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# EMPLOYEE RETENTION

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Decision Making in a Complex Environment  
Final Project

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October 20, 2021

## **Introduction:**

The goal of this decision is to determine the best course of action for the Philips Respironics to increase employee retention. Although many companies are seeing a lot of resignations at the moment, Philips seems to be having a higher-than-average number of departures. Turnover can be very costly for companies both in dollar amounts and project slippage. Additionally, management is having to spend increased time hiring and training new employees instead of managing the ones they already have.

There are several reasons that Philips is having retention issues. First, Philips moved away from a building in the suburbs into a new location in the city. Many employees live in the suburbs, so this move increases their commute time. Additionally, employees now have to pay for parking at work. Another issue impacting retention is that there have been two consecutive high workload years (2020 and 2021). Philips is a ventilator company; demand for their products drastically increased due to COVID. During 2020, many employees worked much more than the standard 40-hour work week to help increase ventilator production capacity and limit supply chain interruptions from COVID. This year, the company discovered an issue with one of their products and had to recall the units to completely rework them. This has been a huge stress on the development team to figure out replacement parts and receive approvals from regulatory authorities. The teams have again been working a demanding number of hours. Finally, Philips announced that they will adopt a 3/2 hybrid schedule (3 days in the office, 2 days home) once COVID restrictions are lifted. Employees are finding similar job opportunities with competitive pay at other companies that are fully remote positions, and seem to be leaving for the increased work-from-home flexibility.

## **Alternatives:**

There are several options of things that Philips could do to address this issue. The first alternative would be to increase salary. Philips could do an ad-hoc salary increase for all employees to entice them to stay. The benefits of this would definitely be seen by an increase in employee morale and perhaps less home-life stress. Additionally, employees could see Philips as a more desirable workplace than some prospective employers. This option will be a high dollar cost that perpetuates yearly. If this was implemented now, it would not have been pre-planned in the financials and could result in decreased earnings and lower future raises.

Philips could offer some increased perks to their employees. They could offer things like one-time bonuses, increased vacation days, increased work from home flexibility, or paying for parking. This would definitely give a temporary employee morale boost and show the employees that the company cares about them. This could definitely have a high dollar cost, but could be a one-time cost instead of recurring. A risk here is definitely that employees could recognize this is a one-time event, collecting the bonus then still leaving.

Philips could increase headcount by hiring additional staff (rather than just covering backfills). This would decrease workload stress on existing employees. If they purposefully add headcount to teams, the capacity for projects can go up and stress can decrease. Newly hired employees also will know some of the issues going in (3/2 hybrid schedule, new location) rather than being part of the change. This could also free up capacity to cross-train employees. This is definitely a high dollar cost that recurs, due to paying several more salaries and bonuses. It could potentially also lead to idle workers in the future could reduce motivation and efficiency.

A final alternative for Philips would be to do nothing and stay the course. They could do nothing to counteract people wanting to leave, and instead just keep replacing the vacancies. The benefit of this is there is no out of pocket costs during this time that profits are low due to the recall. This also keeps cost low for the future. However, doing nothing will lead to seeing more people leaving, projects suffering, and potentially a bad reputation as an employer in the Pittsburgh area. There will be even more stress on the employees who do not leave as the resources get stretched even thinner.

### Methodology:

A Benefit, Opportunity, Cost, and Risk model was developed to analyze this decision from the perspective of Philips. First, we identified strategic criteria from Philips Mission and Vision statements. The strategic criteria chosen, and priority assigned to each:

13.6%	1. Growth	Potential for growth of the company, increasing market share in the future
28.1%	2. Innovation	New products and services offered to healthcare providers and end users
6.1%	3. Reputation	Impact of the decision to the company's reputation from the perspective of the public, customers, current employees and prospective employees
12.9%	4. Sustainability	Impact of the decision to the company's environmental sustainability goals
39.3%	5. Quality	Impact to the quality of the company's products

Additionally, three control criteria were chosen for this model:

- Economic: Direct financial impact
- Operational: Project/ways of working impact
- Social: Personnel impact

