

AN EXAMINATION OF THE EFFECTS OF EMPLOYEE RETENTION STRATEGIES
ON THE PERFORMANCE OF SELECTED RURAL BANKS IN ASHANTI REGION

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DECLARATION

‘I hereby declare that this submission is my own work towards the Master of Business Administration (Human Resource Management Option) and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in text’.

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DEDICATION

I dedicate this work to my parents Ohene Kwame Donkor and Obaa Yaa Donkor and to the Domfeh family, through whose sacrifice, support and encouragement I have come this far.

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ABSTRACT

The retention of skilled employees has been shown to be crucial to the development and the accomplishment of an organization's goals and objectives. A number of factors have been attributed to employee turnover. The purpose of this study was to examine the effects of employee retention strategies on the performance of selected rural banks in Ashanti Region. The study was aimed at identifying the causes of employee turnover, to examine the various employee retention strategies available at the selected rural banks as well assess the effects of the retention strategies on the performance of the selected rural banks. Data collected for the study were from primary source mainly through questionnaires. A simple random sampling approach was employed to select the banks while a purposive sampling approach was employed to select the employees and the Human Resource managers for the study.

The study revealed that HR managers of the rural banks use competitive salary package, guarantee of job security, challenging and interesting job opportunities, good training and development opportunities as the main strategies to retain employees in their banks. The study further revealed that employees had high intentions to leave because the above retention strategies were not well implemented in their respective banks. The long tenure of the employees at the rural banks was mainly due to unavailability of jobs in the economy. It was found that employee retention has positive effects on the performance of the selected rural banks. It prevents loss of organizational knowledge, disruption of customer service and also reduces the turnover cost of the organization. The study concludes by providing the rural banks with recommendations to adopt comprehensive and proactive retention strategies to retain employees and to reduce employee turnover intentions.

TABLE OF CONTENTS

DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENT	iii
ABSTRACT.....	iv
CHAPTER ONE	1
INTRODUCTION	1
1.0 Background of the study	1
1.1. Problem statement.....	4
1.2 Objectives of the study.....	5
1.2.1 General objectives.....	5
1.2.2 Specific objectives	5
1.3 Research questions.....	6
1.4 Significance of the study.....	6
1.5 Methodology	7
1.6 Scope of the study	8
1.7 Organization of the study	8
CHAPTER TWO	9
LITERATURE REVIEW	9
2.0 Introduction.....	9
2.1 Employee turnover.....	9
2.2 Causes of employee turnover.....	11
2.2.1 Push Factors	11
2.2.2 Pull factors	13
2.2.3 Job related factors	15
2.2.4 Organizational factors	16
2.3 Consequences of turnover.....	17
2.3.1 Impact on Organizational Cost	17
2.3.2 Operational Disruption.....	18

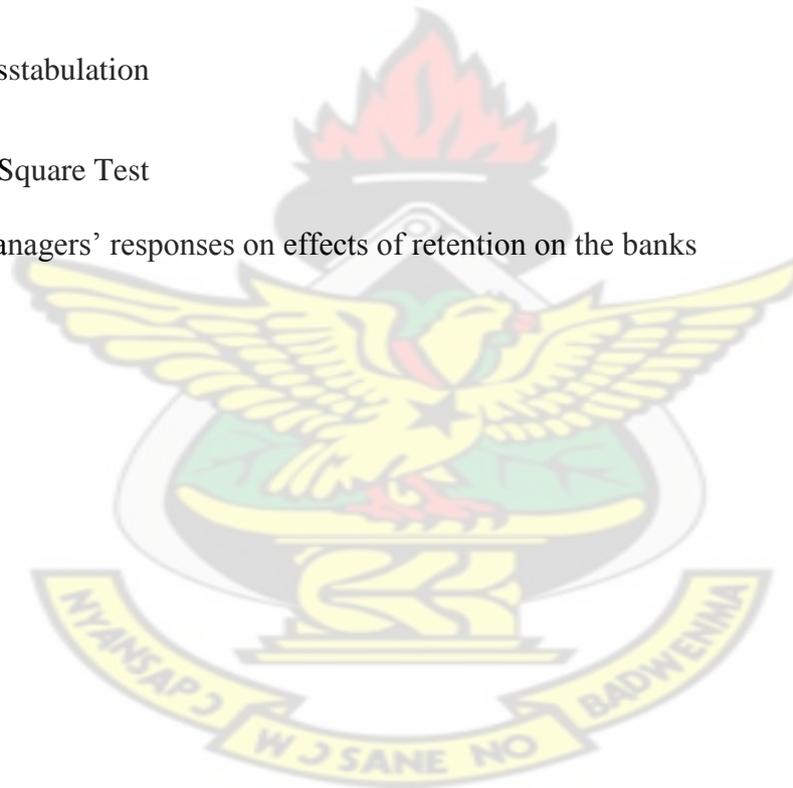
2.3.3 Demoralization of Organizational Membership.....	18
2.4 Measuring employee turnover	19
2.5 Employees’ Turnover Intentions.....	21
2.6 An overview of retention strategies	22
2.7 Retention strategies in organizations	23
2.7.1 Remuneration, rewards and recognition of employee value	23
2.7.2 Manager/Supervisor Support	25
2.7.3 Positive work climate.....	26
2.7.4 Challenging and interesting jobs.....	27
2.7.5 Communication & Assistance.....	27
2.7.6 Training and Career Development Opportunities.....	28
2.8 The concept of organizational performance.....	30
2.8.1 Organizational performance.....	30
2.8.2 Measurement of Organizational Performance	31
2.8.3 Financial Performance	33
2.8.4 Non-Financial Performance	33
2.9 Employee retention on organizational performance	35
2.9.1 The Service Profit Chain Model	36
Chapter Conclusion.....	38
CHAPTER THREE	39
METHODOLOGY AND INDUSTRY PROFILE	39
3.0 Introduction.....	39
3.1 Research design	39
3.2 Sources of data.....	40
3.2.1 Primary data.....	40
3.3 Population	40
3.3. Sampling and Sampling techniques	41
3.4 Data collection instruments.....	41
3.4.1 Questionnaires and Interview.....	41

3.4.2 Administration of the questionnaire.....	42
3.5 Data analysis techniques	43
3.7 Industry profile.....	43
CHAPTER FOUR	46
DATA PRESENTATION, ANALYSIS AND DISCUSSION	46
4.0 Introduction.....	46
4.1 Demographic results of the respondents	46
4.1.1 Gender.....	46
4.1.2 Academic Qualifications.....	47
4.2 Causes of employee turnover.....	50
4.2.1Lack of competitive pay systems	51
4.2.2 Unavailability and inadequacy of opportunities for training and development	52
4.2.3 The availability of attractive jobs in the economy	53
4.2.4 Lack of job security	53
4.2.5 Lack of work life balance.....	54
4.2.6 Lack of sense of belonging to the organisation.....	54
4.2.7 Lack of manager's/ supervisor's support	55
4.3 Exit interviews	56
4.4 Various Employee Retention Strategies Available in the Selected Rural Banks.....	57
4.5. Examination of the Retention strategies	60
4.5.1 Challenging and interesting jobs.....	61
4.5.2 Up to date technology to perform jobs.....	61
4.5.3 Training and development opportunities	62
4.5.4 Competitive salary package	62
4.5.5 Guarantee of job security	65
4.6 Employees' Turnover Intentions.....	66
4.7 Effects of retention on the organization.....	69
4.7.1 Employee retention prevents loss of organizational knowledge.....	70
4.7.2 Employee retention prevents disruption of customer service	71

4.7.3 Employee retention leads to efficiency gain	71
4.7.4 Retaining employees reduces the turnover cost of the organization	71
CHAPTER FIVE	72
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	72
5.0 Introduction.....	72
5.1 Summary of findings.....	72
5.1.2 Causes of employee turnover.....	72
5.1.3 Employee retention strategies in the rural banks	72
5.1.4 Employee’s intention to leave.....	73
5.1.5 Effects of employee retention on organisations	73
5.2 Conclusion	73
5.3 Recommendations.....	74
5.3.1 The causes of employee turnover.....	74
5.3.2 Conduction of exit interviews	76
5.3.3 Employee retention strategies	76
5.3.4 Establishment of functioning HR departments	77
6.0 Suggestions for further research	78
REFERENCES.....	79
APPENDIX 1.....	85
APPENDIX 2.....	88

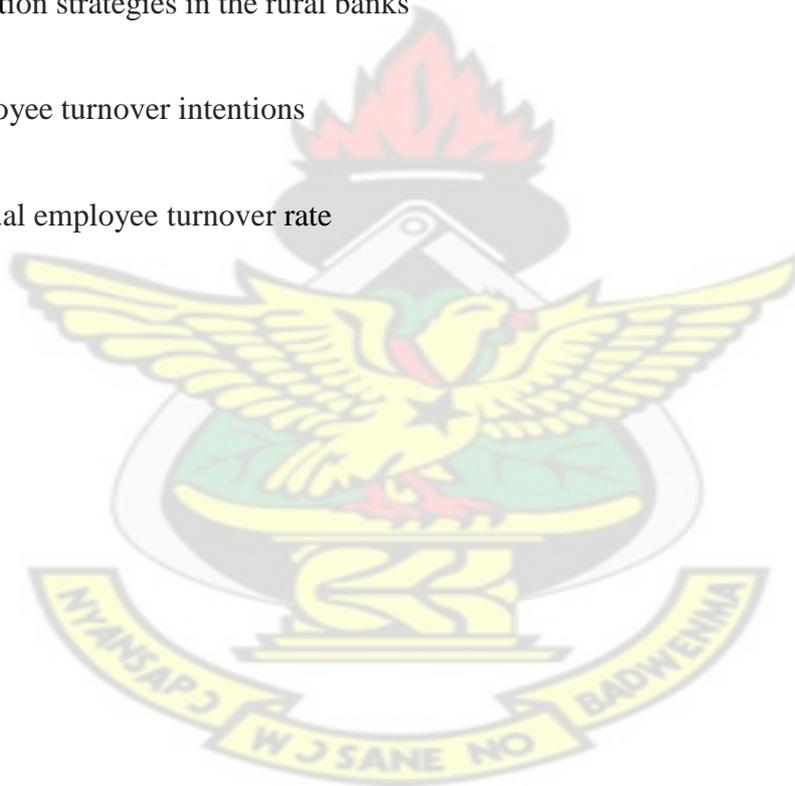
LIST OF TABLES

Table 1: Regional distribution of rural banks and branches	44
Table 2: Level of Education	48
Table 3: Present Position in Organization	51
Table 4: Reasons why employees leave your organization	57
Table 5: Crosstabulation	63
Table 5.1: Crosstabulation	64
Table 5.2: Chi-Square Test	65
Table 6: HR managers' responses on effects of retention on the banks	70



LIST OF FIGURES

Figure 1: Gender of Respondents	47
Figure 2: Number of years served	49
Figure 3: Causes of employee turnover	51
Figure 4: Exit interviews	56
Figure 5. Employee Retention Policy	58
Figure 6: Retention strategies in the rural banks	60
Figure 7: Employee turnover intentions	67
Figure 8: Annual employee turnover rate	68



CHAPTER ONE

INTRODUCTION

1.0 Background of the study

One major concern of any organisation in a highly competitive industry is employee retention. This is because human resources are the most valued asset in any organisation (Ejiofor and Mbachu 2001). Retention of employees can be a vital source of competitive advantage for any organization since humans are the active factors who work to bring about certain ends in organisations. Many organizations are faced with the important task of retaining their employees as well as making sure that their employees remain loyal and committed to their organizations. Employee retention is primarily concerned with reasons why employees prefer to remain with their current organizations.

