

Determinants and Strategies of Employees Retention in Complex Corporate Setups

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Abstract

Employee retention affects the performance of the entire company. The ability to keep good employees is rapidly becoming a critical competitive weapon. Organizations are realizing that their people are, by far, their most important asset. Organizations should have a proactive retention strategy which helps in reducing employee turnover. Retention plan strategies should be different for different level of employees, because their roles are different; their needs are different; what motivates them are different and what makes them leave are also different.

This paper used a survey of literature method as a way of informing global trends in the area of staff retention. The empirical studies surveyed were randomly selected. This study recommends the enhancement of employee retention by using, employees free to speak forums, properly structured succession plans, internal promotions, regular employees' surveys and organizing company-wide communication sessions.

Key words: Employee, turnover, retention, determinants, exit, training

1 Introduction

Bernthal & Wellins (2001) compiled a report based on 745 employee responses to a retention survey submitted to 118 organizational members of the Development Dimensions International a HR Benchmark Group. The report concluded that the issue of employee retention affects the performance of the entire company. The ability to keep good employees is rapidly becoming a critical competitive weapon. Organizations are realizing that their people are, by far, their most important asset. Some of the key findings were that; the cost of replacing an employee ranges from 29% to 46% of the person's annual salary while estimated costs escalate to 150% for senior management, turnover costs the average organization more than \$27 million per year. The study also found that ineffective supervisors or bad bosses are the largest single factor driving employee turnover (78% to 86%). Nearly half (49%) of the participating organizations (118 total) had no formal strategy for addressing retention.

2 Objective

The objective of this paper is to review recent literature on empirical studies done on determinants of staff retention and strategies for enhancing employee retention. Based on literature reviewed and emerging HR practices, the paper proposes some recommendations for enhancing employee retention.

3 Methodology

This paper used a survey of literature method as a way of informing global trends in the area of staff retention. The empirical studies surveyed were randomly selected.

4 Literature Review

In his research on staff retention in the Business Process outsourcing sector Gupta (2012) says that organizations should have a proactive retention strategy which helps in reducing employee turnover. Retention plan strategies should be different for different level of employees, because their roles are different; their needs are different; what motivates them are different and what makes them leave are also different. Based on the study it has been seen that dimensions of satisfaction and motivate are significantly different for employees on the basis of age, gender, marital status and education. Gupta (2012) used a regression model which revealed that intrinsic

motivation and involvement factors, as well as age and education level contribute to the sustenance of employees in the organization. The study concluded that if employees are motivated and involved in the work they can be retained. The ease of retention would depend on their degree of motivation and involvement.

Bajaj & Walia (2012) argue that retention is possible only if the employees are given proper training in respect to their employment, good working environment, career development opportunities, work-life balance, proper incentive and benefit policies, grievance policies and supervisor policies. Their conclusions were based on questionnaires issued to employees of branches of three banks in the Haryana state. The study shows that there is a positive relation between HRM practices and employee retention. The study also found that if the HRM practices applied by the organizations are well organized, then the employees like to work in such organization. This is because they get good environment to work and have full freedom to work hence the retention of employees is in the hand of the organization.

Johari, Kirana & Ahmad (2012) assessed staff retention using four dimensions of HRM practices which are training and development, career development, compensation and benefits, and performance appraisal and achievement. All of these sub-factors were assessed as the predictor of employee intention to stay. This was done by distributing a total of 250 questionnaires to technicians in several manufacturing companies in the Kulim Industrial Park, Malaysia and 184 questionnaires were returned and used for data analysis. Pearson correlation coefficient and regression analyses were done to assess the relationships of all the variables. The findings reported a positive and significant correlation of all HRM practices and intention to stay. The regression results indicated that 15.8 percent of variance that explained the employee intention to stay was accounted for by dimensions in HRM practices.

In order to increase performance and retention in the organization established employee engagement is needed. Stabilization is the key reason why the employee engagement needed to create by the organization to face on globalization era. Unemployment is the one of the most issue to create employee engagement in the organization. There are many performance and retention factors in order to create employee engagement but the study purposed to measure

engagement level and driving performance and retention variable in study case University of Brawijaya. The second objective was to measure the relationship and significance of employee engagement with driving performance and retention variable. The result of this study concluded that the driving performance and retention factor which is have positive relationship and significance construct to the employee engagement were satisfaction, job involvement, trust and commitment. Commitment into organization must be created by making employees do important job which is direct to the organizational goal, hence creating pride in an employee and hence boosting commitment (Agung, 2012).

