Employee Retention Through Kaizen Culture - A Case Study of an Automobile Workshop Company

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Abstract

This paper discussed a case study, Employees retention through kaizen culture in automobile service provider organization of Pakistan. The purpose of this paper is to identify different causes of high turnover rate of employees of the organization and suggest appropriate measures to reduce it up to 30% by 2013, through development of Kaizen culture in the organization. Kaizen is small continuous improvement technique involving employees of the organization, resulting development of human resource, increase in satisfaction level of internal customers and improvement of internal process of the organization. Survey and brain storming techniques were adopted to identify different causes of high turnover rate of employees of the organization. A random sample of 60 employees from a population of 130 was selected for the survey. Toyota production system technique, asking why 5 times was used to carry out further deep analysis of root causes of high turnover rate. Pareto analysis was performed to prioritize the causes and then brain storming technique was applied to suggest solution of the vital causes. Low salary, lake of training and less chances of human resource development were identified as main causes of employee's high turnover rate. Employees suggested solutions were discussed with higher and middle management of the organization. Different

weigh tags were given to employees recommended solution. Company viability in % age to act upon the suggested solution, was solicited from the management. Ease for implementation of recommended solution for the company was calculated through multiplication of the weight age and percentage viability of the company. Option with maximum value to all was incorporated in company policy and reduction of 26% in overall turnover rate of the employees was observed. This case study was limited to automobile workshop only. Study of Kaizen techniques to solve other small nature of issues in other organizations is recommended for future research.

Key Words: Kaizen, Employee Retention, employee training,
          employee development

1.   Introduction

Employees are the most valuable asset for any organization and their retention/availability is a guarantee for success of the organization ("Employee Involvement, Workplace Organization, Kaizen," 2006). There is a dire need for maintaining and developing corporate Kaizen culture in an organization for continuous improvement of its quality of service, development of human resource and reduction of waste in processes so as to bind the employees together as a team to move along with the company goals and objectives. Corporate culture is a collective programming of the mindset of its employees (Hofstede, 2003). It is a belief and ideas of employees about their goals, objectives and the ways adopted to achieve them within the organization. Each organization has its own norms and values. From these values organizational guidelines are developed, which further describe appropriate kind of behavior

expected from the employees in particular situations (Harles et al, 2001). Researcher asserts the need to maintain control over behavior of employees towards one another. Success of Kaizen culture in manufacturing organizations is well known and established around the world (Imai, 1997). On the other hand, the use of Kaizen culture in service provider's organization aiming at reduction in turnover is a new domain. Corporate Kaizen culture is one of the most strategic elements essential for continuous improvement of performance and success of the organizations(Mishra & Gupta, 2010). Employees have a tendency to maintain the status quo and resist change in general and corporate culture in particular(Recht & Wilderom, 1998). Employee's daily pattern of behavior and attitudes are interwoven with organization policies, practices and top management attitude (Harles, et al. (2001).

Organizations introduce Kaizen culture in their processes as per their business requirements. The organizations which do not change their culture with the passage of time cannot cope up with change in external environment. Internal customers of the organizations being dissatisfied with organization do not utilize their optimum capabilities for the continuous improvement of the organizations and remain in search of better opportunities and environment. Hence the organization turnover rate increases. Therefore there is a dare need to study the Kaizen culture of the organization, identify different reasons of high turnover rate and suggest measures to improve Kaizen culture of continuous improvement in the organization.