Andrew Carnegie, a famous industrialist of the 19th century who is known for having built one of the most powerful and influential corporations in US once commented, “Take away my factories, my plants, take away my railroads, my ships, take away my money, strip me of all of these but leave me my key people and in two or three years, I will have them all again.” Andrew Carnegie’s words underscore the enormous importance of human assets to organizational success and more specifically human asset as the key determinant for the achievement of organizational goals and objectives. The collective attitudes, skills and abilities of people are what contribute to organizational performance and productivity.

The words of Andrew Carnegie are true even in today’s era. Globally, organizations are recognizing the importance of investing in their employees now more than ever. Organizations understand that to stay on top in the global economy, they need to place more emphasis on developing and retaining their people.

The retention of employees has become a major challenge for human resource managers. According to a study by HR professional in the United States of America (Melo 2006:372), over 75% of those surveyed reported that retention of talented employees was at the top human resource problem they encountered.

Similarly, Harris (2008:22) contends that the biggest challenge facing South African organizations is the retention of critical skills. According to him, talented job candidates have the luxury of choice. This is affecting South African organizations since they are not only competing with one another but with organizations abroad.

The changing labour market has brought unprecedented labour turnover. According to Cappelli (2000:103) “strategic poaching of organizations key employees has become an acceptable practice among employers today.” This situation is no different in Ghana today. An article in the Ghanaian Times newspaper (September 14, 2011) revealed that a giant oil company in Dubai is said to be poaching high profile staff from the Tema oil refinery (TOR). This development created a lot of anxiety at TOR for the fear that the refinery would pay dearly for the loss of many of its experienced staff.

The Business Guide report (Oct 4, 2011) also reported of massive poaching hitting corporate Ghana particularly in the banking industry with 26 commercial banks and 137 rural banks all competing to stay on top. Since competition in the banking sector is so fierce with it attendant changes so fast that any competitive edge gained by the introduction of new technology can be short lived if competitors adopt the same technology. In view of these developments, it is therefore important for any bank to beat competition through the retention of its employees. Also due to the intrinsically close ties between employees and clients, losing those employees completely can mean loss of valuable customer relationship. Therefore the banking industry especially the rural banks should be very much concerned about employee retention at all levels: from tellers to customer services representatives to executive directors because

competitors are always moving in to hire them away. It has also been observed that employee turnover and turnover intentions as well as their desire to work in the commercial banks is becoming high among employees of rural banks. An exploratory interview with the employees of Kumawuman Rural bank revealed that most employees of the rural banks use their jobs as a springboard to gain experience which would enable them to gain employment at the commercial banks.

The main reason for this phenomenon can be attributed to the inability of the rural banks to apply the correct retention strategies to address the problem of retention and turnover. Employer's inability to retain employees brings about employee turnover and high employee turnover is costly to the organization and the economy. A research findings in the US by Ramlall (2003:12) indicate that the total cost of employee turnover is about 150% of an employee's annual salary, because of the cost of filling vacant positions, lost in productivity from vacant jobs and the cost of training new employees increase operational cost of a firm with high employee turnover.

It is therefore imperative for human resource managers to adopt appropriate retention strategies to retain key employees because an organizations competitive advantage is often dependent on the knowledge and skills of its employees. Retaining key employees should be a matter of concern to employers since "their leaving create a loss to the organization of its intellectual capital or intangible assets". It is against this backdrop that there is the need for research into appropriate retention strategies that are capable of reducing turnover intentions and actual turnover in the rural banks.

1.1. Problem statement

In today's highly competitive business environment, the dynamics of talent have become a key factor in an attempt to achieve competitive advantage. Organizations must not only attract the right candidates but must also ensure their retention in order for these employees to make a difference in the realization of the organizational goals.

Employee turnover is not something new in business organizations, however, available literature reveals that it has not been actively discussed or even understood by employers especially in Ghana. Researchers have undertaken a lot of studies in this area of study, yet the dynamic business environment continues to make employee retention/ turnover a more complicated issue. Employee turnover is of considerable concern to managers because it disrupts normal operations and necessitates the costly selection and training of replacements, not forgetting the costly hiring and training the new employee to regain the lost customer and supplier contacts. Employee retention is obviously one of the most important challenges in organizations' ability to keep employees in the organization and avoid unwanted turnover. It is imperative that employees who have relatively low levels of satisfaction are indeed the most likely to quit their jobs. Competitive salaries, recognition, benefits, on the job training, opportunity for career advancement are very fundamental in retaining employees.

It becomes problematic for organizations when the rate of replacement rises over time especially when highly skilled employees are involved. The real challenge to HR managers therefore lies in devising ways of retaining employees in order to reduce the rate of turnover and the associated cost. According to Brown (2006:2), the lack of proper retention strategies is having an adverse effect on organizations, as replacing key employees is disruptive, expensive, time consuming and even threaten the sustainability of an organization.

The challenge for most organizations today is the formulation of effective employee retention strategies that will help in retaining employees that are considered critical in attaining organizational goals. Employees who are highly motivated, committed and engaged are more likely to stay longer on the job than those who are bored and dejected. The question is what strategies can an organization put in place to retain top talent. Hence this study seeks to examine the employee retention strategies of some selected rural banks, and to establish its effects on organizational performance.

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1.2 Objectives of the study

1.2.1 General objectives

In view of the aforementioned problems that demand an intellectual enquiry in order to arrest the problem of employee turnover in the long run, the main objective of this work is to examine the effects of employee retention strategies on the performance of selected rural banks.

1.2.2 Specific objectives

Specifically, the study shall seek to meet the following objectives:

- I. To identify the causes of employee turnover at selected rural Banks.
- II. To examine the various employee retention strategies at the selected Rural Banks.
- III. To establish the effects of employee retention on the performance of the selected Rural Banks
- IV. To make appropriate recommendations on employee retention strategies in the selected Rural Banks

1.3 Research questions

In order to achieve the stated objectives, the study would be guided by the following research questions:

- I. What are the causes of employee turnover at the selected Rural Banks?
- II. What are the various employee retention strategies at the selected Rural Banks?
- III. How does employee retention affect the performance of the selected Rural Banks?
- IV. How can employee retention be improved at the selected Rural Banks?

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1.4 Significance of the study

The loss of core employees is costly to organizations. Loss of core talent results in the stripping of valuable human capital, critical skills and institutional meaning. Organizations not only suffer from lost productivity but also lose the knowledge that critical employees possess that is beneficial to the organization. It is also instructive to note that high performing employees know the industry, competitive strengths and weaknesses, products, customers and processes. More so with this information in their heads is a significant part of corporate equity (Gutherie 2001). Hence retaining core and valued employees is therefore a strategic issue and competitive business advantage. This is this research will examine and establish the most effective ways for employers to retain critical employees. The results of this study could potentially be used as a framework to guiding employee retention in other large and complex organizations.

The outcome of such a study will help managers have a better understanding about the reasons why employees want to leave and help them to formulate policies and strategies to arrest such intentions.

The study would inform public and private sector workers about the importance of providing appropriate employee retention strategies that are capable of retaining their competent workforce for enhanced performance.

It would also serve as a reference material for lecturers and students who need information on employee retention strategies.

1.5 Methodology

The study would be both quantitative and qualitative, employing both primary and secondary data collection. Primary data collection would be derived from structured interviews and questionnaire from a sample size of 110 respondents taken out of the population using purposive and simple random sampling. The reason for this is to provide adequate discussion for readers that will facilitate deeper understanding of the issues and the different variables that are involved.

The structured questionnaire would be developed and be used as the main research tool for the study and would be distributed to the respondent through face to face personal contact.

Secondary data on the other hand would be derived from books, journals, press releases and various websites on the internet. Recent literature related to the subject matter would be considered.

Data analysis which would mainly be descriptive and quantitative which will be represented in various charts, frequencies tables / diagrams, percentages and other statistical tools with the aid of statistical package for social sciences (SPSS). It should however be noted that qualitative analysis would be used where appropriate.

1.6 Scope of the study

The purpose of demarcating a study is to make it more manageable and to this end, the study is limited to the effects of employee retention strategies on the performance of five (5) selected rural banks in Ashanti region.

The study is limited to top human resource managers and employees of the selected rural bank. The human resource managers are in charge of formulating and implementing employee retention policies in the organization. Information will be sought from the employees in respect of the availability of the retention strategies being used by their managers to influence their stay in the organization.

1.7 Organization of the study

The study is presented in five chapters. Chapter one which is the introduction gives the background of the study and the problem and its context; the significance and objective of the study followed; the chapter ends with research questions, the scope, limitation, and the organisation of the study. Chapter two presents in-depth review of relevant literature. Chapter three provides an overview of the methodology under which the study was conducted. Chapter four presents the results and the accompanying discussions. The summary of major findings, conclusions and recommendations of the study are presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Chapter one has provided a general background and put the importance of employee turnover and retention in perspective. The chapter also stated the objectives, significance and the scope of the study. The chapter again served as the background for understanding the research problem. The aim of this chapter is to provide a comprehensive and in-depth definition of turnover and retention and present a general overview of the subject. This chapter also sets the basis for a comprehensive analysis of the cost associated with turnover, a critical review of retention strategies and their effects on the performance of organizations.