Eva, Filip, Maya & Bastiaan (2009) concluded that employee retention is very important for the functioning and competitiveness of a company. Their study focuses on the organisational and personal factors that influence employee retention. A special interest is taken in employees' learning, because this is seen as a retention supporting activity. The results show a large positive contribution of appreciation and stimulation of the employee to employee retention. This result is consistent with findings of earlier research (Ongori, 2007). However, the retention benefits arising from personal development offer new possibilities when attempting to enhance employee retention. The study also noted that individual differences influence employee retention. Leadership skills and seniority have a positive relationship with employee retention and the level of readiness and initiative regarding learning is negatively related to retention (Eva, Filip, Maya & Bastiaan, 2009)

Employee retention is the vital challenge in all organizations. The turnover rate in Leather Industry of Pakistan is around 25 – 30% annually, its observed that mostly second line managers change their job's for high salaries offer, recognition, authority and also to seek for more knowledge and to get more competitive edge in terms of processing. In tanneries it's critical and alarming because of the process and article secrecy. In order to achieve competitive advantage, maximum utilization of resources and to get organizational efficiency employees must be retained in a true spirit in order to cope with all these conditions (Hassan, Sobia, Kashif & Akram, 2011). It was concluded that almost all the factors or indicators that directly or indirectly influence employee retention are correlated. One has an apparent effect on other. So not only a single factor promotes an employee to leave the organization but it's a blend of many reasons.

Sometimes an employee is more concerned with one reason as compare to other according to human nature and priorities (Hassan, Sobia, Kashif & Akram, 2011)..

Malvern, Michael and Crispen (2010) assert that the way people are paid, recognised and achieve salary advancement are critical factors in attracting, retaining, and motivating employees. The challenge for most organisations today is the formulation of an effective employee retention strategy that will help in retaining employees that are considered critical in attaining organisational goals. The prevailing hostile economic environment in Zimbabwe has made the formulation of a realistic retention strategy particularly difficult for managers in the face of an ever changing economic environment that is characterised by hyper inflation with a depleted labour market occasioned by skill emigration. Their conclusions were based on a case study of a major private sector medical laboratory company in Zimbabwe. The result of the research showed that labour turnover is higher amongst non-managerial employees. Similarly, majority of the employees would soon quit the organisation and lastly, the high rate of employee turnover in the organisation is largely attributed to poor reward system administration.

Ronra and Chaisawat (2011) explored the factors affecting employee turnover of Amari Hotels and Resorts, the employee job satisfaction and the impact of satisfaction on employee turnover at Amari Hotels and Resorts, Thailand. The finding clarified that the highest influencing factors affecting employees' turnover was the insufficient tools and resources to do the daily job (mean = 3.15), followed by inadequate recognition and rewards for a job well done (mean = 3.30), the benefits received were not met with the employees' needs (mean = 3.40), the salary and responsibilities were not compatible (mean = 3.47) and the career path advancement was not compensate for lack of salary increase (mean = 3.48). In contrast, the factors that influence to employees' job satisfaction was the employee appreciation to the task achievement (mean = 4.18), followed by the relationship with the colleagues (mean = 4.15), the pride to work for Amari (mean = 4.13), the understanding of how the job aligns with the company's mission (mean = 4.04), and the balance between my job and families responsibilities (mean = 3.96), respectively. The study recommended the need for organizations to understand the factors affecting staff turnover and job satisfaction, in order to manage and maintain the potential

employees within the organization and decrease employee turnover rate which will be costly to the organization as whole.

Hong and Sharan (2008) studied the relationship between organizational climate, employee personality and their intention to leave an organization in the Malaysian context. Four organizational climate dimensions were chosen for this study, i.e. structure, responsibility, rewards and support. Dominance and sociability were the personality dimensions chosen and its moderating effects were on the relationship between organizational climate and intention to leave. Study results revealed that organizational climate has a significant association with employees' intention to leave. All the four organizational climate dimensions had significant negative correlations with employees' intention to leave. Meanwhile, both the dominance and sociability personalities were found significantly moderating the relationship between organizational climate and employees' intention to leave. The study has demonstrated that Management should form an organization that promote positive organizational climate which includes well-defined job responsibilities and policies with flexible structure, fair and equitable rewards system as well as a supportive and friendly work atmosphere. Positive organizational climate exerts and enhances employees' job satisfaction and hence less likely to look for jobs somewhere else. Keeping good employees is critical to business success and organizations should make employee retention a part of corporate culture.

Edwin and Rekha (2010) caution that with plethora of opportunities available across the globe for qualified and efficient individuals to work, sustaining on the roll employees / man power in the organisation is a herculean task. Their study was conducted to find how Man Power Planning becomes a more defensive tool than a planning tool for managing Human Resources of an organisation, in the present day context as majority of the corporate players are facing the Man Power crunch. Moreover, among the various corporate players in the market, the major crunch of human resources is found in the Information Technology Enabled Services organisation and off late it has rendered the management of these organisations to spend time, money and energy in recruitment and selection than looking at other core areas of exploring in Human Resources Management. The study enlightens on how an organisation can combat the situation by employing the Man Power Planning as an effective and defensive tool not only used while

recruitment and selection of manpower to the organization but also in chalking out various methods, techniques, plans, policies, procedures in retaining and sustaining the on roll employees of the organisation.