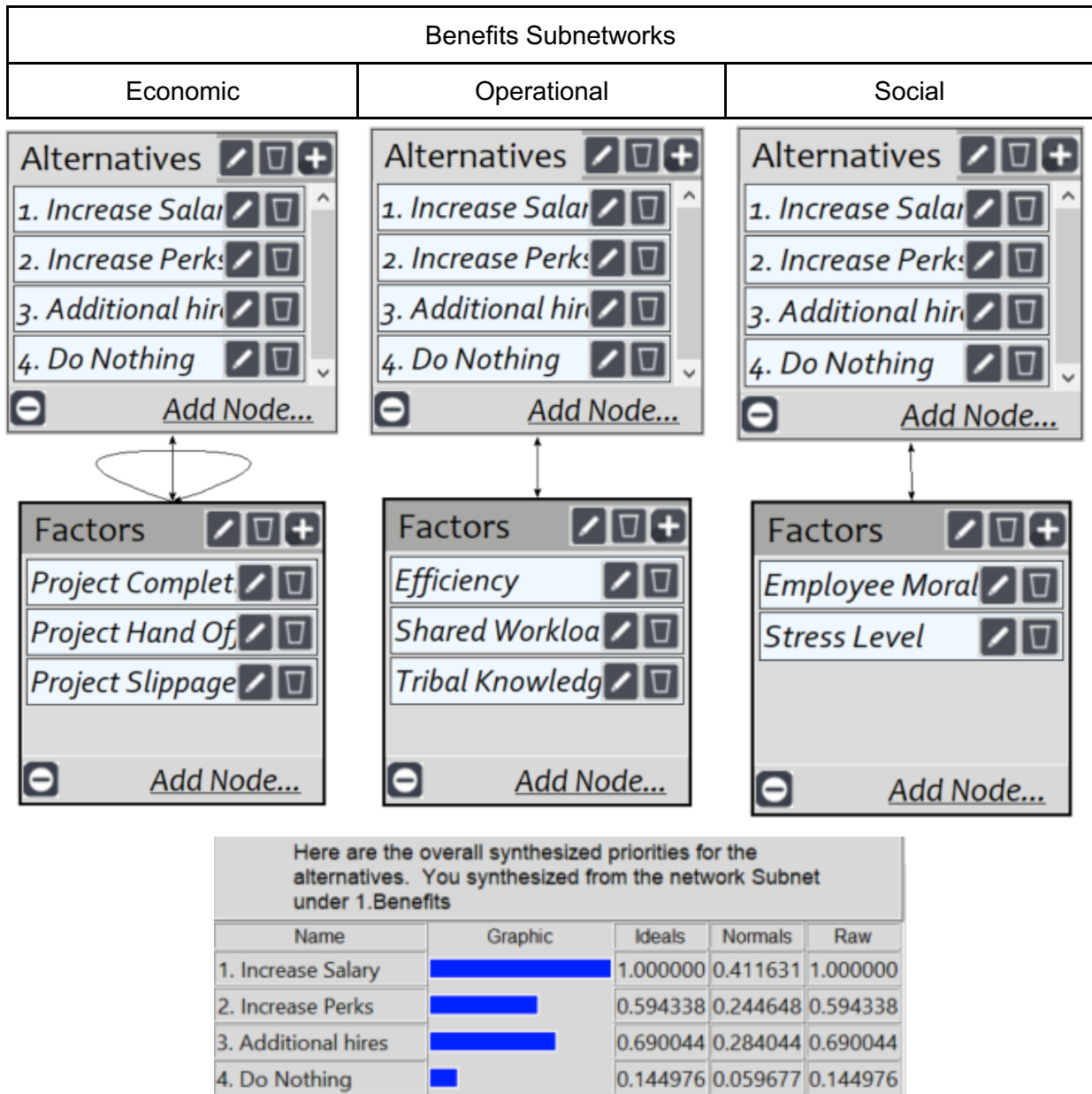
Bottom level criteria were separated into their appropriate control criteria subnets. See table below for all factors that were judged during this decision:

Benefits		
Economic	Operational	Social
Project Completion	Tribal knowledge	Employee Morale
Project Hand off*	Shared Workload	Stress level
Project Slippage*	Efficiency	

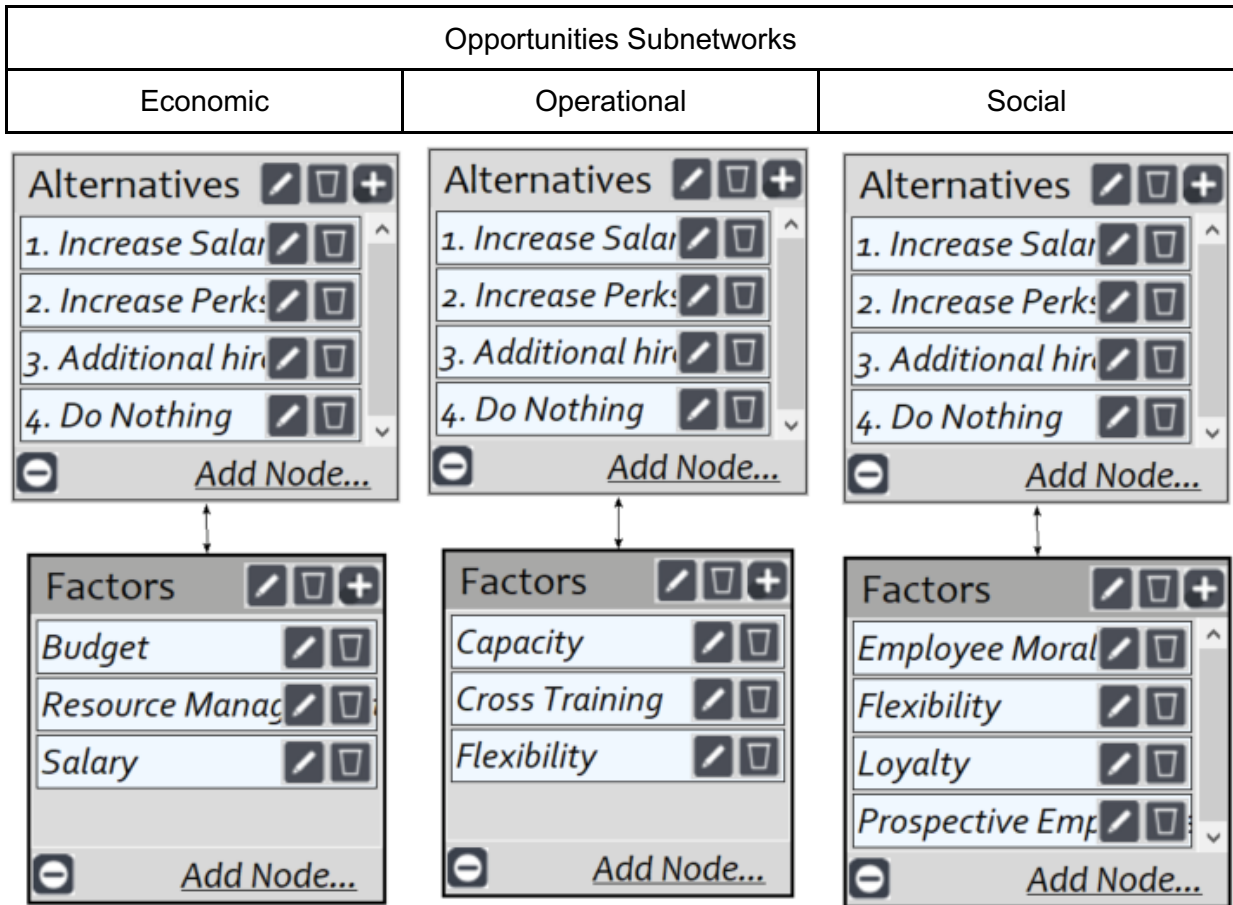
Opportunities		
Economic	Operational	Social
Salary	Capacity	Employee Morale
Resource Management	Flexibility	Flexibility
Budget	Cross Training	Prospective Employees
		Loyalty