2.1 Employee turnover

Employee turnover is one of the key issues facing organizations today. According to the Chartered Institute of Personnel and development (2012), employee turnover refers to the proportion of employees who leave an organisation over a set period (often on a year-on-year basis), expressed as a percentage of total workforce numbers.

Abassi and Hollman (2000) also refer to turnover as the rotation of workers around the labour markets, between firms, jobs and occupations and between the states of employment and unemployment.

Turnover refers to the amount of movement of employees in and out of organizations, normally presented in terms of labour rate (Ongori 2007). Tanke (2001) on the other hand has defined turnover as the movement of employees out of the organization.

All of the above mentioned definitions of employee turnover by these different scholars point to the movement of employees who receive monetary compensation from the organization by rotating around the labour market, between organizations, jobs and careers. However, it is an important task to manage employee turnover for any organization

Additionally, some scholars in the field hold the opinion that employee turnover can positively benefit the organization. This idea is termed as functional turnover, that is where bad performers leave and good performers stay and this can help reduce sub-optimal organizational performance. (Johnson et al, 2000). Even with this, excessive turnover can be detrimental to the firm's productivity.

Dysfunctional turnover (ie, good performers leave and bad performers stay) damages the organization through decreased innovation, delays in service delivery, lethargic implementation of new programs and degenerated productivity (Abassi and Hollman 2000).

Turnover according to Iverson and Pullman (2000:980) can also be classified as voluntary (which includes withdrawals out of an individual's own volition) and involuntary turnover (to include layoffs and dismissals).

Under voluntary turnover, the situation occurs when an employee decides to end the relationship with the employer for personal or professional reasons. In most cases, the decision to leave is associated with being unsatisfied with the conditions of the current job and having attractive alternative jobs from other organizations. Voluntary turnover is commenced by employees. Involuntary turnover on the other hand is turnover initiated by the organization, often among people who would prefer to stay. Involuntary turnover occurs when a manager decides to terminate his relationship with an employee due to economic necessity or a poor fit between the employee and the organization.

2.2 Causes of employee turnover

According to Accenture (2001) predictors of turnover are numerous some of which organizations have no control over, such as retirement, a family member being transferred, or the desire to stay home and start a family. Some of the most common predictors of turnover intent include perception of poor leadership or supervision, unchallenging job, limited opportunities for advancement, no recognition for good performance, limited control over the work and customer sales, benefits not commensurate with job requirements and the opportunities for better compensation packages, job insecurity, lack of training, break down of the psychological contract.

Employees voluntarily resign their appointments in organisations for various reasons which can be classified into two: pull and push factors.

2.2.1 Push Factors

The push factors, according to Sherratt (2000: 38) include the attraction of a new job especially in a growing economy (like Ghana) where many job opportunities can spring up, or resignation by employees from an organisation to go into private business. In such cases, it is the availability of alternative jobs that attracts an employee to withdraw from a particular organisation. Sherratt (2000: 38) explains that the push factor may also be dissatisfaction with the present job that motivates an employee to seek alternative employment elsewhere.

According to the Chartered Institute of Personnel and Development (2012) the push factors are a great deal more significant in most resignations than most managers appreciate. They contend that it is relatively rare for people to leave jobs in which they are happy, even when offered higher pay elsewhere. The performance of the national economy is one of the most commonly identifiable reasons why employees quit their jobs. In a period of economic boom,

it is a common practice for upwardly mobile professionals to move from one job to another. Economic growth provides a good ground for turnover among skilled employees both in public and private sector organizations since some of these new positions provide better incentives and indeed translate to promotion. Iverson and Pullman (2000:982) asserts that the availability of jobs outside the organisation enhances job mobility and that the supply and demand created by the job market either restricts or enhances the movement of employees. Therefore, the greater the job opportunities, the greater the tendency for voluntary turnover.

One important push factor that leads to early turnover of new employees is the unrealistic expectations and general lack of knowledge by many job applicants about the nature of the job at the time of employment. Schultz and Schultz (2006:243) also maintain that unrealistic expectations cause an employee to resign his/her appointment soon after taking up a new job. Many job applicants have unrealistic expectations about their dream jobs but get disillusioned when such expectations are dashed by their employers. Some employers attract job applicants with unrealistic and non-existent conditions of service during interviews. However, when these new employees get on board and the conditions of service promised by the employers are not forthcoming, such employees immediately update their resumes and quit for other jobs. There are many factors which are attached with an organization and work as push factors for employees to quit. Among them which are derived from various studies are: lack of competitive salary, benefits and facilities; size of organization (the number of staff in the organization); location of the organization (small or big city); nature and kind of organization; stability of organization; communication system in organization; management practice and policies; employees' empowerment.

According to Mohammad (2006) attitude is another kind of push factor which is mostly attached with employee behavior. Attitude factors are further classified into job satisfaction and job stress. Job satisfaction is a collection of positive and/or negative feelings that an

individual holds towards his or her job. Satisfied employees are less likely to quit. Job satisfaction is further divided into extrinsic factors and intrinsic factors. Extrinsic factors include variables such as job security, physical conditions/working environment, fringe benefits, and pay. Intrinsic factors include variables such as recognition, freedom, position advancement, learning opportunities, nature, and kind of job and social status (workers with a high hierarchical position who link their social position with their job want to retain it). Job stress includes variables such as role ambiguity, (or example where job description is not clear to the employee) role conflict, work-overload and work-family conflicts.

According to Mahammad (2006), organizational commitment is another factor attached with employee and organization and work as push factors for employee to quit. Organizations are interested in not only finding high performing employees, but those who will be committed to the organization. Similarly employees are also interested to work in an organization which is committed to pursue their carriers and benefits. Organizational commitment is recognized as a key factor in the employment relationship and it is widely accepted that strengthening employment commitment reduces turnover (Mohammad, 2006).

2.2.2 Pull factors

On the other hand, pull factors are those reasons that attract the employee to a new place of work. Some Authors named pull factors as uncontrolled factors because it is out of the control of organizations. Various pull factors derived from literature are: high salary, career advancement, new challenge and interesting work, job security, good location of company, better culture, work-life balance, more freedom/autonomy, good reputation of organization, values, more benefits and a good boss.

Work-life balance policies are very important and defined as the base level indicators of an organization, prioritizing work over family or family over work (Thompson, Andreassi et al,

2005). These policies include flexible work scheduling and leave of employees from work. Work life policies are one of the major considerations for organizations because friendly policies are an important factor to reduce turnover. Yu (2008) found that work life balance policies are positively associated with the job tenure of the female employees, and moreover the practices of such policies have a great effect on the turnover rate of employees. Work-life balance policies help in reducing the stress and provide a good work place where, there is less chance of accidents in the work and also provide a fair platform for every employee, ultimately enhancing productivity. According to Thompson, et al. (2005) organizations take into consideration and apply policies that manage a balance between employees work and their lives. Therefore the organizations are giving an increased intention to adopt those policies which can reduce the turnover of employees. Companies should be more aware about the work life balance and implementation of friendly policies because complex and additional working hours increase the stress and turnover intention among employees.

According to a study by the Chartered Institute of Personnel and Development (2012) in the United Kingdom (UK), there are factors that are specific to the individual that can influence early turnover. These include both personal and trait-based factors. Personal factors include changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. In addition to these personal factors, there are also trait-based or personality features that are associated with turnover. These personality traits are some of the same characteristics that predict job performance and counter-productive behaviours such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production. Most environmental contributors to turnover can be traced to management practices. Turnover tends to be higher in environments where employees feel they are taken advantage of, feel undervalued and inadequately compensated. Management practices that promote inequity,

inefficiency and lack of foresight and ability to provide purposeful leadership will encourage skilled and professional employees to leave the organization.

Sherratt (2000: 38) posits that there is turnover that is demographically specific, particularly for women who are balancing significant work and family duties at the same time. Employees may choose to leave an organisation instead of sacrificing their other interests and responsibilities in order to make the job work out. Some women elect to quit their jobs after the birth of a child, rather than simply take maternity leave while some relocate with their spouses. These factors translate into higher turnover rates for women in most organizations.

Compensation may not be the most important consideration in the turnover intent of some skilled employees; nevertheless, money remains an important factor in turnover decisions. Kinnear and Sutherland (2001: 17) argue that skilled employees need to earn a competitive package and also have the opportunity of earning performance based bonuses. They want their efforts to be rewarded and to have a fair share of the organisation's success in monetary terms.

Ongori (2007) also grouped the causes of employee turnover into two: job related factors and organizational factors.

2.2.3 Job related factors

There are several reasons why people quit from one organization to another or why people leave organization. The experience of job related stress (job stress), the range of factors that lead to job related stress (stressors), lack of commitment in the organization; and job dissatisfaction make employees to leave. This clearly indicates that these are individual decisions which make one to quit. There are other factors like personal agency which refers to concepts such as a sense of powerlessness, locus of control and personal control. Locus of

control refers to the extent to which people believe that the external factors such as chance and powerful others are in control of the events which influence their lives. Role stressors also lead to employees' turnover. Role ambiguity refers to the difference between what people expect of us on the job and what we feel we should do. This causes uncertainty about what our role should be. It can be a result of misunderstanding what is expected, how to meet the expectations, or the employee thinking the job should be different. Insufficient information on how to perform the job adequately, unclear expectations of peers and supervisors, ambiguity of performance evaluation methods, extensive job pressures, and lack of consensus on job functions or duties may cause employees to feel less involved and less satisfied with their jobs and careers, less committed to their organizations, and eventually display a propensity to leave. If roles of employees are not clearly spelled out by management/ supervisors, this would accelerate the degree of employees quitting their jobs due to lack of role clarity.