In this paper the focus will remain on how to reduce organization's employee's turnover rate through evolving a corporate

Kaizen culture. Involving employees of the organization in decision making policy as part of Kaizen implementation in an automobile service provider organization would certainly help in reducing the turnover rate. The aspects of Kaizen culture under specific attention were noticed in bringing improvement in the organization. For this particular case study, a service provider organization named XYZ in Pakistan, currently lacking a corporate Kaizen culture through involvement of it employees at all level, was selected. An informal survey of selected organization revealed that the employer has gained the reputation of a learning institute rather than an employee's developing organization. Mostly employees come, learn and leave the organization. An analysis of employees views on corporation reveal that the employees feel deficiency of homeliness, their involvement in policy decision making regarding human resource development of the organization. The organization has expressed a serious concern on high turnover rate of employees. XYZ Company is trying to improve its corporate kaizen culture by involving employees in decision making policies and continuous improvement activities of the organization. Fusion of Kaizen with organizational culture is of sole importance here. Organizations can make Kaizen part of their culture to develop a corporate Kaizen culture for the solution of small problems helping in continuous improvement of their organizations.

2. Purpose

The purpose of this research study was to identify the causes of high turnover rate of the employees of the selected service providing organization and recommend best viable measures to reduce its turnover rate up to 30 % a through Kaizen culture. The implementation of employee's devised solution in the case study

organization would increase the corporate kaizen cultural and reduce high turnover rate of the employees through satisfaction of its internal customers. Employees suggestions are owned and were given weight age in decision making policy regarding employees development, by the organization which can further improve the confidence level of the employees on their own organization. This case study will help management of the organization to develop kaizen culture in the organization to find out solution of small issues related to employees of the organization.

Limitations

This case study is limited to automobile workshop, a service providing organization working in Pakistani environment only. Other manufacturing as well as service sectors organization having different type of small issues can also be selected for development of kaizen culture in these organization for the continuous improvement and development of their employees.

3. Literature Review

Corporate culture is a complex construct. Various researchers have tried to encompass the construct by identifying factors that constitute it. Major characteristics of a corporate culture as highlighted by Harles, et al. (2001) are given as under:-

- Employees' contributions to enhance the company's performance are regarded properly and all employees are treated equally.
- All employees are given equal opportunities to exercise their full potential within the organization to enhance the performance.
- Full respect and reward is given in the organization to the

employees for their contribution in development of Kaizen culture in the organization.

- Company policies and procedures must be communicated to all and there should be no communication barrier among the employees and top management within organization

- Company leaders and top management must be strong enough with excellent sense of direction, purpose and moral character.

- Company must have competitive advantage among other organization regarding price, quality and service provided to their customers.

- Company must like and appreciate diversity in job. Employees from different sections should be made part of kaizen team members.

- Healthy culture within organization always lowers the employee's turnover rate.

- Company must ensure learning & training of its employees for their carrier and future enhancement.

Kaizen is a technique of continuous improvement of organization through the involvement of workforces at all levels (Imai, 1986b). Continuous improvement means an ongoing effort to improve the product, processes, work area, human resource development and improvement in culture of the organization. Kaizen is implemented in the form of small continual incremental changes, known as kaizen events through involvement of its employee(Singh & Singh, 2009). A cross functional team of 3 to 5 members from company employees work together on a pre selected improvement

activity or issue suggested by the employees in a targeted work area/ department for a limited time frame (Farris et al, 2009).

The concept of Kaizen originated in Japan in 1950, when existing confrontational management was acknowledged as a problem both at government as wells as management level. Japan has a severe shortage of manpower after World War II. Japanese have decided to manage this problem with existing workforce through the implementation of Kaizen. New labor contracts sponsored by the government, governing life time job security of employees and guideline for distribution of benefits achieved through company development were made by the organizations (Imai, 1986b). These contracts became the background for all Kaizen activities in Japan and provided security and confidence to the workforce(Brunet, 2003).

