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## **Employee retention management in the context of situational leadership<sup>2</sup>**

### **INTRODUCTION**

Today's high employee turnover affects most modern organizations. They incur considerable costs for the recruitment and training of employees who, after some time, move to other companies. In order for an organization to maintain its significant market position, it must develop the ability to retain the employees for a long time. This applies primarily to key employees with high competences essential for the effective achievement of organizational goals.

Organizations undertake many activities aimed at identifying the reasons for employees leaving, as well as seeking ways to retain them. The problem of retention of employees with high potential and competences has still not been sufficiently resolved. The specificity of external conditions for the functioning of enterprises is not conducive here as it is determined by chaos, non-linearity, turbulence, and unpredictability (Sarnecki, 2019). These features determine the current organizational reality. Knowledge of the mechanisms of navigating this reality is a secure platform for competitive advantage, including the mechanism of key employee rotation and retention management. Nevertheless, should it be shaped based on the existing linear way? Since the modern world and the environment of the organization are not linear, and even are characterized by unpredictability, what should then be taken as a determinant of such an employee retention management mechanism?

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<sup>2</sup> The publication was financed from the subsidy granted to the Cracow University of Economics.

The article assumes that under current conditions, it is the situational approach to employee management that can affect a longer attachment of workers to an organization. The idea of flexible managerial adaptation towards current determinants of situations contained in the situational management model, may be an excellent response to the variability and unpredictability of operating conditions. Flexible adjustment of the scope of employees' autonomy to their competences and professional experience may contribute to a stronger identification with the employing organization. The main goal of the considerations in this thesis was to verify the significance of the analyzed factor for building the involvement and retention of employees with high potential, based on other similar studies. The issue of employee retention in modern organizations has been presented, including the main reasons for leaving and ways of retaining employees in the organization. The essence and assumptions of the situational management model were characterized. Next, the impact of the situational approach in management on the retention of key employees was also analyzed, which allowed for referring to the practical solutions applied and proposing some modifications.

#### EMPLOYEE RETENTION AS A MANAGEMENT CHALLENGE

Employees are the most valuable and productive resource of any organization. Retention of employees, especially those with high potential, is one of the biggest challenges for modern managers. When employees leave the organization, they take with them knowledge, experience, culture, and a system of values, which are not only a loss for the company but which can also be used against the organization. A high rate of employees leaving the organization also has no positive effect on the company's image and may contribute to creating unfavourable opinions in potential employees and clients. Attention should be paid to the high costs of recruiting and hiring new employees (Merhar, 2016).

The term employee retention is defined in many ways. In general, it means that organizations take various measures to encourage employees to remain within the organization for a long time. The measures used take into account the needs and priorities of employees. Employee retention aims to help the organization achieve its strategic goals by determining the reasons for employees leaving the organization and factors leading to increased employee dissatisfaction, which can directly or indirectly help retain dedicated and loyal employees (Rakhira, 2018). When the retention rate is appropriate, business knowledge, experience, and long-term relationships and knowledge of the organization lead to competitive advantage, an increase in market share, trigger workforce loyalty, and customer satisfaction.

The essential aspect of employee retention, however, is to prevent those most talented from leaving (James, Mathew, 2012), because the competitive

advantage of the organization depends to a large extent on them. In research studies found in the literature on the subject, the authors (Scott et al., 2012) mention talent deficiency caused by the global increase in the importance of talents and the growing global struggle for talents. It is also indicated that the phenomenon of “aging” societies, to some extent, increases the demand for high-potential employees (Kyndt et al., 2009).

Two types of reasons for employees leaving the organization can be distinguished, i.e., voluntary turnover and involuntary turnover (Singh, 2019). The former covers the reasons underlying the decisions taken by employees, which include: the possibility of obtaining higher income, bad relations with the supervisor, family reasons, poor organization of work, dissatisfaction with working conditions, lack of autonomy, etc. The latter type of reasons for employees leaving the organization relates to decisions taken by organizations due to e.g., company restructuring or poor work results achieved by employees (Allen et al., 2010). The problem raised in this article specifically focuses its attention on voluntary turnover, whereby explaining why employees decide to leave an organization.

