

- SECTION STRATEGIC MANAGEMENT –

HOW THE COMPANIES KEEP THEIR VALUABLE EMPLOYEES. AN EMPIRICAL STUDY

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Abstract:

Employees will leave organizations if they are not happy with various factors related to the company. Regarding the main reasons why employees leave, we can mention: lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership and dysfunctional work cultures.

In this context, a coherent compensation and benefits system is considered one of the main advantages of an interesting job offer and has the purpose not only of bringing talented employees to the company but also of keeping them as long as possible. However, as long as a system, as good as it looks from the outside, is not adapted to the needs and specific nature of each business, it can be a simple waste of resources.

The present paper work aims to identify and analyze the compensation and benefits system implemented within one of the largest retail networks in Romania and prove that a possible solution for keeping the valuable employees is to have an adapted C&B system to the needs and specific nature of this business.

Key words: *compensation, motivation, satisfaction, performance*

JEL Classification: M12, M50, M52

INTRODUCTION

It has been suggested that employees will leave organizations if they are not happy with various factors related to the company. There are several main reasons why employees leave: lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership and dysfunctional work cultures. All these factors are closely related to HRM practices and therefore, a good understanding of the relationship between HRM practices and employee retention will help organizations make the correct decisions in achieving business results while maintaining an optimum level of resources. In our opinion, this is crucial to ensure scarce resources are spent correctly and wisely and a safe, harmonious workplace is sustained to encourage employees stay employed in the organizations.

LITERATURE REVIEW

Designing an appropriate compensation and benefits program has the ability to achieve employee satisfaction and employee retention, as it comprises of financial and non-financial rewards that attract, motivate and satisfy valuable human capital, retaining effective performers as the compensation system recognizes desired behavior towards aiding competitive advantage of the organization (apud Osibanjo & all).

Most importantly, compensation does not only influence hiring and retention decisions, but it is also important to align employees' interest with organizational goals by designing and providing rewards for meeting specific goals assigned to them. (Johari & all)

Seen as a cumulative financial and non-financial rewards payable to employees in return for their services, compensation system is usually based on the value of job, level of

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personal contributions, efforts and performance. At the organization level, compensation is critical in attracting, retaining and motivating the employees to continue contributing towards organization's success. The reason being is that compensation is important to influence individuals' choice to work with an organization. Many organizations use the compensation system to reward and recognize employees' efforts and contributions and also as a motivation tool to improve employees' productivity (Abrudan, 2010).

Used in addition to the base pay and salary, the benefits an employee receives are getting more and more attention. The money might still be the number one reason people will choose a company over another, but the benefits he receives have the potential of offering more rewarding experiences for that employee.

There are many ways an employee could receive benefits, and it is recommended that the benefits will be offered on a flexible base, from which people can choose what best fits their lifestyles: housing, group insurance which can cover health insurances, dental insurances and life insurances, daycare (some companies even have the company kindergarten where the parents can leave the child while at work), sick leave, paid vacation, professional trainings.

According to the most widely used pay programs, the key dimensions which the managers must take in consideration for a suitable compensation package are: payment method, the frequency of payouts, the nature of the performance measure and who is typically covered under the different plans (Gerhart & all).

Table no.1-Comparison of different pay programs

	Individual Incentives	Merit Pay	Merit Bonus	Gainshairing	Profit Sharing	Ownership	Skill Based Pay
Payment Method	Bonus	Changes in base pay	Bonus	Bonus	Bonus	Equity Changes	Changes in base pay
Payout Frequency	Weekly	Annually	Annually	Monthly or quarterly	Semi-annually or annually	When stock sold	When skill required
Performance Measurement	Output, productivity, sales	Performance rating	Performance rating	Production or controllable costs	Profit	Stock value	Skill acquisition
Coverage	Direct labor	All employees	All employees	Production or service unit	Total organization	Total organization	All employees

Source: Gerhart & all, Employee compensation: Theory, practice and evidence

In compensating employees, an organization does not have to choose one program over another. Instead, a combination of programs is often the best solution. For example, one program may foster teamwork and cooperation but not enough individual initiative. Another may do the opposite. (Gerhart B & all)

- Compensation and benefits system – illustrative cases

A coherent compensation and benefits system is considered one of the main advantages of an interesting job offer and has the purpose not only of bringing talented employees to the company but also of keeping them as long as possible. However, as long as a system, as good as it looks from the outside, is not adapted to the needs and specific nature of each business, it can be a simple waste of resources.

EX: At Xerox, the salary package is set after the following criterions: the level of experience, competence and qualification of the employee, performance in the fulfilling of the objectives, the job's responsibilities, the salary package offered by the competition or other international companies in Romania. There is a formal procedure of salary reviewing, once a year, considering all these criterions.