Through implementation of Kaizen culture in the organization, loyalty and oneness of the workers has been increased toward their organization (Stone, 2010). Kaizen culture was initially introduced in Toyota Motor Company to improve quality, productivity, corporate kaizen culture human resource development and competitiveness of its product in the wake of increasing competition and globalization(Smalley & Katō, 2010). Since then, Kaizen has contributed enormously to the success of Japan manufacturing organizations (Ashmore, 2001). Now concept of Kaizen is gaining popularity in service organization as well. Kaizen is implemented through Kaizen events dealing with small issues related to corporate functioning. Success of each event increases employees morale (Imai, 2007). After successful implementation of Kaizen in Japan now this philosophy is widely acknowledge throughout the world and being implemented in service organizations

as well. Employees use different tools and techniques, e.g brainstorming, PDCA Cycle, 7 Basic QC Tools etc to solve the small issues related to corporate functioning. Kaizen umbrella presented by Imai (1986) showing varieties of problem solving tools and techniques is reproduced below:-
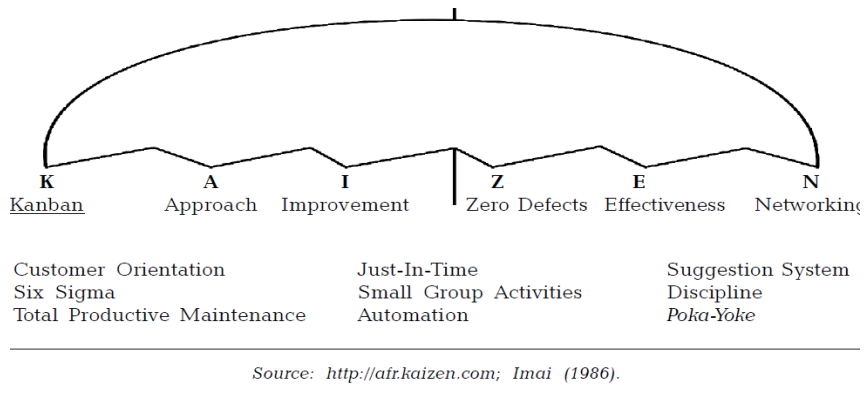

| **K** | **A** | **I** | **Z** | **E** | **N** |
| Kanban | Approach | Improvement | Zero Defects | Effectiveness | Networking |

Customer Orientation	Just-In-Time	Suggestion System
Six Sigma	Small Group Activities	Discipline
Total Productive Maintenance	Automation	*Poka-Yoke*

Source: http://afr.kaizen.com; Imai (1986).

Fig1: Tools & techniques under the umbrella of Kaizen

4.   Brief history of selected company

The selected company was established in 1991 and having 3-S dealership of an automobile manufacturing organization in Pakistan. It has vision to be most respected and successful organization, delighting internal as well as external customers with a solution in automobile industries with best people and best technology. The selected company has mission to provide means for safe and sound journey to its internal as well as external customers. The selected company has 112 sq yards of company area and total of 130 employees including 16 certified technicians 3 service advisors. Selected company is well organized and best located service providing organization among many other private sectors organizations which are providing automobile repair services in Pakistan. The selected company had problems of high turnover rate of employees from 2006 to 2012. It has lost its 15-20 valuable internal

customers each year. Causes of high turnover rate of internal customers identified through brain storming of kaizen team were, the lack of salary, lack of training, lack of documented process, work diversity and non involvement of employee in decision making policies regarding employees development of the organization. The management has decided to satisfy internal customers through development of Kaizen culture in the company. The selected company has targeted to decrease turnover rate of its employees up to 30% in one year through involvement of its internal customers in decision making policies of the company. For this purpose, a cross functional kaizen team was formulated from different sections of the workshop. Company management has set objectives for kaizen team to suggest measures in order to decrease turnover rate of internal customers up to 30% by 2013.

5.   Research Methodology

5.1   Sample Selection

The selected organization was having a total of 130 employees in different categories and sections. Out of these 130 employees a sample of 60 employees from different sections and categories were randomly selected for survey/ interviews. The questionnaire was served by the researcher in person along with pre selected kaizen team of the company. The employees were briefed about the idea behind the survey and filling the questionnaire. To ascertain the response, selected employees were interviewed after the survey through questionnaire. The data was quantified and analyzed accordingly.