Malik, Rizwan and Yasin (2011) argue that to reduce employee's turnover retention is the major organizational challenge for human resource department in almost every country, for this purpose human resource department engages employees in fair motivational activities. Through statistical analysis their study strongly indicate that less job satisfaction, less communication level among employees and management and lack of training consistency are important factors which may be the cause of employee's turnover intension while managerial attitude and flexible working environment are observed insignificant or less important factors for employee's turnover intensions. The study recommends to directors of human resources department to take significant measures for employees satisfaction, inter-communication level of employees and management and for consistent training activities. Lack of training consistency also indicates HR management failure.

5 Literature Review Meta-analysis

Author	Study Title	Study Findings	Critique
Bernthal & Wellins (2001)	Retaining Talent: A Benchmarking Study	<ul style="list-style-type: none"> Employee retention affects the performance of the entire company. The cost of replacing an employee ranges from 29% to 46% of the person's annual salary Ineffective supervisors or bad bosses are the largest single factor driving employee turnover (78% to 86%). 	<ul style="list-style-type: none"> A replica study should be conducted to reconfirm the staff exit related costs The exit costs may only be applicable to the country of study and similar in-depth study in a developing economy
Gupta, S. S. (2012)	Employee Attrition and Retention: Exploring the Dimensions in the urban centric BPO Industry.	<ul style="list-style-type: none"> Organizations should have a proactive retention strategy which helps in reducing employee turnover. Retention plan strategies should be different for different level of employees. Dimensions of satisfaction and motivate are significantly different for employees on the basis of age, gender, marital status and education. If employees are motivated and involved in the work they can be retained. 	<ul style="list-style-type: none"> The study is comprehensive and offers tangible and practical solutions for controlling staff turnover and improving retention The study is a case study and its findings may not provide a well advised generalization.
Bajaj, A. & Walia, K.	Impact of Human	<ul style="list-style-type: none"> Retention is possible only if the employees are given proper training in respect to their 	<ul style="list-style-type: none"> Study is comprehensive and

Author	Study Title	Study Findings	Critique
(2012)	Resource Management (HRM) Practices on Employee Retention.	employment, good working environment, career development opportunities, work-life balance, proper incentive and benefit policies, grievance policies and supervisor policies.	offers practical recommendations to enhance employee retention
Johari, J., Kirana, K. Y., & Ahmad, M.N (2012)	Understanding The Influence of Human Resource Management Practices on Intention to Stay: Evidence from Malaysia.	<ul style="list-style-type: none"> • There is a positive and significant correlation of all HRM practices and intention to stay. 	<ul style="list-style-type: none"> • Conclusions and recommendations are in line with those of Bajaj & Walia (2012)
Agung, N. A. (2012)	Driving Performance and Retention to Employee Engagement: A Case Study in University of Brawijaya.	<ul style="list-style-type: none"> • The driving performance and retention factor which have positive relationship and significance construct to the employee engagement were satisfaction, job involvement, trust and commitment. 	<ul style="list-style-type: none"> • Study is good but most relevant to institutions of higher learning • Study variables can be replicated in different environment
Eva, K., Filip, D., Maya, M. & Bastiaan, M. (2009) Ongori, H. (2007).	Employee Retention: Organisational and Personal Perspectives. A review of the literature on employee turnover.	<ul style="list-style-type: none"> • Appreciation and stimulation of the employee are important to employee retention. • Leadership skills and seniority have a positive relationship with employee retention and the level of readiness and initiative regarding learning is negatively related to retention 	<ul style="list-style-type: none"> • The study mainly looks at organizational factors and fails to address employee specific factors that can enhance retention
Hassan, M., Sobia, H., Kashif, D. K., & Akram, M. N. (2011).	Employee Retention as a Challenge in Leather Industry.	<ul style="list-style-type: none"> • Not only a single factor promotes an employee to leave the organization but it's a blend of many reasons. 	<ul style="list-style-type: none"> • The study findings and recommendations are comprehensive • The study variables need to be employed in a different environment outside the leather industry to enable better generalized conclusions
Malvern, W. C., Michael, O. S., and Crispin, C. (2010).	An examination of employee retention strategy in a private organisation in Zimbabwe.	<ul style="list-style-type: none"> • Turnover is higher amongst non-managerial employees. • Employee turnover is largely attributed to poor reward system administration. 	<ul style="list-style-type: none"> • The study was conducted in a distressed economy and the conclusions may have had some outliers responses