Costs		
Economic	Operational	Social
Salary	Hiring Process	Employee Morale
Bonus	New Hire Training	Stress level
Benefits		Loyalty

Risks		
Economic	Operational	Social
Budget	Work Load	Public Opinion
Resource Management	Abandoned Projects*	Employee Satisfaction
Project Hand-off*	Team Disruption*	Prospective Employees
Project Slippage*		



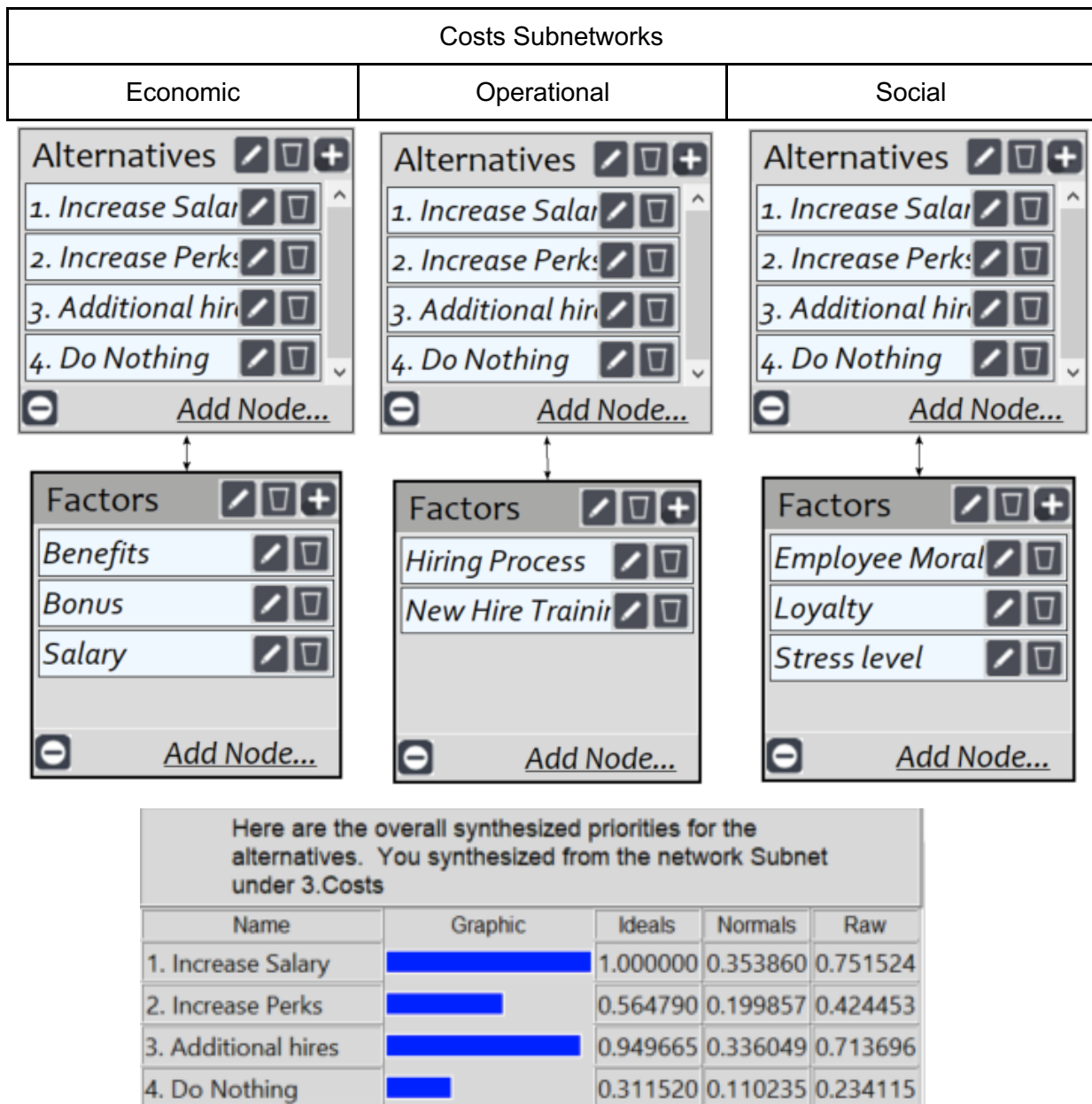
The benefits synthesis showed that “Increase Salary” is the best short term gain for Philips. This is followed by “Additional hires” and “Increase Perks”. “Do Nothing” is definitely the worst option for benefits. These results make sense, since increasing salary would show employees that Philips appreciates their work and will entice them to stay.