5.2   Data Collection and Analysis

Mostly, tools and techniques used in Kaizen concept are quantitative in nature; hence the results are also quantitative. But when it comes to dealing with the intangibility of services industries and particularly constructs like moral value of an employee, the problems and answers become more often of descriptive nature (Lee, Dugger, & Chen, 1999). So in this research survey technique was applied to get the data for analysis and for the solution of problem. In service providing company, Problems are usually in texts forms and the probable remedies are also intangible. This makes the fusion a bit more difficult than in manufacturing process. The data for this purpose has been collected through survey of employees of the selected company on single point questioner. Employee Survey regarding different causes of employee's low morale / high turnover rate was carried out. Different solutions to highly recommended causes were finalized through brain storming and discussions with higher and middle management of the company. Different weigh tags were given to employees recommended solution. Company viability (in percentage) to act upon the given solution was also asked from the management. Ease of implementation of recommended solutions for the company was calculated through multiplication of the weight age and percentage viability of the company. Option with maximum value to all was incorporated in organizational culture.

6. Results & Discussions

It was noted that change in corporate culture is a very difficult process as it involves changing of the very mindsets of people. To identify the different causes of high turnover rate of employees in XYZ Company, tool "Ask 5 times why this happen" under Kaizen umbrella was used. (Imai, 1986a; Lander & Liker,

2007; Lee, Dugger, & Chen, 1999) and a brain storming were conducted from selected 2-3 representative from each department and middle management of the company. The results of the survey question "In your opinion what are the causes of high turnover rate of employees in your organization" are shown below:-

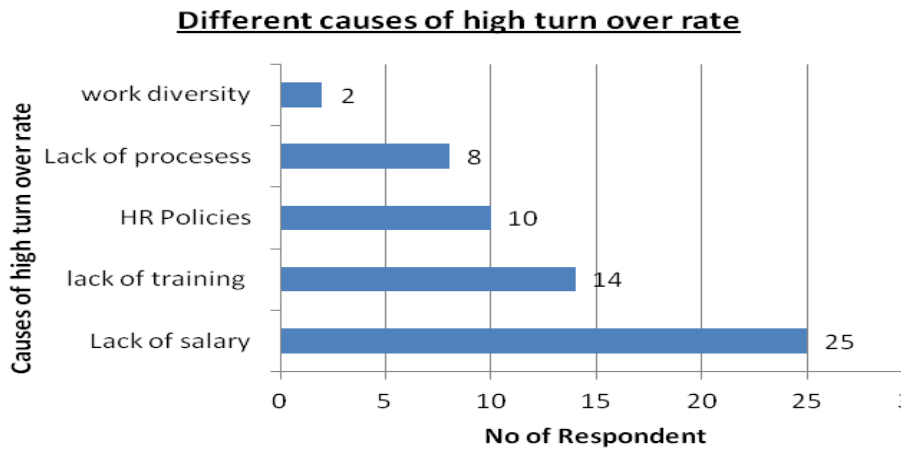**Different causes of high turn over rate**