Research carried out on employee retention (Eldridge, Nisar, 2011; Terera, Ngirande, 2014) allows one to distinguish three types of challenges faced by organizations in the field of employee retention. These are:

- strong competition between organizations in the limited pool of talented employees along with the belief that maintaining a strong market position depends significantly on them,
- migration of some human capital to other countries offering more favourable working and pay conditions,
- organizations are not able to predict the future requirements of employees and thus cannot take appropriate actions to correct/improve employee-organization relationships.

As a consequence of the last of these aspects, there is quite a substantial dissatisfaction of employees with the level of meeting their needs and expectations. Different researchers present different sets of reasons for that dissatisfaction. The findings of C. Sinha and R. Sinha (2012) confirmed not only a large variety in this respect but also showed that factors that are of great importance to employees in one organization might be meaningless in another.

Kumar and Arora (2012) showed in their research that the highest dissatisfaction rates among young professionals (20–25 years of age) relate to the following reasons: slow career growth, poor relationships with colleagues/seniors/superiors, work-life imbalance, undertaking higher education, etc. Dutta and Banerjee (2014) tried to focus on learning about the potential reasons for the employee leaving the job and the problems the organization faces due to high employee turnover. It has been observed that the lack of training, career opportunities, and recognition of

skills lead to a weakening of staff attachment to the organization. In the research of Kossivi *et al.* (2016) aimed at determining the variables affecting employee rotation, more attention was paid to factors such as organizational culture, training and development, and autonomy.

The results of research by Sharma *et al.* (2010) illustrated that in various organizations, there is a wide range of employee retention strategies divided into two categories: monetary and non-monetary strategies. The authors realized that although companies use monetary strategies with great success (incentive, reward, payroll activities), etc., there are also several innovative non-monetary activities. Samuel and Chipunza (2009) conducted a study and observed that internal motivation variables that significantly affected employee retention in both public and private sector organizations included training and development, a sense of belonging to an organization, work safety, demanding/interesting work, and freedom of innovative thinking.

James and Mathew (2012) in their research on employee retention in the IT sector, highlighted the following retention strategies: reward and recognition, training and development opportunities, career planning, flexible working hours, performance evaluation, financial support, mentoring and coaching, etc., and Baruah (2013) expanded the analysis by discussing the importance of factors such as training and development, leadership style practiced in the company, and job security (Das, Baruah, 2013). Training and development is considered one of the most important retention factors, in addition to work performance appraisal (Yousuf, Siddiqui, 2019). In turn, the behaviour of leaders increases the level of job satisfaction.

Mehta *et al.* (2014) tried to learn about practices that motivated and retained staff. According to their observations, there are no established practices that would show how important it is to retain employees and involve them in the organization's activities, as employers place different emphasis on different variables depending on what suits their organization best. Results by Silva, Amorim Carvalho, and Dias (2019) showed that training policy is a significant factor in keeping people in organizations. Other factors characterized by similar indicators include access to development, professional promotion policy, salaries, additional benefits, appreciating good ideas, promoting sustainable life, employee competence, openness of internal communication channels, and lifelong learning. Practiced activities also include job rotation, job enrichment, interviews, participation in decisions, social recognition, etc.

The multiplicity of factors and aspects that directly or indirectly affect employee retention make it a challenging undertaking for an organization on condition that it is a permanent element of its functioning. Managers should integrate retention activities with the overall company strategy and make them visible for human resource management purposes. An in-depth analysis of employee retention factors in a given organization and building appropriate strategies on this basis are essential.

## SITUATIONAL LEADERSHIP

## – A FAMILIAR CONCEPT IN NEW CONDITIONS

Although situational leadership is not a new concept, it has not been sufficiently popularized in modern organizations so far. The situational approach is based on the premise that there is no single best way to manage an organization. A justification for the development of situational direction was presented in the 1960s by H. Sherman (1966), who stated that it is impossible to achieve the perfect structure and order of organizations that would suit every circumstance and event. He noted that different conditions and situations in which recommendations regarding the sphere of organization and management are applied require different actions. Some management methods that are effective in one situation may prove to be unreliable in another. That can be influenced by many aspects that differentiate organizations (Lachiewicz, Matejun, 2012). Sherman stated that the achievements of management science could not include entirely positive or negative patterns of activities, methods, and techniques. The role of managers should be to recognize the conditions and situations in which the use of given tools can bring the most desirable results. The situational approach is characterized by relativism and pragmatism (Peszko, 2002). Relativism manifests itself in the assessment of the organization's activities and functioning in the context of a specific situation, while pragmatism determines the organization's activities by giving them a dimension depending on time and goals, as well as values and the current situation (Kopczyński, 2016). Therefore, the situational approach to management is highly dynamic and requires skillful analysis and adjusting solutions to the current operating situation each time. The situational point of view is to help managers understand differences and circumstances and respond to them appropriately (Schermerhorn, 2008).