2.2.4 Organizational factors

Organizational instability also has a high degree of high turnover. Indications are that employees are more likely to stay when there is a predictable work environment and vice versa. In organizations where there is a high level of inefficiency there is also a high level of staff turnover. Therefore, in situations where organizations are not stable employees tend to leave and look for stable organizations because with stable organizations they would be able to predict their career advancement. Again Employees have a strong need to be informed. Organizations with strong communication systems enjoyed lower turnover of employees. Employees feel comfortable to stay longer, in positions where they are involved in some level of the decision-making process. That is employees should fully understand issues that affect

their working atmosphere. But in the absence of openness in sharing information, the chances of continuity of employees are minimal.

2.3 Consequences of turnover

Abbasi and Hollman (2000) sought to determine the impact of employee turnover on organizations and found that excessive employee turnover often has far-reaching consequences and, at the extreme, may jeopardize efforts to attain organizational objectives.

Three important negative consequences, which have an impact on organizational effectiveness, will be discussed below: the impact on organizational cost, operational disruption and demoralization of organizational membership.

2.3.1 Impact on Organizational Cost

The financial impact of turnover is usually expressed in monetary terms. The total cost for replacing an employee is estimated to be 50% to 150% of annual salary of the position with higher percentage for managerial employees. Both direct and indirect cost occurs with employee turnover. William et al (2006) break these costs down to include: Separation costs, which include cost of exit interview's time, cost of terminating employee's time, cost of administrative functions related to termination, separation pay and increase in unemployment tax. There also Vacancy costs, which include cost of additional overtime, cost of additional temporary help and wages and benefits saved due to vacancy. Replacement Costs, which include pre-employment administrative expenses, cost of attracting applicants, cost of entrance interviews, testing cost, staff costs, travel and moving expenses, post employment information gathering and dissemination costs and cost of post employment medical exams. Training Costs include cost of informational literature, formal training costs and informal

training costs. Performance differential includes differential in performance costs and benefits. Each time an employee leaves the firm, it is presumed that productivity drops due to the learning curve involved in understanding the job and the organization. Furthermore, the loss of intellectual capital adds to this cost, since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets.

2.3.2 Operational Disruption

Operational disruption occurs when high interdependence of work roles exists within the company. The loss of key members in an organization which is characterized as being highly interdependent and specialized can influence the ability of other remaining members to fulfill their work task. In some companies higher turnover rate occurs in lower hierarchy levels. Replacing these positions is not that difficult for the organization. “The higher the level of position to be filled the greater the potential for disruption”.

2.3.3 Demoralization of Organizational Membership

The demoralization of organizational membership refers to the impact of turnover on attitudes of the remaining members. If a person decided to leave for an alternative position in an external environment, it may provoke a reflective sentiment with remaining members, such as questioning their own motivation to stay in the organization. Thus turnover can cause additional turnover by stimulating deterioration in attitudes towards the organization. (Staw, 2001: p. 257). The perceived reason of leaving is one essential factor for demoralization of organizational membership. If the reason for leaving is a non-organizational matter, such as family issues or location change, then the feeling of demoralization is less existent. Yet if the

reason is rather dependent on organizational dimensions, such as pay or supervisory support, then it will likely lead to demoralization. “If those who leave are members of a cohesive work group or possess high social status among the organizational membership, then turnover will likely lead to greater demoralization” (Staw, 2001: p. 257).

It is clear from the above discussion that turnover costs constitute a huge threat to the survival of any organization. Indirect costs such as knowledge, skills and customer defection are more destructive to an organization than direct costs because the latter constitute a formidable weapon for competitor organizations with which to gain trade secrets and competitive advantage. This is particularly true in a situation where an organization is losing employees to direct competitors or where customers have developed a relationship with individual employees as is the case in many professional services organizations such as the banking industry.

It looks like many organizations do not have the expertise to determine or calculate the rate of turnover in their organizations. It is therefore important for managers to keep statistical records of turnover for the purpose of human resource planning and formulation of retention policy. The next section will focus on commonly used formulae for measuring employee and turnover.

2.4 Measuring employee turnover

The Chartered Institute of Personnel and Development (CIPD) in the United Kingdom developed a simple and most common way of measuring employee turnover. The method, according to the CIPD (2012) is to measure the number of leavers in a particular period as a

percentage of the number of total employees during the same period. The organization will usually calculate employee turnover rate on a quarterly or annual basis. Turnover rate is sometimes called the separation rate, and it is calculated below:

$$\frac{\text{Number of leavers}}{\text{Average no. working}} \times 100 = \text{Separation rate}$$

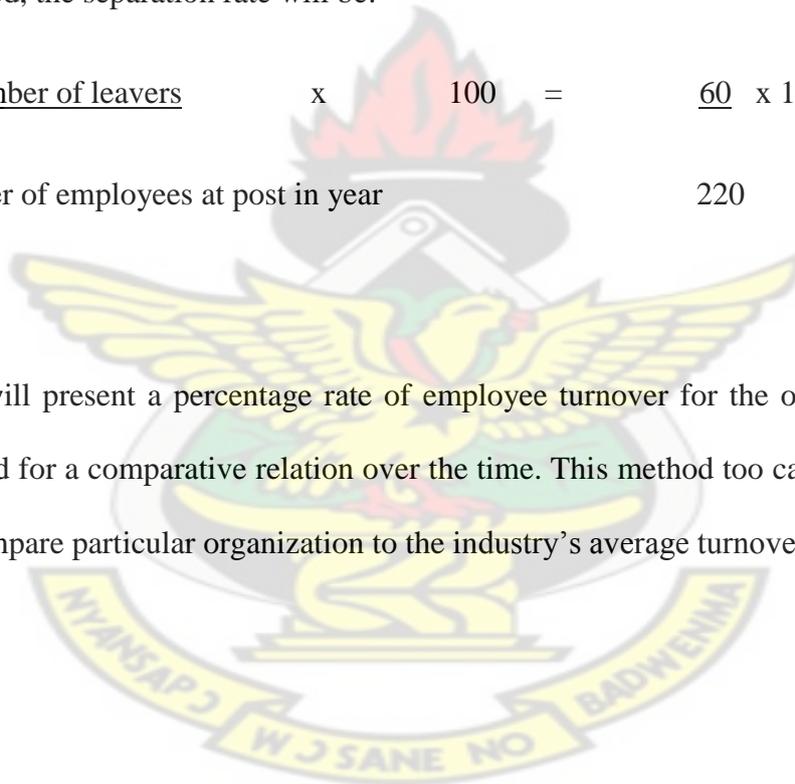
Average no. working

For instance if there are 220 workers at the start of the period under study and 60 leavers during the period, the separation rate will be:

$$\frac{\text{Number of leavers}}{\text{Average number of employees at post in year}} \times 100 = \frac{60}{220} \times 100 = 27.3\%$$

Average number of employees at post in year 220

This formula will present a percentage rate of employee turnover for the organization, and can also be used for a comparative relation over the time. This method too can be used as the indicator to compare particular organization to the industry's average turnover rate.



2.5 Employees' Turnover Intentions

Intention to leave is defined as an employee's plan of intention to quit the present job and look forward to find another job in the near future (Purani & Sahadev, (2007). Chew (2004) also defined turnover intention as a conscious and deliberate willingness to leave an organization. They assert that, intent is the immediate precursor to actual turnover. Turnover intent is the most immediate determinants of actual behavior. Unlike actual turnover, turnover intent is not explicit. Sousa-Poza & Henneberger, (2002: p. 1.) defined turnover intent as the reflection of the (subjective) probability that an individual will change his or her job within a certain time period and is an immediate precursor to actual turnover and therefore, when the intention to leave increases, actual turnover also increases.

Understanding turnover intent is important because when employees choose to leave, there are multiple direct and indirect costs and other consequences on organizational efficiency as have already been discussed. Firth et al, (2004), suggests that managers can influence behavioural patterns in employees and influence the employees' intention to quit. This is where employee retention strategies come to play. To reduce the ever increasing turnover rates, organisations must understand and put in place the right strategies to retain their core employees. The enormous financial and non financial costs associated with employee turnover can be avoided by organisational managers through the application of correct retention/motivational strategies.

2.6 An overview of retention strategies

Johnson et al (2008) define strategy as the direction and scope of an organisation over the long term which achieves advantage in a changing environment through the configuration of resources and competences with the aim of fulfilling stakeholder's expectations. Thompson et al(2004), on the other hand define strategy as a game plan which management of an organization adopts to stake out market position, attract competent employees and please customers, compete successfully, conduct operations and achieve organizational goals.

Employee retention strategies refer to the means, plan or set of decision-making behaviour put in place by organizations to retain their competent workforce for performance (Gberevbie, 2008). Researchers have found that employees are more likely to remain and work for the successful achievement of organizational goals when appropriate employee retention strategies are adopted and implemented by organizations.

Chaminade (2007: 1) on the other hand defines retention as a voluntary move by an organization to create an environment which engages employees for long term. According to them, this attachment relationship should be durable and constant and link the employee to the organization by common values and by the way in which the organization responds to the needs of the employees. The main purpose of retention is to prevent the loss of competent employees from the organization, which could have an adverse effect on productivity and service delivery. Creating a retention strategy means placing the employees' needs and expectations at the centre of the organization's long-term agenda in order to ensure the professional satisfaction of the employee and to create a trusted relationship. In this stable relationship, the employee remains in the organization by personal choice based on free will and considered decision.

Retention strategies, in the context of the present study include motivational variables that will combine and interact to attract and motivate an employee to remain and consider his/her organisation as an employer of choice. Motivational variables such as employee education, training and development, career growth, and also better working atmosphere and environs are what will impact an employee to stay in the organisation. These are critical motivational variables that can sustain retention. Apart from the aforementioned motivational factors, there are other factors that enhance retention practice and they include goal setting technique, management/ leadership ability and style, job advancement, cutting edge technology, salary and other financial benefits.

2.7 Retention strategies in organizations

Several factors generate significant influence on employee retention. These factors comprise rewards systems in organization, career and growth development, frequent management feedback, job content, Supervisor support, among others. The researcher now discusses each of these retention factors and their perceived importance to employee retention within a highly competitive sector such as the banking industry.