Author	Study Title	Study Findings	Critique
Ronra, B., and Chaisawat, M. (2011)	Factors Affecting Employee Turnover and Job Satisfaction: A Case Study of Amari Hotels and Resorts, Thailand	<ul style="list-style-type: none"> The highest influencing factors affecting employees' turnover was the insufficient tools and resources to do the daily job, followed by inadequate recognition and rewards for a job well done 	<ul style="list-style-type: none"> Study variables and conclusions are comprehensive despite its limitations of being a case study
Hong, C. L., and Sharan, K. (2008).	A Relationship between Organizational Climate, Employee Personality and Intention to Leave.	<ul style="list-style-type: none"> Positive organizational climate exerts and enhances employees' job satisfaction and hence less likely to look for jobs somewhere else. 	<ul style="list-style-type: none"> Conclusions are comprehensive and in line with those of Ronra and Chaisawat (2011)
Edwin, C.S and Rekha J. N. (2010)	How Effective is Man Power Planning in Reducing Labour Turnover in Information Technology Enabled Services Organization.	<ul style="list-style-type: none"> Organisation can use manpower planning as an effective and defensive tool not only in recruitment and selection of manpower to the organization but also in chalking out various methods, techniques, plans, policies, procedures in retaining and sustaining the on roll employees of the organisation. 	<ul style="list-style-type: none"> The study uses very unique variable of manpower planning to understand employee retention Further similar studies need to be replicated
Malik, E.K., Rizwan, Q.D., and Yasin, M. (2011).	Employee's Turnover Intentions: Is this HR Failure or Employee's better employment opportunity?	<ul style="list-style-type: none"> Less job satisfaction, less communication level among employees and management and lack of training consistency are important factors which may be the cause of employee's turnover intension. Managerial attitude and flexible working environment are observed insignificant or less important factors for employee's turnover intensions. 	<ul style="list-style-type: none"> Findings and conclusions in line with Eva, Filip, Maya, & Bastiaan (2009) and Ongori (2007) However the study mainly looks at organizational factors and fails to address employee specific factors that can enhance retention

6 Conclusions & Recommendations

From the foregoing literature review, several strategies have been exposed which if followed by business management can empower the survival of companies in a dynamic environment by treating their employees as one of their assets which needs a lot of attention. Employees are the pillars of any business success and therefore, they need to be motivated and maintained as an effort to making an organization globally competitive. Organisations should structure jobs in a

way to achieve employee satisfaction with and ultimate aim to reduce turnover and hence improve retention.

Management should continually investigate the causes of employee turnover and employ best approaches to fill the gaps. Managers should also treat employees with utmost respect and appreciate them as assets to the organization. To achieve this, employers should ensure the recruitment of competent managers which have above the board supervision knowledge and skills. Well remunerated employees also have less turnover regardless of the level and hence the need to ensure balanced pay at all hierarchies.

Many people do not feel confident when dealing with an organization which cannot hold onto their employees. High level of staff exit suggests instability, poor management and a lack of good planning. It is therefore imperative to manage exits carefully because staff can take bad feelings with them and carry along with them the skills they learned and their sentiments are often repeated to future employers and their personal network.

Employees should be given avenues to air their views and sometimes vent their anger or aggressions. This can be in the form of open forums conducted routinely in an informal manner. These forums should be conducted without any form of victimization to employees. This will make them feel stronger and attached to the company and they feel they have a say in expressing themselves.

Properly structured succession plans can make employees stay for long in an organization. The projected succession plans can be shared with employees. This will assist employees to know where they fit within the growth of the company. Employees will also know what set of knowledge and skills they will need to acquire to move on the corporate ladder in the company

Internal promotions can also be used to enhance staff retention. When employees are aware that internal growth opportunities are available, then they will tend to seek career growth from within the company. Employers should seek to advertise jobs internally and provide first priority to internal candidates. Internal candidates act as role models to other employees who would also

want to hang around waiting for the next promotion. This encourages positive competition especially if promotion is based on merit.

It also suggested that employers should conduct regular employees' surveys especially once in a year. This will allow employers to take stock of the temperature of employees and gauge a company's culture and mood. The results will allow organizational leaders to anticipate issues in advance of turnover and employ appropriate strategies. Collecting survey data and understanding concerns is only the first step. Managers need to craft and implement policies that meet employees concerns head-on. They should organize company-wide communication sessions that feed back survey responses and associated actions as this lets employees know they are being heard and that their issues are being addressed. Employee surveys should be delivered by a third party consultancy firm which can deliver an objective evaluation and encourage candid responses.

7 Areas for further Study

Arising from gaps found in literature further study is recommended on the role of internal employers policies on staff retention, labor laws and employee turnover and also the link between company ownership structure and staff retention.

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