Figure 2: Different causes of high turnover rate of employees in XYZ Company

The main causes were lack of salary, less chance of enhancing their skill level due to lack of employees training in the organization, non involvement of employees in decision making policies regarding HR development, lack of standard working procedures and diversity of job in the order of priority of question asked. Again these causes of high turnover rate of employees were reconfirmed through survey carried out from 60 employees of the company. Pareto analysis was carried out to accord priority to problems highlighted by the employees in the survey. Pareto analysis indicate those 20% causes which are influencing 80% on employee's turnover rate are low salary and lack of training in company. The Pareto analysis of the survey results are shown in figure-:-3
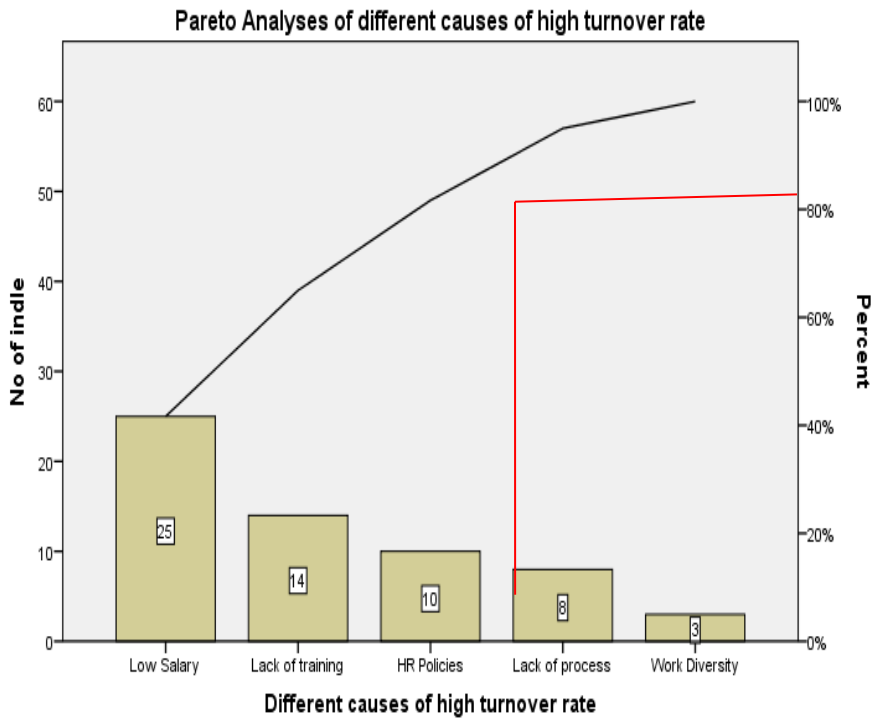
Fig 3: Pareto analyses of different causes of high turnover rate

The Pie chart shows almost 42% employees are of the opinion that the salary structure is the main cause of high turnover rate of employee in XYZ Company. Focusing mainly on this can remove half of the complaints of the employees and has the potential to reduce this high turnover rate.
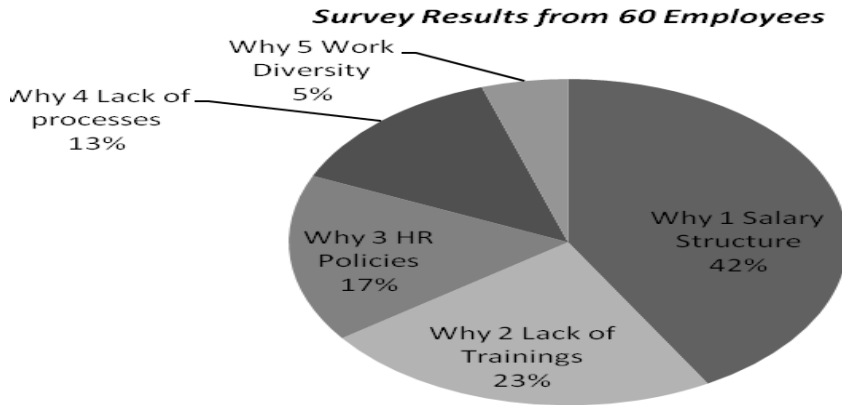
Survey Results from 60 Employees