EX: The employees who work in middle management at Henkel can benefit by the following: meal tickets, cooling drinks, transport subvention, social activities, subvention for sports activities, gifts for special occasions, substantial discounts for company's products, subscription for medical services.

- Creative and competent employees are the key to Henkel's global success

The company's human resources strategy focuses on attracting the best junior managers, offering them attractive career perspectives and actively developing their skills. This is based on international training programs, systematic knowledge management and innovative coaching methods.

RESEARCH METHODOLOGY

The present paper work aim is to *identify some aspect regarding compensation and benefits system* implemented within one of the largest retail networks in Romania: PROFI ROM FOOD Ltd.(<http://www.profi.ro/>) and prove that a possible solution for keeping the valuable employees is to have an adapted C&B system to the needs and specific nature of this business.

To achieve this purpose, the objectives of this research study are:

- Identifying the motivational factors for employees;
- Identifying the salary and non-salary techniques of employees motivation;
- Evaluating the working environment and the organizational climate.

The research method is based on a questionnaire survey. As a research tool was used the questionnaire, which contains a set of 15 questions. The data was collected from 27 employees belonging to the HR Department at Profi Food Rom Ltd., Timisoara. It can be mentioned that the 27 respondents representing 90% of the total number of the employees from the HR Department, where they carried out the investigation. Data processing was done using Excel in Microsoft Office.

DATA ANALYSIS AND OBJECTIVE

After analyzing the data and interpreting the results, were found interesting aspects in the structure of employees in the company:

- The majority surveyed subjects fall into the age category between 18-30 years or 36-40 years old which means that in this company both people mature and young are encouraged and supported to professional development;
- In the HR Department, most of the employees are female respondents (93%),
- According to the level of education among those surveyed show that the employees within Profi Timisoara have a master degree or a bachelor degree. An important thing is the fact that Profi Timisoara encourages the hire of bachelor graduates or students, without a certain labor experience;
- Concerning the labor seniority, 60% of the employees are present on the labor market for more than 5 years, 12% between 3 and 5 years and 28% of them started working for between 1 and 2 years or less than 1 year.

To highlight how employees perceive the company's compensation and benefits system and if they are satisfied with it, we will present interesting results obtained at PROFI ROM FOOD Ltd. Timisoara (selected questions).

Question: Are you satisfied with the salary package you beneficiate of? Yes/ No

Regarding the answers gave to the question: *Are you satisfied with the salary package you beneficiate of?*, most of the investigated employees (81,5%) are satisfied with the salary package they beneficiate of, while just 18,5% of them are not satisfied with their salary package.

Question: The earnings I have motivate me

- a) *Totally agree*
- b) *Agree*

- c) *Neutral*
- d) *Disagree*
- e) *Totally disagree*

According with the statement *The earnings I have motivate me*, if 56% employees tend to agree with the statement, 30% of them agree with it totally. However, there are 14% of them who are neutral and against it as well.

This answer is important because it shows us that a key motivational factor for the employees from Profi Rom Food Ltd. Timisoara is earning (the money obtained in return for labor or services).

Question: My boss appreciates me correctly every time

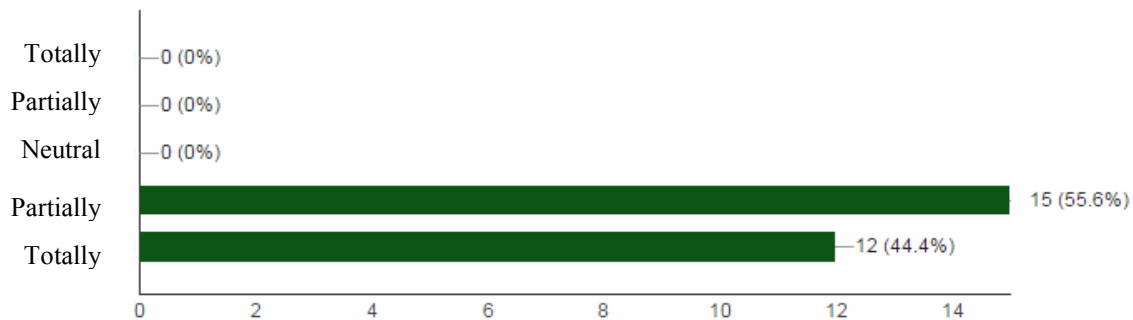


Fig. no.1-Correctly appreciation from perspective of the boss

Regarding the statement “My boss appreciates me correctly every time”, how much do you agree with it?” almost 56% of the employees are partially agree, whereas 44% of them are totally agree with this statement, as it can be seen in Fig.1.