2.7.1 Remuneration, rewards and recognition of employee value

According to Willis (2000), compensation is the most critical issue when it comes to attracting and keeping talent. A fair wage is the cornerstone of the contractual and implied agreement between employees and employers, the underlying assumption being that money can influence behavior. Compensations are what organizations offer to their employees in response of their

performance and effective contributions and at the same time the desires of employees. There are various forms of compensation. These include cash bonuses, appreciation awards and free commodities. Compensation plays a significant role in job satisfaction as they accomplish the basic necessities as well as facilitate to achieve the higher levels of goals. Compensation system of any organization affects the employee performance and their aspiration to stay employed. As a consequence of performance and contribution, organizational rewards are the returns or benefits given to the employees as an appreciation and are regarded as the effective source of attracting and retaining them. If employees consider these rewards as a satisfactory form of appreciation employees will stop thinking about opportunities from other organization. Often effective compensation strategies offer organizations a competitive edge by enhancing their ability to attract and retain employees. The most important aspect of reward or compensation is the awareness of how such rewards are calculated or determined. Knowledge about compensation and benefit options impact retention. In particular, employees are more likely to remain with an organization when the rewards and actions necessary to earn rewards are well understood. Again employees tend to remain with an organization when they feel their capabilities and their efforts and contributions are recognized and appreciated. Performance of employees and their desire to remain employed is affected by organizations reward system. The employees who are satisfied with organizational rewards choose to stay in the organization as they believe losing such a competitive reward to be costly and will not find such compensation anywhere. Various studies examined that employee compensation, rewards and recognition affects employee turnover and retention. Employee commitment is promoted by highly competitive wage systems and it results in the attraction and retention of a superior workforce.

2.7.2 Manager/Supervisor Support

One of the most important factors that have impact on retention is the relationship between a worker and a supervisor. Supervisors are the “human face” of an organization. According to Madiha et al (2009) a worker’s view of the organization is strongly influenced by their relationship with their supervisor. By having support, workers are less likely to leave an organization and be more engaged by having good relationship and open communication with the supervisor. Supervisors interact as a link to practice applications among stated goals and expectations. By harmonizing the competing demands, they support in managing both inside and outside the work environment. If the relationship is not pleasant, then employees will seek other opportunity for new employment and vice versa.

Supervisor support is so essential to retention that it can be said that employees leave bosses, not jobs” (Madiha et al., 2009). It is also important to note that association between workers and the boss is a significant factor that influences the employee’s retention as supervisors are the “human face” of the organizations. Hence employee’s relationship with a supervisor strongly affects the employee’s opinion about the organization. In view of the aforesaid, it is absolutely glaring and obvious that supervisor’s support is an essential factor to change the worker’s tendency to quit and create high involvement in job by establishing strong relationship and free interaction with their employees. To properly establish the place where workers desire to stay, organizations need to groom up supervisors or managers. Again the relationship between an employee and a supervisor is one of the most important factors that affect employee retention. It must be noted that employees are less probable to leave an organization and get more committed through good relationships and free communication with the supervisor when a strong support exists. (Madiha et al., 2009). Skilled employees that have good positions may have another opportunity for

similar job but to retain these employees is to offer support and develop strong working relationship. In a well noted study, Borstorff & Marker (2007) found out that employees desire trustworthy supervisors who distinguish them, understand them and treat them fairly. Additionally, employees who feel respected and valued will actively take part in organization's goals, exhibit productive workplace behaviors such as increased in job involvement, reduced absenteeism and have less turnover rates.

2.7.3 Positive work climate

This is the key factor for the success of the organization. This factor is associated with the organization's culture and practices of valuing employees as an asset, not a cost. The commitment of the employees can be developed when the work climate is harmonious and it would never make the employees to feel stressed. Companies that actively promote a positive work environment and who also value employee contributions while achieving a true work-life balance have been found to be more successful at communicating the idea that their employees are one of their most valuable resources. This is why the author is in agreement with other writers who have suggested that good work climate involves the aspects of the workplace as being enjoyable or fun, the organization being a special place to work, and the firm regarded as an employer of choice. These dynamics, when positively applied, portray a workplace that values its people and their talent. (Hom and Kinicki, 2001)

Another factor most significantly affecting employees' commitment is management's recognition of the importance of personal and family life. For some employees, personal priorities or circumstances make the difference between leaving and staying. Individuals will stay with companies that clearly consider and cares for family and other personal needs.

2.7.4 Challenging and interesting jobs

According to Accenture (2001), employees need to be stimulated with creative challenges or they will go where the excitement is. Providing employees with challenging assignments with well defined performance measure and feedback is important for a high performance environment in which employees can achieve their personal objective.

Employees want jobs with a broad duties and a lot of task varieties. Therefore when their work mainly consists of the routine-based performance of tasks, the likelihood of demotivation and turnover is relatively high. Employees who felt that their organizations failed to give them challenging and interesting work, freedom to be creative, opportunities to develop new skills and autonomy were more likely to express negativity and lack of loyalty towards the employer.

2.7.5 Communication & Assistance

Communication is the significant factor in reaching the objectives of the firm. The employee commitment depends upon the way in which performance feedback is provided. High performing employees are especially interested in receiving frequent, specific feedback. Feedback is the amount of information employees receive about how well or how poorly they have performed. It acts as a channel between the employee and the employer. Employers can provide either positive feedback or negative feedback to employees. This feedback helps the employee assess his or her performance and identify the areas to improve. Without the policy of providing feedback the employees get demotivated and this leads to employee absenteeism. In the view of Clark (2001), Effective communication strengthens employees' identification with the company and builds trust. For business success, a regular two-way communication

particularly face to face with employees has been identified as an important factor in establishing trust and a feeling of being valued.

2.7.6 Training and Career Development Opportunities

Employees perceive skill development opportunities and career progress as major attractors to organization. Hall, (2002) reinforced this assertion that career development opportunities are considered imperative factors both in organizational and individual context. To sustain a competitive edge, organizations need talented employees, and employees need career developing opportunities and competence development.

Training provides employees with specific skills or helps to correct deficiencies in their performance while development is an effort to provide employees with abilities organizations will need in the future. Skills development could include improving basic literacy, technological knowhow, interpersonal communication or problem solving. Training and Career development Opportunities are imperative for both the organization and individual. It's a mutual benefit process because career development provides the important outcomes for both parties. Organizations need talented employees for maintaining the sustainable competitive advantage and individuals require career opportunities to develop and grow their competencies.

According to Accenture (2001) training is a symbol of employers' commitment to staff. Leading companies have acknowledged that providing employees with a comprehensive range of career and skill development opportunities is the key to attracting and retaining the kind of flexible,

technologically –sophisticated workforce that organizations need to succeed in the digital economy. Therefore to remain in the current jobs, career growth, training, and development are the major three bases. If firms can provide such things as training, mentoring relative to career goals and growth through employee empowerment the likelihood of their employees remaining loyal is significantly increased.

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Three of the major reasons that people stay in their existing jobs are career growth, learning and development. It is considered that a good boss is that who gives opportunities for learning, challenges and growth on the job that are equivalent to the employee's capabilities and ambitions. A right boss supports employees to develop their work as well as their skills and keep themselves updated with latest advancements in their field (Kaye, Evans, 2003). A career development opportunity is a mutual benefit process as it provides the significant outcomes for both parties. HR functions that hold career related functions can improve knowledge, skills and the abilities of an organization's current and potential employees, and improve the retention of quality employees. In addition to the aforesaid, employees are motivated to perform up to expectations due to the perception of development opportunities in organizations so they stay with the company to show their skills and capabilities. More so employees work with loyalty and broaden their extra effort as they feel appreciated. As various researches has shown that employees are less inclined to quit the job, as long as they feel that they are learning and growing. Hence it can be deduced that career development opportunities has a positive affect employee retention.

Having considered retention strategies that organizations can adopt to retain key employees, it is obvious that none of these strategies on its own can guarantee the continuous loyalty of top performing employees. This is why it is vital for organizations to develop a comprehensive retention program that will keep key employees until such a time when they would have justified the huge investment made in them by their employers. Managers should also utilize these employees optimally in order for them to contribute meaningfully to the successful realization of organizational goals and objectives.

2.8 The concept of organizational performance

2.8.1 Organizational performance

The definition of performance, in fact, continues to be a debatable issue among organizational researchers. However, defining, conceptualizing, and measuring performance have not been an easy task. Researchers among themselves have different opinions of performance. Organization's performance has been the most important issue for every organization be it a profit or a non-profit making organization.

According to Javier (2002), performance is equivalent to the famous 3Es (economy, efficiency, and effectiveness) of a certain program or activity. However, Daft (2000) views organizational performance as the organization's ability to attain its goals by using resources in an efficient and effective manner. Richardo et al (2001) on the other hand defined organizational performance as the ability of the organization to achieve its goals and objectives. They further asset there is a difference between performance and productivity. To them, productivity is a ratio depicting the volume of work completed in a given amount of time. They succinctly opined that performance

is a broader indicator that could include productivity as well as quality, consistency and other factors.

The most contentious issue about organizational performance is the factors that determine organizational performance. According to Hansen and Wernerfelt (1989) in the business policy literature, there were two major streams of research on the determinants of organizational performance. One was based on economic tradition, emphasizing the importance of external market factors in determining organizational performance. The other line of research was built on the behavioral and sociological paradigm and saw organizational factors and their 'fit' with the environment as the major determinant of success. The economic model of organizational performance provided a range of major determinants of organizational profit which included: (i) Characteristics of the industry in which the organization competed, (ii) The organization's position relative to its competitors, and (iii) The quality of the firm's resources. Organizational model of firm performance also focused on organizational factors such as human resources policies, organizational culture, and organizational climate and leadership styles. A study by Chien (2004) found that there were five major factors determining organizational performance, namely: (i) Leadership styles and environment, (ii) Organizational culture, (iii) Job design, (iv) Model of motive, and (v) Human resource policies.

2.8.2 Measurement of Organizational Performance

According to Doyle (1994) there was no single measure or best measure of organizational performance. Organizations adopt different objectives and measurements for organizational performance. Some researchers however, argued that profitability was the most common

measurement used for organizational performance in business organizations; profitability was the best indicator to identify whether an organization met its objectives or not. They supported the use of return on assets (ROA), return on equity (ROE), and profit margin as the most common measures of performance. Return on Assets (ROA) is derived by dividing net income of the fiscal year with total assets. Return on Equity (ROE) means the amount of net income returned as a percentage of shareholders equity. It measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Richardo et al (2001) emphasized that successful organizations were those with the highest return on equity and those who had established performance management system "aligning" every aspect of the organization. There has been an over-emphasis on financial criteria, with pre-occupation with past performance. Performance measures were usually not linked to strategies and goals of the overall organization and they were inward looking and did not capture aspects of performance necessary to gain and retain customers or build long term competitive advantage. In using financial indicators as measurement of performance, some authors have included sales measures, profit measures and growth measures. However, the non-financial measures are perceived success, satisfaction and goal achievement. It must be noted that financial measures are more objective compared to the non-financial measures which are more subjective.

