, companies accepted the “revolving door policy” as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, businesses often find that they spend considerable time, effort, and money to train the employees only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so that they have less of a desire to leave in future. But today the Corporate are facing a lot of problems in employee retention. Hiring knowledgeable people for the job is essential for an

employer. But retention is even more important than hiring. There is no dearth of opportunities for talented person. There are many organizations which are looking for such employees. If a person is not satisfied by the job he is doing, he may switch over to some other more suitable job. Replacement costs usually are 2.5 times of the salary of the individual. The costs associated with turnover may include lost customers, business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring, and training the new

Employee just to get back to where you started. In today's environment it becomes very important for organizations to retain their employees.

**Why is Retention so Important?** Is it just to reduce the turnover costs? It's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of employee retention will benefit an organization in the following ways:

1. **The Cost of Turnover:** The cost of employee turnover adds hundreds of thousands of dollars/rupees to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.
2. **Loss of Company Knowledge:** When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation

of a future return. When the employee leaves, the investment on him is not realized.

3. **Interruption of Customer Service:** Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that he built for the company are severed leading to potential customer loss.
4. **Turnover leads to More Turnovers:** When an employee terminates his employment relations, the effect is felt throughout the organization. Coworkers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.
5. **Goodwill of the Company:** The goodwill of a company is maintained when the attrition rates are low. Lower retention rates motivate potential employees to join the organization.
6. **Regaining Efficiency:** If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this adds to the loss of the company directly which many a times goes unnoticed. And even after this one cannot assure us of the same efficiency from the new employee.

### **Theory of Organizational Equilibrium**

Decades ago, March & Simon (1958). Introduced their landmark theory of organizational equilibrium, positing that job satisfaction reduced the desirability of moving, thus reducing employee turnover. One of the earliest models of turnover is March & Simon's (1958) theory of organizational equilibrium, in which the authors proposed that desirability of movement and ease of movement are the two main drivers of employee turnover. Desirability of movement is commonly defined by the

individual’s satisfaction with the job, whereas ease of movement generally reflects perceived or actual job alternatives in the external market. Viewed from the perspective of retention, the model suggests that employees will be more likely to stay when they are satisfied with their jobs and believe that there are few alternatives available. Hence, job satisfaction and lack of alternatives are included here as two important factors in employees’ decisions to stay described in the Table below, many of the subsequent theories of turnover/retention have built upon the satisfaction/alternatives framework outlined by March and Simon

<b>Retention factor</b>	<b>Definition</b>
<b>Advancement opportunities</b>	<b>The amount of potential for movement to higher levels within the organization</b>
<b>Constituent attachments</b>	<b>The degree of attachment to individuals associated with the organization such as supervisor, co-workers, or customers</b>
<b>Extrinsic rewards</b>	<b>The amount of pay, benefits, or equivalents distributed in return for service</b>
<b>Flexible work arrangements</b>	<b>The nature of the work schedule or hours</b>
<b>Investments</b>	<b>Perceptions about the length of service to the organization</b>
<b>Job satisfaction</b>	<b>The degree to which individuals like their jobs</b>
<b>Lack of alternatives</b>	<b>Beliefs about the unavailability of jobs outside of the organization</b>
<b>Location</b>	<b>The proximity of the workplace relative to one’s home</b>
<b>Non-work influences</b>	<b>The existence of responsibilities and commitments outside of the organization</b>
<b>Organizational commitment</b>	<b>The degree to which individual’s identity with and are involved in the organization</b>
<b>Organizational justice</b>	<b>Perceptions about the fairness of reward allocations, policies and procedures and interpersonal treatment</b>

**Description and Definitions of Retention Factors**

<b>Organizational prestige</b>	<b>The degree to which the organization is perceived to be reputable and well-regarded</b>
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Note: Several definitions in this table are adopted from Price & Muller(1981) and Steers(1977)

Porter, Steers, Mowday & Boulian, (1974) introduced one of the first major updates to the March and Simon model, and asserted that a variety of work-related and personal factors were important precursors of turnover. From the standpoint of explaining why employees stay, five dimensions from their model are relevant to this study, and are thus included in Table 1. Two of these dimensions, extrinsic rewards (e.g., pay, benefits) and advancement opportunities, should be related to staying because employees are sensitive to receiving fair rewards for their efforts and may leave when opportunities to receive greater rewards exist elsewhere. A third factor, constituent attachments, in the form of effective supervision and positive peer group relations, should also be related to retention. Porter and Steers reviewed evidence from previous research showing higher turnover among employees when supervisors had treated them poorly, displayed low levels of consideration behaviours, or did not meet their needs regarding feedback and recognition. Additionally, co-workers may influence retention because they can provide support and encouragement to employees to help them adjust to the work environment, thereby facilitating attachment to the organization. Fourth, Porter and Steers suggested that employees are more likely to stay as they build longer tenure with the organization (because of seniority related perks or other valued outcomes), a notion that may be labeled here as investments. Finally, non-work influences such as family responsibilities were mentioned as another factor that may be related to employee retention, which has since been expanded to include a variety of ties to one’s community, family, and other

life activities outside of work (Mitchell, Holtom, Lee, Sablinski, & Erez, 2001).