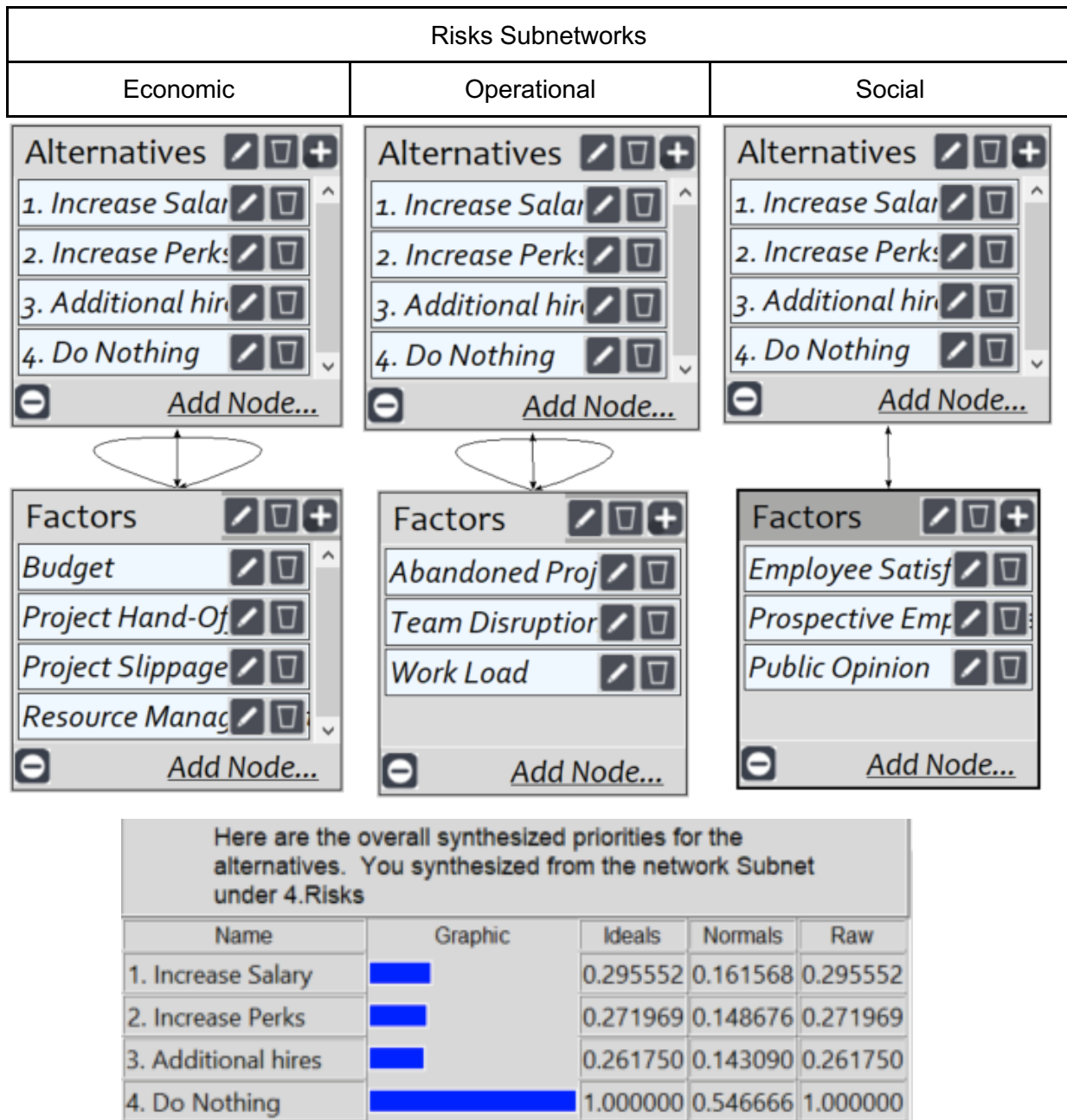
Here are the overall synthesized priorities for the alternatives. You synthesized from the network Subnet under 2.Opportunities