Question: Which benefits are included in your salary package?

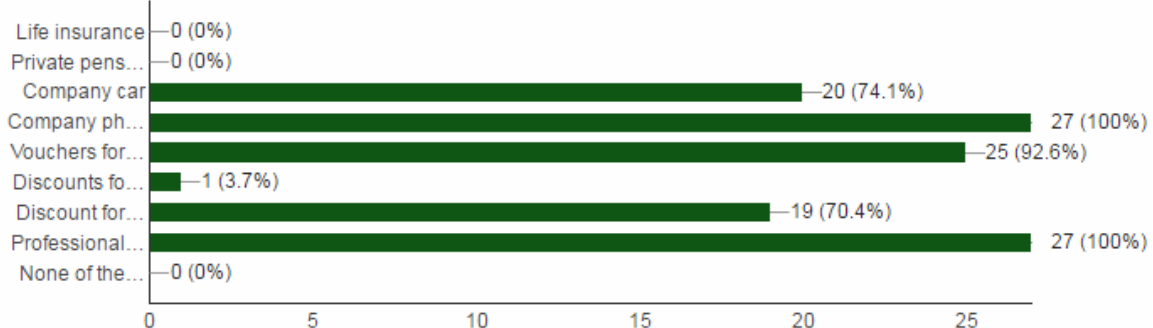


Fig. no. 2-Benefits included in the salary package

As it is seen in Fig. 2, almost all the employees have many benefits included in their salary package.

In their salary package are included benefits such as: company car, company phone or free telephone services, vouchers for partner companies, professional trainings and discounts to auxiliary services (gym pass, travel agencies etc.).

Regarding the statement: *I think I have to be remunerated more for my work*, all the subjects think that they have to be remunerated for their work, agreeing with this statement and it caring about this right that belongs to them.

According to the following statement: *I would not leave the actual work place for another one better paid*, most of the employees (82%) feel satisfied with their workplace, so that they wouldn't leave it for another one better paid. However, there are 8% of them who are not satisfied and would leave their actual workplace as soon as they will get a better job offer. 10% are neutral.

Hence, it can be that the employees opinions tend to be slightly different.

FINDINGS

The objectives established in the research have been met.

Objective 1: Identifying the motivational factors for employees

The earnings are a key motivational factor for the employees from Profi Rom Food Ltd. Timisoara and the compensations and benefits policy adds to the overall satisfaction.

Objective 2: Identifying the salary and non-salary techniques of employees motivation

In Profi Rom Food HR Department, the salary method of employees motivation for performance is based on wage. The employee's perception regarding salary is that is satisfying their expectation in most of the investigated subjects but there are some employees who doesn't agree this.

Regarding the non-salary motivational factors which can motivate the employees from Profi they are: company car, company phone and telephone services, vouchers to partner companies.

Objective 3: Evaluating the working environment and the organizational climate

More than 70% of the employees state that they are satisfied with their working environment and they would not leave the firm for a bigger salary at another company. This is important for our conclusion regarding the compensations and benefits policy implemented by Profi Rom Food Ltd.

CONCLUSION

Profi Profi Rom Food Ltd. manages their compensations and benefits policy really well. Although most of their employees are happy with what they receive, there are some minor places where things could go better.

In Profi employees need to feel that their contributions to the organization are valued.

Profi Rom Food Ltd. know that to keep employees in the company, they need to feel as a part of the organization because here they find a good working environment, a workplace which provides an image of the day to day lives of people who come to work, do their jobs and live within the framework of company regulations.

Profi's employees expect at least a core benefit package healthcare, pensioned and paid leave and managers who do not provide a benefit is facing a problem to hire qualified employees.

Regarding the main reasons why employees leave, we can mention: lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership and dysfunctional work cultures.

In this context, a coherent compensation and benefits system is considered one of the main advantages of an interesting job offer and has the purpose not only of bringing talented employees to the company but also of keeping them as long as possible. However, as long as a system, as good as it looks from the outside, is not adapted to the needs and specific nature of each business, it can be a simple waste of resources.

Profi Rom Food Ltd. understand this, in addition realizes that the benefits of a company who offers a fair balance between the payment system and the compensations and benefits are multiple.

The present paper work identified some aspects regarding the compensation and benefits system implemented within PROFI ROM FOOD Ltd., one of the largest retail networks in Romania- and prove that a possible solution for keeping the valuable employees is to create and develop whenever needed an adapted C&B system to the specific nature of this business, a C&B system which must include: competitive salaries, comprehensive benefits, incentive programs- within increase employees' commitment and satisfaction.

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