The issue of the relationship between external conditions and structural solutions applied by organizations was the subject of research by P. R. Lawrence and J. W. Lorsch (1967), who showed the following relationships:

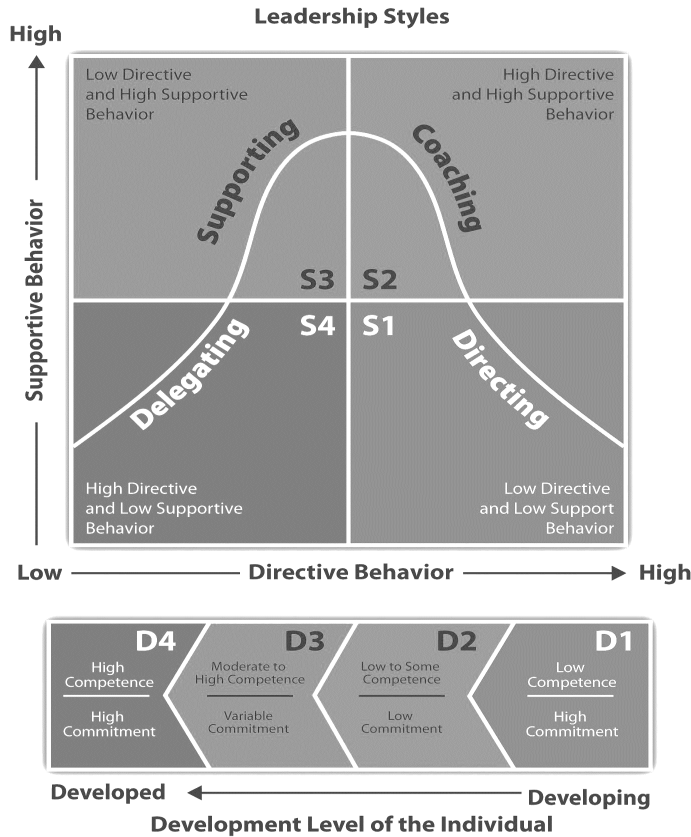
- enterprises operating in unstable and uncertain conditions, function more efficiently if their structures are less formal, decentralized, show significant diversity of tasks and, at the same time, a good matching of elements within the organization,
- enterprises operating in stable and reliable conditions function more efficiently if their structures are more formalized, a greater centralization of decisions occurs with a greater dependence of individual units,
- there are no optimal structural solutions; the best solutions should take into account the features of the current situation (e.g., organization's growth phase, sector of activity),
- the level of stability of the technologies used affects the functioning of enterprises: unstable technological conditions and diversified operations require decentralized organizational forms.

Based on the relationships studied, P. R. Lawrence and J. W. Lorsch (1967) formulated a conclusion according to which traditional organizational structures and formal schemes of operation should be replaced with individualized and adaptive structures adjusted to the current internal and external conditions of the organization's operation. The management goal in this approach is, therefore, to achieve a good adjustment of the organization to the environment and the use of diverse solutions depending on individual tasks and environmental conditions (Morgan, 2002). The good adjustment, however, requires careful observation and analysis of the actual situation; it is assumed to be inductive. The conducted analyses are not about looking for cause and effect relationships, but rather they are manifestations of desirable and undesirable organizational behaviours (Peszko, 2002). It should be noted that the presented characteristics clearly emphasize the practical dimension of the situational approach, whose main message is to show managers the significant complexity of each management situation (Lachiewicz, Matejun, 2012).

Researchers who have significantly contributed to the development of the discussed trend are P. Hersey and K. Blanchard. Based on many years of research, they created the situational leadership model (Hersey, Blanchard, 1977), which is an essential proposition for managers of modern organizations. The authors focused their attention on the approach to employees and proved that there is no one optimal management style, but it should be individually selected, taking into account the employee's professional skills and development needs. The effectiveness of various styles of leader behaviour depends on the degree of employee maturity assessed in the context of the task being implemented (Kozłowski, Piotrowski, 2006). The level of maturity depends on the scope of employee competence and the degree of their commitment. Based on these criteria, they determined the following four stages of employee development:

- initial, determined by low competence and high commitment (R1),
- moderate lower, determined by low/medium competence and low/medium commitment (R2),
- moderate-higher, determined by medium/high competence and variable commitment (R3),
- high, determined by high competence and high commitment (R4).