Finally literature synthesis on organizational performance gives credence to the notion that performance is all about achieving the objectives that organizations or firms set for themselves. However these objectives of an organization or firm could be financial, that is to say, profit-making or non-financial such as spreading awareness among a certain community. Conclusively, organizational performance could be categorized under two categories: financial and nonfinancial.

2.8.3 Financial Performance

An organization's performance is widely measured through the financial success of the organization. The financial health of most profit-oriented organisations can be assessed both in terms of sales as well as profitability measures. According to Davis et al. (2000), the profitability of an organization is an important financial indicator to reflect the efficiency of the organization and the owners/managers ability to increase sales while keeping the variable costs down (Davis et al., 2000). Profit margin, return on assets, return on equity, return on investment, and return on sales are considered to be the common measures of financial profitability.

2.8.4 Non-Financial Performance

Besides financial indicators as an evaluation of firm's performance in any industry, other industry-specific measures of effectiveness may also reflect the success of the organization. These measures include job satisfaction, organizational commitment, and employee turnover. According to Robbins (2003), job satisfaction is defined as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences. It is a general attitude toward one's job; the amount of rewards received should at least be equal to the expected. Job satisfaction is associated with five core dimensions: skill variety, task identity, task significance, autonomy, and feedback from the job itself which leads to satisfaction with supervision, satisfaction with co-workers, satisfaction with work, satisfaction with pay, and satisfaction with promotion. Job satisfaction represents an attitude rather than a behavior, thus it has important implications on employees' physical and mental health that can affect firm's performance. . Schermerhorn et al,(2004: 100) defined job satisfaction as “ the degree to which individuals feel positively or negatively about their jobs”. It is an attitude or emotional response to ones tasks, as

well as to the physical and social conditions of the organization. Job satisfaction can be an important indicator of how employees feel about their jobs and a predictor of work behaviours such as absenteeism and turnover. It shows the extent to which employees like their work and this informs an employee's decision to belong –that is, to join and remain a member of an organization.

Another non financial performance indicator is organizational commitment. Organizational commitment has been defined in many ways. Organizational commitment refers to the willingness to exert effort in order to accomplish the organizational goals and values, and a desire to maintain membership in that organization (Robbins, 2003). The affective dimension of organizational commitment reflects the emotional attachment to the organization. Organizational commitment can thus be influenced through intrinsic incentives. Increased affective organizational commitment is essential to the retention of quality employees. Both job satisfaction and organizational commitment are in fact related to employees' turnover and turnover intentions. Employees who are low in job satisfaction and organizational commitment tend to have low morale and less motivated. These employees will have the tendency to leave their employment, thereby increasing the turnover rate.

Hence for the purpose of this study, organizational performance will be defined using non financial indicators such as employee turnover, job satisfaction and organizational commitment. It is important to recognize that employee turnover can be an important indicator of organizational success. Organizations that are able to reduce voluntary employee turnover intent and actual turnover can reduce costs and increase profitability. Although turnover may be either

functional (that is, beneficial to the firm) or dysfunctional (that is, harmful to the firm) as have already been seen in the literature, as a general rule, it is extremely costly and most employers are better served with lower rates of employee turnover

2.9 Employee retention on organizational performance

Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and to train employees. There are many factors which show the importance of the employee retention. There is the turnover cost which includes hundreds of thousands of cedis to the company's expenses. Turnover cost includes hiring costs, training costs and productivity loss. Industry experts often quote 25% of the average employee salary as a conservative estimate. Company information loss is the next factor which shows the significance of retention. When an employee leaves the organization, he takes with him the valuable information about the organization, the customers, the current projects and also the past history of its competitors to the new employer. Apart from these, lots of time and money has been spent on an employee in expectation that he works for organizations future return. Also when an employee leaves the organization, customer services are interrupted where customers and clients do business with a company in part because of the bond with employees. The relationships between employees and customers are developed in such a way that encourages continued operation and services of the business. When an employee leaves the organization suddenly, the relationships that employee built for the company also suffers which could lead to loss of business.

Another important factor to note is the issue of a company's goodwill which also plays an important role in retaining the employees. It makes sense to note that maintenance of goodwill of a company is possible only if the turnover rates are low. By maintaining higher employee retention rates the employer can motivate potentially talented employees to join the organization by creating a secured environment.

The problem of regaining efficiency is also seen if an employee resigns. Because good amount of time is lost in hiring a new employee and then training him/her which indulges loss of the company directly which many a time goes unnoticed. And even after recruiting a new employee one cannot assure the same efficiency from the new employee as the training imparted to the old employee according to the employer's needs goes wasted.

2.9.1 The Service Profit Chain Model

One model which gives a plausible account of the link between the employee's work attitude and financial performance is the service chain model. Gelade et al(2005) defines the service profit chain as 'involving direct and strong relationships between profit; growth; customer loyalty; customer satisfaction; the value of goods and services delivered to customers; and employee capability, satisfaction, loyalty and productivity.'

Simply put, the service profit chain asserts that satisfied and motivated employees produce satisfied customers and satisfied customers tend to purchase more, increasing the revenue and profits of the organization. For any service profit chain to be effective, human resource system must lie at the heart of the organization for it to translate into employee retention. This is where Elton Mayo's definition of organizational effectiveness comes in: that productivity results from

employee satisfaction. Employees are satisfied when they are satisfied with the conditions of their jobs. Certain factors are responsible for job satisfaction which is a determinant of employee retention or turnover. Managers will be able to measure the level of job satisfaction when most of the retention factors such as fair and equitable reward systems, supervisor support, clear objectives and work climate, an assurance of job security, and career development opportunities are present. When a fair and consistent retention system is in place, it communicates positive and clear signals to employees and this fosters the development of positive perceptions of what the organization stands for and a favourable climate is shared which in turn influences employee attributes such as commitment, motivation, and identification with the organization. Positive attitudes lead to significant employee behaviours such as attachment, performance, and citizenship that increase organizational Productivity or effectiveness. Therefore the service profit chain model may be described as follows: climate influences employee commitment, and employee commitment influences both customer satisfaction and sales. This is because employees who feel positive about their work and workplace radiate positive effect in the course of conducting their work. These emotions are also perceived and absorbed by customers, who, as a result, experience pleasant customer service. Since superior business performance depends critically on satisfying the customer, researchers have affirmed that satisfied employees are more committed to serving customers. Hence customer satisfaction has a long-term positive financial impact on businesses since satisfied customers of a firm are likely to purchase more frequently, in greater volume and buy other goods and services offered by the same service provider (Gronholdt et al. 2000). Also customer satisfaction enhances customer loyalty and influences customers' future repurchases intentions and behaviors. When this happens, then the profitability of a firm would increase. Again, highly satisfied customers are willing to pay premium prices

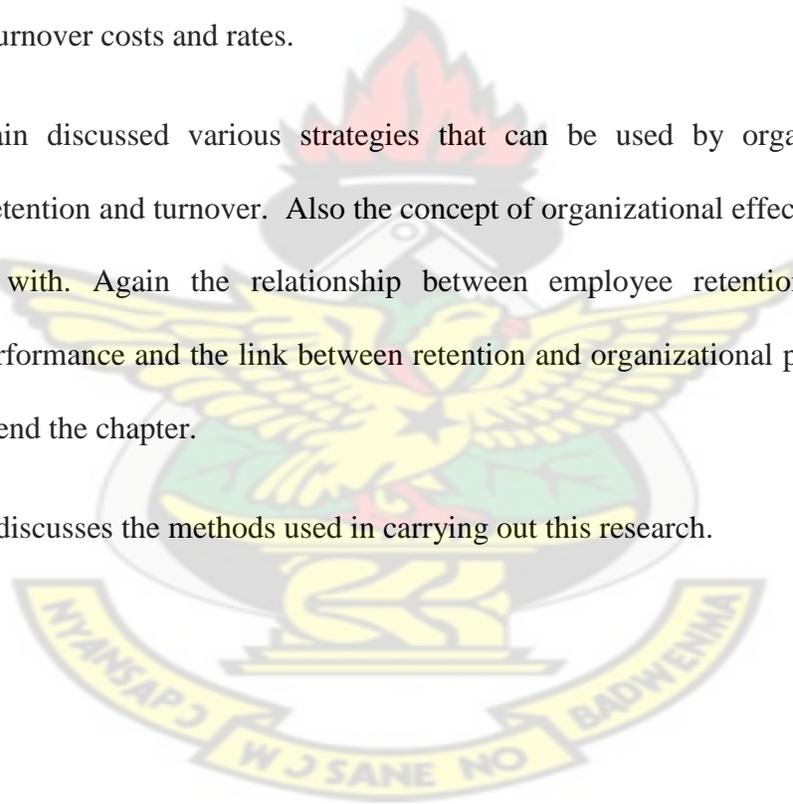
and are less price-sensitive. This implies customers tend to pay for the benefits they receive and be tolerant of increases in price, ultimately increasing the economic performance of the firm.

Chapter Conclusion

This chapter provided a broad definition of turnover. Some factors have been identified to be responsible for employee turnover. These factors (pull and push), and their effects on retention and turnover were discussed. The chapter gave a comprehensive evaluation of costs that are usually associated with turnover and provided a method that is used in the calculation and measurement of turnover costs and rates.

This chapter again discussed various strategies that can be used by organizations in the management of retention and turnover. Also the concept of organizational effectiveness was also accurately dealt with. Again the relationship between employee retention strategies and organizational performance and the link between retention and organizational performance were also discussed to end the chapter.

The next chapter discusses the methods used in carrying out this research.



CHAPTER THREE

METHODOLOGY AND INDUSTRY PROFILE

3.0 Introduction

This chapter describes the methods and techniques through which the research work was carried out to get the necessary information on the examination of the effects of employee retention strategies on performance some selected rural banks. It covers the discussions on the research design, sources of data collection, sampling techniques, instrument of data collection and the mode of data analysis. This chapter also describes the organizational profiles of the selected rural banks.