Name	Graphic	Ideals	Normals	Raw
1. Increase Salary	<div style="width: 39%; background-color: blue;"></div>	0.391620	0.223896	0.391620
2. Increase Perks	<div style="width: 24%; background-color: blue;"></div>	0.244343	0.139695	0.244343
3. Additional hires	<div style="width: 100%; background-color: blue;"></div>	1.000000	0.571717	1.000000
4. Do Nothing	<div style="width: 11%; background-color: blue;"></div>	0.113155	0.064693	0.113155

The opportunities synthesis showed that “Additional hires” is the best long term gain for Philips. This is followed by “Increase Salary” and “Increase Perks”. “Do Nothing” is definitely the worst option for benefits. These results make sense, since adding more headcount will solve one of the primary root causes of the issue which is increased stress and workload.



The costs synthesis showed that “Increase Salary” is the costliest in the short term for Philips. This is followed by “Additional hires” and “Increase Perks”. “Do Nothing” is least costly option. These results make sense, since doing nothing has minimal economic cost. It does not have a zero value since it does have social and operational costs.

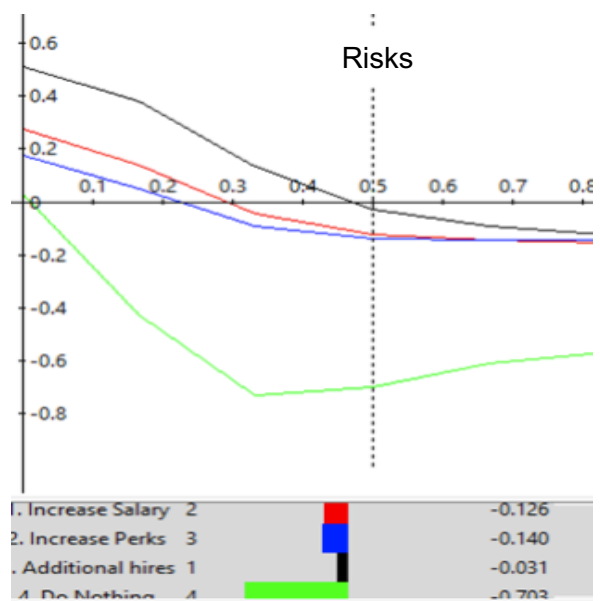
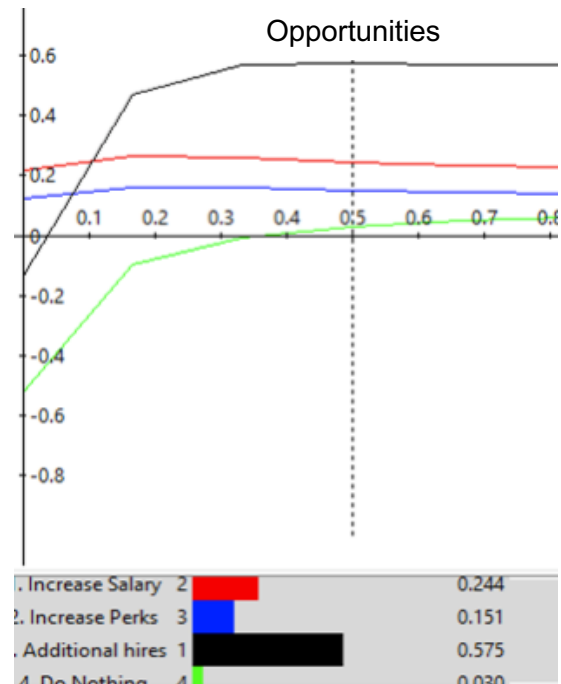
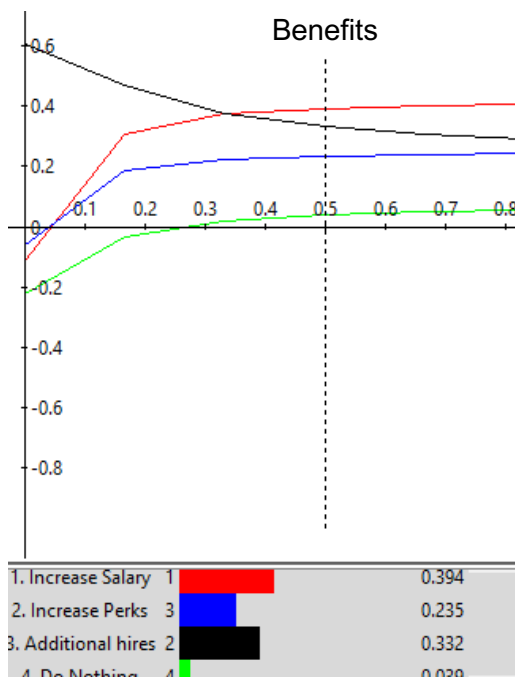