At individual stages of development, employees need different approaches and styles of managing their work. The situational management model distinguishes four management styles, i.e., directing (S1), coaching (S2), supporting (S3), and delegating (S4). The creators of the concept indicated that as the employee's maturity increases, the management style should be flexibly changed from directing to coaching and supporting to delegating. The essence of the relationship between the level of employee development and the management style is presented in Figure 1.



**Figure 1. Situational Leadership Model**

Source: based on (Blanchard, 2007); <https://feelthebrain.me/2016/12/30/lideres-y-seguidores-planificadores-y-ejecutores/>.

A flexible selection of management style, taking into account the employee’s development stage, means that the employee develops his competence, increases commitment and self-confidence. It should be noted that due to the diversity and variability of tasks, employees can go back to previous stages of development. A manager who flexibly uses the indicated management styles must have a well-developed ability to diagnose a work situation, i.e., recognize the current needs and stages of employee development. Another vital skill is the ability to cooperate for the results, i.e., open communication with an employee about his/her professional problems and the needs associated with the implementation of tasks.

At present, in the era of the growing dynamics and uncertainty of the operating conditions of organizations, the idea of a situational management model assuming that the way of management depends on the situation seems to be particularly desirable. Meanwhile, two styles still dominate in practice – autocratic and democratic. It is



still arguable which is more effective. Analyzing their pros and cons leads to an indication of their varieties or intermediate forms. Usually, the search and analysis process is directed towards demonstrating the superiority of one style over the other.

The situational approach introduces a different way of thinking about employee management. The concept of situational leadership does not look for the answer to the question of which management style is best, but assumes flexibility in the selection of styles. At the same time, high effectiveness of style depends on the adequacy of selection concerning the employee's level of professional maturity. A modern manager must be ever more sensitive to the needs and expectations of employees. The organization's success is strongly linked to economic conditions, but as these conditions are dynamic, the effectiveness of people's actions in the changing reality is even more significant (Szenrok, 2018). The situational approach is an excellent methodology that allows managers to assess both people and tasks accurately in order to choose the right management style.

#### THE IMPACT OF A SITUATIONAL APPROACH ON MANAGING EMPLOYEE ATTACHMENT

In the context of the presented variety of employee retention factors, it is worth considering what role determinants of the situational leadership model can play in this respect. To what extent does research on the subject pay attention to the stages of employee competence development and flexible selection of management style, including creating conditions for professional development, work autonomy adequate to the stage of employee development and freedom of action? To what extent can the use of the assumptions of the situational leadership model increase the effectiveness of retention strategies?

A good basis for analysis in search of the answers to the above questions is the list of factors of particular importance for the retention of talented employees created by Singh (2019). To sum up the author's considerations, attention should be paid to:

- creation by the organization of the opportunity for employees to critically assess working conditions,
- effective interpersonal, group, organizational and intercultural communication that strengthens the employee's identity and creates an open and trusting work environment,
- remuneration and other material benefits. Although this trend is gradually changing, almost 30% of employees still indicate this factor as the reason for leaving the organization (Kumar, Arora, 2012),
- responsible leadership based on three components: (1) ethical culture of stakeholders, (2) honest personnel practices, (3) full support for employee development,
- possibilities of career development, which do not only keep the employee for longer but also increase his/her loyalty to the organization (Mehta et al., 2014).



- training and development focused on raising employee competence to solve problems in the workplace,
- possibility of flexible work performance providing opportunities to make a choice when, where and how long the employee will be involved in the implementation of tasks, which allows one to maintain a work-life balance,
- experience of job satisfaction resulting from the organization meeting the employee's expectations, which shapes a strong relationship between job satisfaction and retention (Terera, Ngirande, 2014),
- evaluation of work results as an individual contribution to the functioning of the organization. It is a specific interface between the manager and the employee. It helps improve results and build better relationships with supervisors (Mehta et al., 2014).