3.1 Research design

Durrheim and Painter (2006: 36) define research design as a “strategic framework, a plan that guides research activity to ensure that sound conclusions are reached. This involves plans for data collection, the instrument for gathering information, how information gathered would be processed and analyzed to give meaning to the research findings. The researcher wanted to obtain an in-depth understanding of the research topic and therefore decided on carrying out a case study as the research approach. Yin (2003) identified some characteristics of a case study. According to him, case studies can be used to investigate a contemporary phenomenon within its real-life context, such as a single site, such as a team or an organization, but with many variables. Case studies can also accommodate both quantitative and qualitative material. Also case studies allow theoretical propositions which tend to be developed prior to the study to guide data

collection. Case studies are a good way to study contemporary events such as turnover and retention strategies and can also incorporate both quantitative and qualitative data hence its selection as an appropriate research approach.

3.2 Sources of data

Data collected for the study were mainly through primary and secondary sources. Secondary sources of data were obtained from books, journals, the internet, newspapers for the critical review of related literature for the study.

3.2.1 Primary data

The method of collection of primary data was through the administration of questionnaire and structured interview. The questionnaires and structured interview were structured in line with the research objectives and questions which were made up of close-ended questions.

3.3 Population

The population for this study includes all the rural banks in the Ashanti Region. According the Bank of Ghana (2011) the number of rural banks in the region totals twenty-four (24). Given the short time frame and limited financial resources on the part of the researcher, not all the rural banks were used in the study.

3.3. Sampling and Sampling techniques

Sample of five rural banks were chosen for the study. The study adopted the simple random sampling technique in selecting five (5) out of twenty four (24) rural banks in Ashanti region. Purposive sampling technique was used to select the sample size. The purposive sampling technique was used in selecting the human resource managers because the researcher wanted to select those who directly dealt with employee issues and were involved in formulation and implementation of strategies for employee retention. Also purposive sampling technique was used to administer the questionnaires to all the employees. Hence the sample size of one hundred and ten (110) was chosen as follows: two (2) human resource managers from each bank making a total of ten (10) and twenty (20) employees from each bank making a total of one hundred (100).

3.4 Data collection instruments

The research instruments used for the collection of data for the purposes of this study were questionnaires and structured interview.

3.4.1 Questionnaires and Interview

The present study used the questionnaire method of data collection because of its numerous advantages and its ability to yield the most satisfactory range of reliable data. Some of the advantages of the questionnaire method include cost efficiency, easy administration and easy analysis especially in a quantitative study. In this study questionnaire for employees of the selected rural banks was divided into four sections. Section A sought demographic information

from respondents. Section B comprised questions that enabled respondents to evaluate what could cause them to leave their organizations. For section C, respondents were asked to indicate the various retention strategies their organizations use to motivate and retain them. Section D sought to assess the level of respondent's intention to leave their present organizations. The five-point Likert-style rating scale method of questionnaire was used to obtain information from respondents. The questions were developed by the researcher from research questions and objectives.

The structured interview for the HR managers was divided into three parts. Section A sought to find out from HR managers the underlying causes of employee turnover. Section B, to allow HR managers to indicate the various retention strategies available in the organisation and for section C, to assess the effects of the retention strategies on their organisations performance. The researcher designed the interview guide using close-ended format.

3.4.2 Administration of the questionnaire

The questionnaires in this study were self – administered. A total of 100 questionnaires and 10 interview guide were administered to respondents. Self – administered questionnaires were chosen for this study because they are known to have a high response rate since the researcher personally distributes the questionnaire to respondents. Out of the 100 copies of questionnaire administered to respondents in the various branches of the banks, 90 were retrieved. Eight out of ten (10) selected HR managers were available for the interview since two were not ready to participate in the study because they were not ready to give out any information since they were new on their jobs.

3.5 Data analysis techniques

Statistical Package for the Social Sciences (IBM SPSS Statistics 19) was used for the data analysis. The data was edited for completeness and consistency after which data extraction was performed. Coding of the data was followed by data entry, after which results were run and presented in tables and charts. This enabled the researcher to come out with the final findings of the research.

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3.7 Industry profile

The concept of rural banking was conceived in the 1960s with the search for a system to tackle the financial problems of the rural dweller. During this period the need for a veritable rural financial system in Ghana to tackle the needs of small-scale farmers, fishermen, craftsmen, market women, traders and all other micro-enterprises was felt. The need for such a system was necessary because the bigger commercial banks could not accommodate the financial intermediation problems of the rural poor as they did not show any interest in dealing with these small-scale operators.

The first rural bank, Nyakrom Rural Bank Limited, was opened in Agona Nyakrom 1976 in the Central Region. As a result of the invaluable financial services rendered in the rural areas, the rural banking concept suddenly became popular with a number of rural communities applying to Bank of Ghana to establish rural banks.

There are over hundred and thirty-five rural banks in the ten regions of Ghana. Below is a breakdown of the number of rural banks in the ten regions of Ghana.

Table 1: Regional distribution of rural banks and branches

	Region	Number of banks	Number of branches
1	Ashanti	24	111
2	Brong Ahafo	20	69
3	Central	21	68
4	Eastern	20	85
5	Greater Accra	6	13
6	Northern	6	3
7	Upper East	5	10
8	Upper West	4	3
9	Volta	12	22
10	Western	13	55
	Total	133	439
	Head office + branches = 564		

Source: ARB Apex Bank Limited (2012)

In spite of the numerous number the Rural/Community Banks (RCBs) being established in the Ghanaian economy, they are constrained both in operations and management. These constraints according to the managing director of ARP Apex bank, Mr Emmanuel Kwapong include the following:- Weak management as a result of inability to attract qualified and suitable personnel, small customer-base as a result of limited business opportunities, non-membership of the

National Bankers' Clearing House resulting in delays in cheque clearing through the big commercial Banks, poor technology and communication facilities to promote modern banking operations, inadequate capitalisation thus, limiting their ability to operate at optimum level, Inadequate bookkeeping, non-observance of internal control measures and lack of regular auditing. Social problems such as chieftaincy disputes in some communities adversely hinder the development of some Rural Banks.

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However, the importance of Rural/Community Banks as providers of financial services to ensure growth in a predominantly agro-based economy cannot therefore be over-emphasised. . Rural banks have been making significant contribution to the development of their catchment areas by contributing to the construction of schools, health centres, provision of electricity and pipe-borne water and awarding of scholarships to needy but brilliant students. They help to enhance smallholder agriculture in the rural communities by helping farmers and small-scale operators in various trades to improve upon their various activities. They help to inculcate banking culture among people in the catchment areas of rural banks.

They mobilize resources from their catchment areas and lend them to deserving applicants in these areas. Decisions are taken locally and matters relating to disbursement and credit are attended to without delay. They help to enhance businesses in the rural communities by helping them improve upon their various activities through the delivery of banking services. Promotion of rural banks in cocoa growing areas to assist in the purchase of cocoa through the Akafo Cheques System.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter focuses on the presentation and discussion of the findings of the research on the examination of the effects of retention strategies on the performance of selected rural banks. A total of five rural banks were selected from Ashanti region for the study. These were Juaben rural bank, Sekyere rural banks ltd, Kumawuman rural bank, Otuasekan rural bank and Bosomtwe rural bank. The background characteristics of the survey respondents are first introduced in order to have a clear idea of who the respondents of the study were.

4.1 Demographic results of the respondents

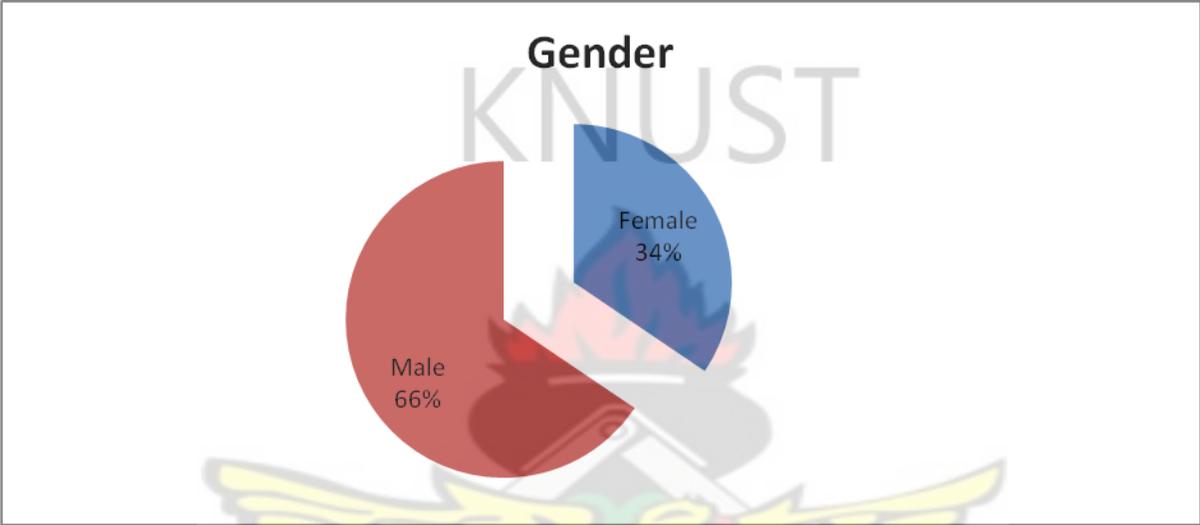
Demographic results of the respondents are presented below using frequency distribution charts and tables.

4.1.1 Gender

From the survey, 66% of the respondents were males and 34% were females. It can be inferred that majority of employees of the rural banks are males. The findings that 66% of the respondents of the selected rural bank surveyed are males is consistent with the Institute of leadership and Management (2012) finding that statistics in the UK banking sector shows that banking in the UK is a more male dominated business. According to the institute, both men and women felt that banking is lacking in opportunities to work flexibly and remotely. This

researcher is of the opinion that the lack of opportunities to work flexibly and remotely at home (general lack of working balance in the banking sector) could be the reason why women are underrepresented in the banking sector.

Figure 1: Gender of Respondents



Source: Researcher’s field work

4.1.2 Academic Qualifications

The distribution of the respondents by their highest level of education is shown in Table 1.