The risks synthesis showed that “Do Nothing” is the riskiest option for Philips. This is followed by “Increase Salary”, “Increase Perks”, and “Additional hires”. “Do Nothing” is definitely the riskiest option here. These results make sense, since doing nothing would lower employee morale and increase stress, resulting in a lower retention rate.



## Sensitivity Analysis:

- *Additional Hires* is the better alternative for Benefits until the priority is at 30%, then *Increase Salary* is better for benefits
- *Increase Salary* is the better alternative for Opportunities until the priority is at 10%, then *Additional Hires* is better for opportunities
- *Do Nothing* incurs the most cost until 30%, when the priority changes to *Increase Salary*
- *Do Nothing* is the riskiest alternative over the whole analysis, without any intersections



Once all judgements for each criterion within each merit, a “High, medium, Low” scale was used to assign ratings to the strategic criteria with regard to the BOCR merits as shown in the table below. Opportunities was weighted as the highest priority at 42.62%, followed by Benefits and Costs equal both at 24.99%, followed by Risk having the least at 7.4%.

Alternatives	Priorities	Totals	1. Growth (0.1362)	2. Innovation (0.2814)	3. Reputation (0.0608)	4. Sustainability (0.1290)	5. Quality (0.3926)
1.Benefits	0.2499	0.3864	Med	Med	Hi	Med	Med
2.Opportunities	0.4262	0.6592	Hi	Hi	Hi	Med	Med
3.Costs	0.2499	0.3864	Med	Med	Hi	Med	Med
4.Risks	0.0740	0.1145	Lo	Lo	Lo	Med	Lo

### Final Results:

With all ratings within the model complete, the model entire model was synthesized using the Multiplicative formula to determine short term priorities and the Additive-Negative formula to determine the long term priorities. Both results match the order of priorities (Additional Hires, Increase Salary, Increase Perks, Do Nothing) and have similar magnitudes +/- 4%, between the short and long term horizons.

Solution	Long Term		Short Term	
1. Increase Salary		27.4%		26%
2. Increase Perks		16.9%		19%
3. Additional hires		52.1%		54%
4. Do Nothing		-3.6%		1%

### Conclusion:

The best alternative is to hire additional employees. The number of workers leaving Philips seems to be based on the amount of stress they are experiencing from maintaining such a high workload for an extended period. Now is a perfect time to begin hiring more employees (not simply replacing those who have left) due to the change in office locations, as the new employees would be willingly joining at the Baker’s Square location instead of being forced to change the commute the way the legacy employees have been. Not only will this increase the capacity of the operation, but also demonstrates a corporate commitment to work life balance of their employees. The *Increase in Salaries* and *Increase in Perks* alternatives initially sound like good options but fail to address the root causes driving employees away: workload. Finally, the model makes it incredibly clear how negative the option of *Do Nothing* is, especially for employee morale.