The presented factors and their more in-depth insights basically indicate compliance with the determinants of situational leadership. Despite the diversity, a group of factors depending on managers is quite clearly emerging. They are related to communication, professional development and career, job satisfaction, appreciation, and so on. To keep an employee in a company, it is essential to use internal factors, i.e., proper management of human resources and a greater recognition of human capital, especially that with high potential. It is noted (Silva et al., 2019) that employee quitting is a problem that can be significantly reduced by the direct action of organization-dependent factors rather than employee-related factors. In other words, organizations operate more efficiently on those variables that they can control themselves rather than requiring the employees to change forms of matching their responsibilities.

The aspect of responsible leadership is not only strongly emphasized in the research results available in the literature, but also specific types of managerial activities that create it are indicated. However, only the situational leadership model defines the rules for taking such actions. Not in every professional situation and not for all employees do these activities prove to be effective. Situational leadership does not glorify one chosen management style. There are four types of styles, i.e., directing, coaching, supporting, and delegating. The manager must demonstrate the ability to flexibly choose the management style most relevant to the requirements of the work situation characterized mainly by the level of professional maturity of the employee. The theory of situational leadership presented earlier perfectly complements the results of ongoing research in the field of employee retention. It draws one's attention to the aspect of shaping managerial competences, which has been omitted in previous studies, regarding:

- knowledge and in-depth understanding of the mechanisms of different management styles,
- skills related to the flexible and adequate selection of management styles,
- assessing the level of employee maturity taking into account work resources and the degree of commitment,

- recognizing employee development needs,
- continuous diagnosis of the operating situation by assessing employee capabilities and work-related problems,
- subject organization of the work environment.

It should be added that the subjective dimension of work environment is well shaped by the aforementioned analyzed factors of employee retention, which are the basis of retention strategies undertaken by organizations. However, building these strategies should be done using the rules contained in the situational leadership model. Only a well-thought-out and accurate selection of management styles can effectively keep an employee for longer in an organization. Taking into account the critical needs of the employee and analyzing the challenges of a given situation is not without significance in this case. Particularly significant are the expectations of employees with high potential who are actively involved when they can be part of a higher pursuit, do something meaningful, be able to express themselves, make independent choices and be self-sufficient (Sasin, 2015, p. 38). The situational management theory provides valuable indications defining retention strategies. It shows the relationship between a given management mechanism and the specificity of a situation. In a non-linear and dynamic environment of the functioning of modern organizations, knowledge of these relationships can increase the effectiveness of retention strategies.

For many managers, the situational approach is a serious challenge due to the previously preferred management style. Management flexibility must, in this case, be combined with systematic recognition of the employee's development stage and potential, and thus of the employee's capabilities in the context of his tasks. A significant predictor of situational management is building a subjective and engaging work environment. An employee who experiences organizational support and feels subjectively treated is not only willing to build a positive image of the employer, but also to work with him longer, which significantly affects organizational commitment (Arasanmi, Krishna, 2019). In turn, employee empowerment and commitment are two fundamental types of tools to increase retention in organizations (Sergio, Rylova, 2018). Both the experience of organizational support and commitment contribute to building a more open, innovative environment and faster decision-making, and consequently, loyalty and increase of employees' personal (internal) motivation. Meeting these critical conditions of the situational approach in management makes them a powerful tool for building retention strategies.

## CONCLUSIONS

Turnover in companies is a phenomenon that should be better analyzed and interpreted by managers and scientists in the area of HR. Having satisfied and productive employees is more critical to organizations than ever before. When they are wholly involved in the business, profits are automatically higher. When they leave, especially

those with high potential, the organization suffers significant losses. Solutions to the problem of leaving employees are sought by building strategies for remedial actions based on a number of different factors retaining employees in organizations. They are still not enough. In turn, the situational leadership model creates the opportunity to build more comprehensive strategies based on specific indications of building a subjective work environment and a flexible impact on employees in the form of the management style used. The subjective work environment leads to attachment and commitment. However, this type of attitude maintained for longer is only possible if the manager can flexibly and accurately respond to the needs and expectations of employees as specific determinants of the management situation. The significant aspect here is managers striving for the improvement of managerial quality, according to the assumptions of the situational leadership model.

Other research analyzed in the present paper demonstrates that money or capital are not the most important resources in an organization today, but human capital is what really determines its functioning. To ensure the sustainability and survival of an organization, employees, especially talented ones, should experience motivational support in a timely manner. The answer to the challenge of employee retention is that managers regularly take on strategies that include the relevant retention factors using situational leadership methodologies and integrate them into their primary business strategy. The situational leadership methodology allows one to deal with the variability of operating conditions by preparing different management styles and different scenarios. Their use should depend on the current state of dependence between the elements of the operating situation and agile, flexible adaptation of these elements to the changing conditions. This approach redefines the key employee's position and the quality of cooperation with managers requiring a full understanding of the variability and non-linearity of the organization's environment.