Several years later, Mobley and his colleagues offered a revised framework that specified many of the factors discussed above (e.g., pay, promotion, supervision), but also included several new dimensions that could influence retention (Mobley, Griffeth, Hand & Meglino, 1979). In terms of work attitudes, job satisfaction was viewed as the primary determinant of quit intentions in their model, and the authors were also among the first to discuss the role of organizational commitment in turnover decisions, which was defined in earlier work as an “individual’s identification with and involvement in a particular organization” (Steers, 1977). The authors suggested that committed employees are expected to remain because they believe in the goals and values of the organization and are willing to exert effort on its behalf. Since that time, and along with job satisfaction, organizational commitment represents one of the most widely studied antecedents of turnover (Griffeth, Hom & Gaertner 2000)). Thus, Mobley et al. and others reinforce the value of several dimensions included here, and were among the first to recognize organizational commitment as an important retention factor. (Price and Mueller, 1981) presented an updated model that encompasses many of the earlier retention factors while introducing several new ones. Drawing from earlier perspectives, job satisfaction and perceived alternatives were considered proximate causes of decisions to stay, whereas pay, promotional opportunities, constituent attachments, kinship, and organizational commitment were included as distant influences. One important addition to the model was distributive justice. Drawing from the developing literature on equity theory at that time, the authors suggested that employees would be satisfied (and thus

more likely to stay) if they felt that the outcomes they received reflected the effort and other inputs that they had invested. More recently, organizational justice has been defined more broadly to include fairness perceptions related to outcomes, procedures, and interpersonal interactions, which have been shown to be related to employees' decisions to remain with their employer (Aquino, Griffeth, Allen, & Hom,(1997)). A handful of other explanatory constructs have emerged in the retention literature since the earliest models were introduced. First, a number of organizations have offered employees flexible work arrangements in order to accommodate different employee preferences regarding when (and where) they perform their work (Baltes, Briggs, Huff, Wright, & Neuman, (1999). Dalton and Mesch, (1990). These programs typically involve alternative work hours and/or compressed scheduling and are often established with the goal of reducing tensions between competing work and non-work demands. Second, Muchinsky and Morrow (1980).introduced the notion of organizational prestige as a potentially important retention factor. This dimension is similar to definitions of company reputation (Fombrun and Shanley(1990)), and also reflects the more recent effort by organizations to attract and retain talented employees by becoming an "employer of choice", which often involves communicating and emphasizing the positive features of working for a particular organization to current and potential employees Branham,(2005).

Finally, the location of the workplace has been investigated in relation to withdrawal behaviors such as absenteeism, although few studies (if any) have empirically examined location effects on turnover. Research reveals positive associations between distance to work and absence (Muchinsky,

1977; Scott and McClellan, 1990), perhaps because longer commute times are a source of stress and limit the ability of employees to attend to non-work responsibilities. In the context of retention, living close to work can be viewed as an influence that promotes job embeddedness (Mitchell et al., 2001) or perhaps continuance commitment (Hrebiniak and Alutto, 1972), as employees may have to relinquish a favorable commute if they were to leave the organization. Taken together, the content model developed here is thought to reflect many of the potential influences on employee retention. Early contributions in this area emphasized job satisfaction and perceived alternatives, followed by models that featured extrinsic rewards, advancement opportunities, constituent attachments, investments, and non-work influences. More recently, organizational commitment, organizational justice, flexible work arrangements, organizational prestige, and location have been viewed as potentially important determinants of employees' decisions to stay.

### **Conclusion**

The number of self-financing colleges is increasing day by day. The reason why so many self-financed colleges have been opened in the recent years, with the newer branches is due to the demand for the technology. The government cannot afford the funding for such colleges so they are boomed as self-financed colleges and universities. AICTE, UGC and other governing bodies are giving permission for setting up a new colleges. The doors of technical education was thrown open to a very large number of students in a short span of time, as a result of widespread mushrooming of self-financed colleges. This has resulted in a fall in standards of instruction. One reason for such a fall in the standard of instruction is the turnover of the teaching faculty. There are many factors which affect the teacher turn

over. So retain the teachers is that important to improve the quality of education

This article will help to make the necessary measures to retain the employees. This will certainly bring down the causes for employee turnover and helps the management to reduce the employee turnover level. To reduce the employee turnover rate the colleges has to concentrate more on working condition and Safety measures. Therefore, it leads the organization to retain their employees .The role of the teacher is extremely crucial in the context of education being the best instrument of change and nation building. To play his role more effectively, the teacher faces a greater challenge today than at any time in history.

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