Why 5 Work Diversity 5%

Why 4 Lack of processes 13%

Why 3 HR Policies 17%

Why 1 Salary Structure 42%

Why 2 Lack of Trainings 23%

Fig 4: Percentage Breakdown of Survey Result

Identify/ Define problem

Critically analyze the problem

Problem Solving
Technique through

Identify the root causes

Implement the best Solution

Identify different possible solution through brain storming
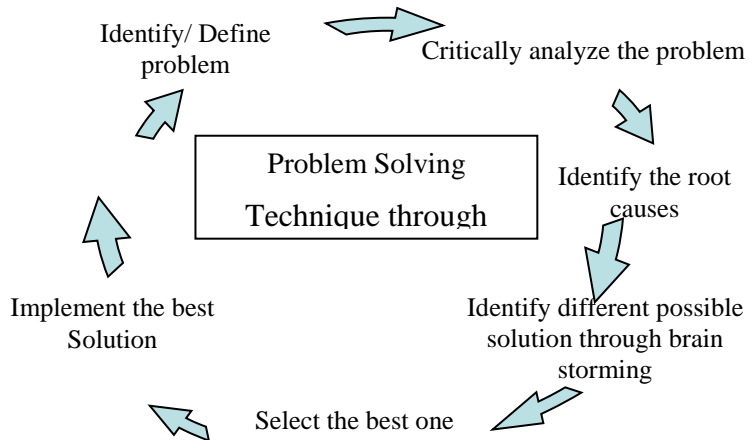
Select the best one

Fig 5: Problem solving procedure at XYZ Company

Possible solutions were discussed with higher authority of the company. Increase in salary was identified as a prime issue for management. A small company having almost 130 (one hundred and thirty) employees cannot afford to raise the salaries of all employees. The problems related with salary structure was a tedious and controversial one as reconsidering the structure for even one person's salary may instigate a chain reaction in all other employees. For an alternate solution another survey from 60 selected employees was

carried out, asking for alternate solution of problem and to give weight age in percentage to each alternate solution. They were also given an option to grade recommended option for ease of implementation for company administration. Involvement of the company employees in decision making policy is always appreciated by lower and middle level workers of the company which is basic philosophy of Kaizen(Cho, 1995). Survey for alternate solutions that can have remedial effect on the employee's turnover rate was carried out. The result of the survey along with the implementation viability for the organization is given below.

5 Why	Alternates	Employee Weight-age	Implementation Ease	Viability
Why-1	High level Training of workers	70%	90%	63%
Why-2	Designation Promotion	40%	60%	24%
Why-3	Interest Free Loans	50%	30%	15%
Why-4	Clubs Memberships on Subsidized Rates	30%	20%	6%
Why-5	Fuel Allowance	80%	5%	4%

Table 1: Survey Result for alternate solution to salary structure issue

It can be concluded from the above table that high level workers training through involvement of employees in continuous improvement activities and foreign training tour is the best temporary remedial solution to cater for the salary issue with employees. The viability is high as selected organization purchases a lot of equipment / spare parts from its OEM operating abroad and in different cities of

the country, has been happy to offer trainings free of cost. There is a need to develop sustained mechanism for proper training of employees inside the country as well as from abroad. With the implementation of employees suggested solution in the workshop company turnover rate of employees was decreased up to 26 %.

7. Recommendations for Future Research

The solution proposed is of temporary nature. Though there is a need for proper salary structure revision which is a long term and tedious process and needs to be address in near future. Employees should be involved in all policy making decisions regarding human resource development of the company. Open communication among the management and shop floor workers must be ensured. All decisions about the routine functioning of the organization must be communicated to all workers at all levels as early as possible. Involvement of employees in small incremental projects related to employee's development must be ensured so that Kaizen culture can be introduced in the organization. Research regarding implementation of Kaizen culture to solve the small issues related to corporate functioning and development of employees from service sectors as well as from manufacturing sector organizations of Pakistan can be undertaken in future.

8. Conclusion

Kaizen is a one of the Japanese management technique which can be implemented for the solution of small issues related to human resource development and continuous improvement of the organization. This improvement through kaizen can be in overall performance, HR development, work area improvement and efficiency enhancement of the organization. This case study will

provide guide line for the organizations to solve their small issues related to human resource development and daily routine functioning of the organizations through employee's suggestions. The solution derived through employees involvement, have yielded desired result i-e reduce the turnover rate by 26%. The sustainability of human resource development through Kaizen may remain an issue. The results however, confirms that the employee's involvement in any management or service process improvement related issues can produce desired results and turnover rate of the organization reduced up to desired level.

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