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### Summary

The way employees are managed is fundamental to modern organizations. Employees are the most valuable and productive resource of any organization. When they leave the organization, they take knowledge, experience, culture, and the system of values with them, which significantly limits the effectiveness and competitiveness of the organization. The phenomenon of employees leaving now affects most organizations. Employee retention, especially referring to those employees with high potential, is one of the biggest challenges for modern managers. The problem raised in the article concerns the impact of the situational approach to employee management on their attachment to the organization. The author's goal was to determine the importance and role of situational leadership in building retention strategies. It was assumed that the flexible selection of management style, taking into account competences and professional experience, may contribute to a stronger identification with the organization and staying in it for longer. The article was prepared based on a critical analysis of the latest literature on the analyzed issue. The issue of employee retention and the factors taken by organizations into account to retain employees (in particular those most talented), were presented. The idea of the situational leadership model was discussed. Attention was paid to its poor dissemination and, at the same time, its usefulness in the era of growing dynamics, non-linearity, and uncertainty of the organization's functioning conditions. It was shown that the situational leadership model creates the possibility of building more comprehensive

retention strategies based on subjective mechanisms of flexible impact on employees. The situational leadership methodology allows one to deal with the variability of operating conditions by preparing different management styles and different scenarios. The answer to the challenge of key employee retention can be the strategy of managers taking into account the relevant retention factors using the situational leadership methodology and integrating them into a primary business strategy.

*Keywords:* employee retention, retention factors, flexible management, situational leadership.

## **Zarządzanie retencją pracowników w kontekście przywództwa sytuacyjnego**

### *Streszczenie*

Sposób zarządzania pracownikami ma fundamentalne znaczenie dla współczesnych organizacji. Pracownicy są najbardziej wartościowym i produktywnym zasobem każdej organizacji. Kiedy odchodzą z organizacji, zabierają ze sobą wiedzę, doświadczenie, kulturę i system wartości, co znacząco ogranicza jej efektywność i konkurencyjność. Zjawisko słabego przywiązania pracowników dotyka obecnie większość organizacji. Retencja pracowników, zwłaszcza tych o wysokim potencjale, to jedno z największych wyzwań dla współczesnych menedżerów. Problem podjęty w artykule dotyczy wpływu sytuacyjnego podejścia do zarządzania pracownikami na ich przywiązanie do organizacji. Celem autora było określenie znaczenia i roli przywództwa sytuacyjnego dla budowania strategii retencyjnych. Założono, że elastyczny dobór stylu zarządzania uwzględniający kompetencje i doświadczenia zawodowe może przyczynić się do silniejszego identyfikowania się z organizacją i pozostawania w niej na dłużej. Artykuł opracowano na podstawie krytycznej analizy najnowszej literatury dotyczącej analizowanego zagadnienia. Zaprezentowano ideę modelu przywództwa sytuacyjnego. Zwrócono uwagę na jego słabe upowszechnienie i zarazem przydatność w dobie narastającej dynamiczności, nielinearności i niepewności warunków funkcjonowania organizacji. Przedstawiono zagadnienie retencji pracowników oraz czynniki podejmowane przez organizacje w celu zatrzymania pracowników, w szczególności tych najbardziej utalentowanych. Wykazano, że model przywództwa sytuacyjnego stwarza możliwość budowania bardziej kompleksowych strategii retencyjnych opartych na podmiotowych mechanizmach elastycznego oddziaływania na pracowników. Metodologia przywództwa sytuacyjnego umożliwia radzenie sobie ze zmiennością warunków działania poprzez przygotowanie różnych stylów zarządzania i różnych scenariuszy działania. Odpowiedzią na wyzwanie, jakim jest retencja kluczowych pracowników, może być podejmowanie przez menedżerów strategii uwzględniających odpowiednie czynniki retencji przy zastosowaniu metodologii przywództwa sytuacyjnego i wkomponowanie ich w podstawową strategię biznesową.

*Słowa kluczowe:* retencja pracowników, czynniki retencji, elastyczne zarządzanie, przywództwo sytuacyjne.

JEL: J24, M14.