Table 2. Level of Education

	Frequency	Percentage
Postgraduate	5	5.6%
Degree	69	76.7%
HND	12	13.3%
Others	4	4.4%
Total	90	100%

Source: Researcher's field work, July 2012

As shown in Table 2, 5.6% of the respondents had postgraduate qualifications, 76.7% have first degrees, 13.3% have diploma certificates while only 2% of the respondents have other qualification. This implies that majority of the employee at the selected rural banks are first degree holders. Since majority of the workers has good education, it stance to reason that they can be easily trained and developed. The danger however in the opinion of this researcher is that if effective retention strategies are not put in place, they can easily be poached by competitors.

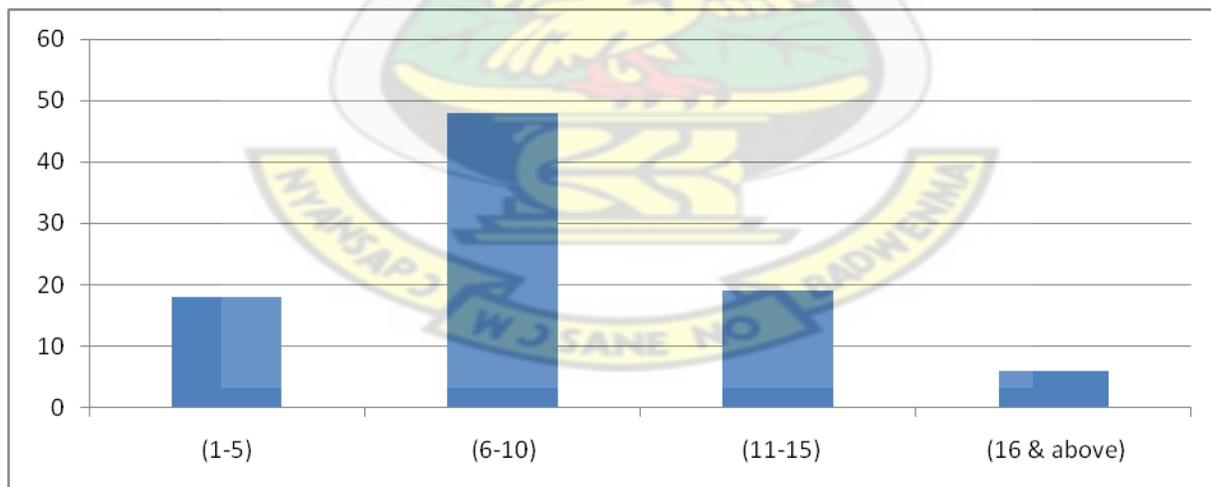
Table 3: Present Position in Organization

	Frequency	Percentage
Branch Managers	8	8.9%
Other Employees	82	91.1%
Total	90	100%

Source: Researcher's field work, July 2012

Out of 90 respondents, 8.9% were branch managers. All other employees who occupied various positions in the bank but were not at the managerial level also constituted 91.1%.

Figure 2: Number of years served in the organisation



Source: Researcher's field work, July 2012

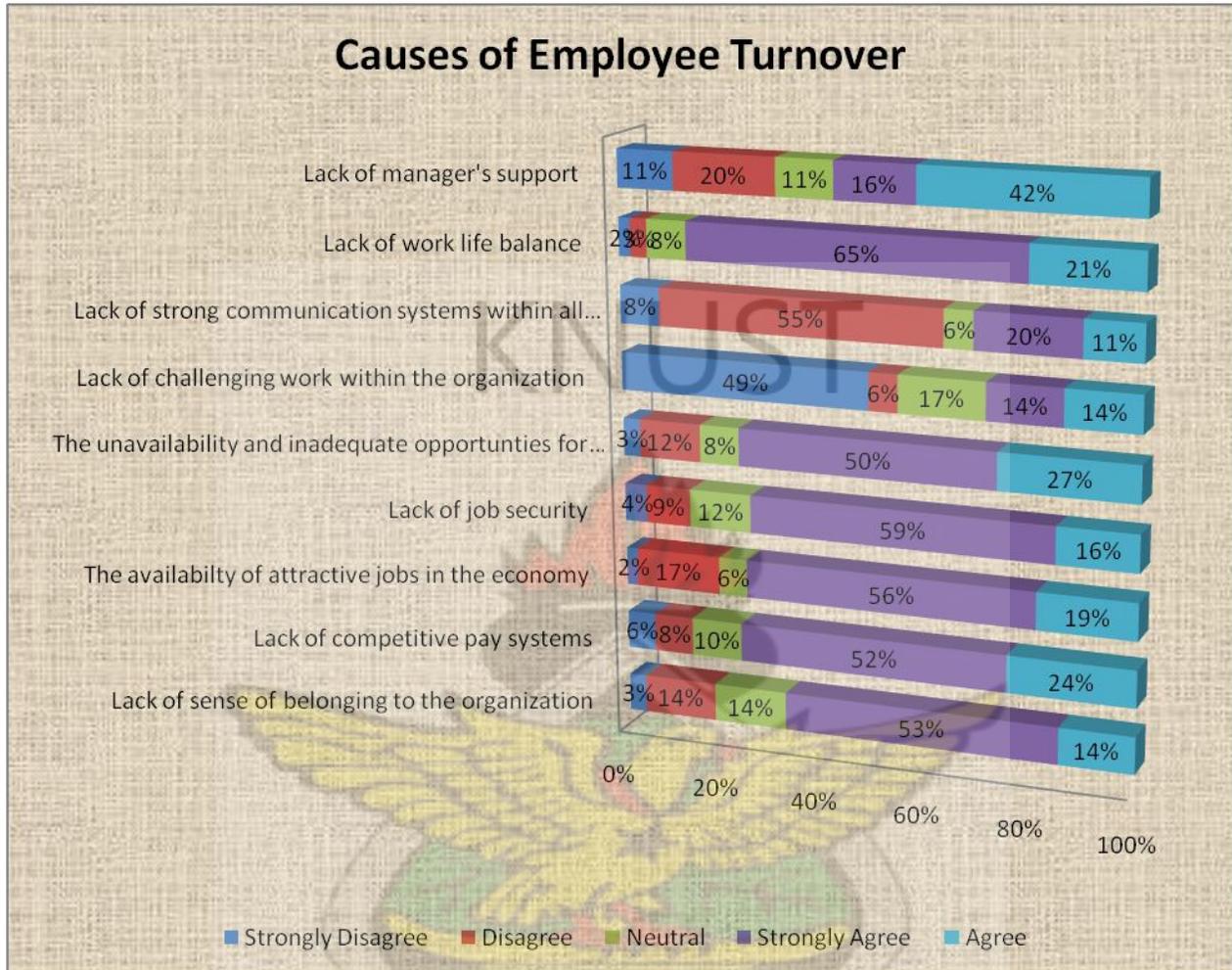
As indicated in table 3, 20% have stayed for 1-5years, 53% of the employees surveyed have stayed in their present jobs for 6-10 years, 21% have stayed for 11-15 years, and 6.7% have stayed for 16 years and above. This is an indication that the turnover rate is low and this could be attributed to lack of job opportunities in the country.

4.2 Causes of employee turnover

The researcher wanted to identify the causes of employee turnover and turnover intentions of the employees of the selected rural banks. A list of possible causes of the phenomenon was given to the respondents to assess the extent to which they agree or disagree. It was revealed from the study that the following are the major causes of employee turnover from the selected rural banks as shown in Figure 2:

- ❖ Lack of competitive pay systems
- ❖ Lack of job security
- ❖ Lack of work life balance
- ❖ The unavailability and inadequacy training and development opportunities
- ❖ The availability of attractive jobs in the economy
- ❖ Lack of sense of belonging to the organisation
- ❖ Lack of manager' support

Figure 3: Causes of Employee Turnover



Source: Researcher's field work, July 2012

Below is detailed discussion of the causes of employee turnover at rural banks in Ghana from the study:

4.2.1 Lack of competitive pay systems

Lack of competitive pay package as revealed in the study is one of the most obvious contributors of employee turnover. From the study 52% of the respondents strongly agreed to this point, 24% agreed, 10% were neutral, 6% strongly disagreed and 8% disagreed. This means that 76% of the

respondents agreed that lack of competitive pay is a strong determinant of employee turnover in the selected rural banks. As the demographic factors of the respondents revealed, 76.7% of the respondents are first degree holders. This makes them highly skilled workers who would therefore expect higher and competitive salary package. The study shows that money is a critical factor when it comes to employee turnover. The findings of the present study strongly support the argument of Kinnear and Sutherland (2001) that skilled employees need to earn competitive salary package and also have the opportunity of earning performance bonuses. Skilled employees want their efforts to be rewarded and to have a fair share of the organization's success in monetary terms. They reiterate the importance of money in attracting, motivating and retaining quality employees in the organisation and further concluded that skilled employees are achievement oriented and want their achievements rewarded with money.

4.2.2 Unavailability and inadequacy of opportunities for training and development

The findings of the study revealed that 56% of the respondents strongly agreed, 24% agreed, 10% were neutral, 2% strongly disagreed and 17% disagreed. 80% of the respondents strongly agreed that the unavailability and inadequacy of opportunity for training and development is a strong indicator of turnover of the selected rural banks. This is because employees in such calibre of jobs will want to be trained in order to be effective and efficient in their performance of their duties. Employees perceive investment in their training and development opportunities as a strong sign of commitment on the part of employers to retain them. This is consistent with the findings of Hay (2001) that lack of training and development of skills is the largest determinant of turnover.

4.2.3 The availability of attractive jobs in the economy

Respondents strongly agreed that the availability of and attainability of attractive jobs in a growing economy where it is possible for many job opportunities to spring up is a significant cause of turnover. As the finding of the study indicates in Figure 3, 56% of the respondents strongly agreed, 19% agreed as against 2% and 17% who strongly disagreed and disagreed respectively. The availability of attractive and alternative jobs attracts an employee to withdraw from a particular job. The finding of this study is consistent with the findings of the Chartered Institute of Personnel and Development (2012) that the availability of alternative jobs to attracts employees to withdraw from particular job. In an economic boom, it is a common practice for skilled employees to have higher turnover. Economic growth provides good grounds for turnover among skilled employees.

4.2.4 Lack of job security

The study shows that lack of job security is a significant factor that could cause an employee in the rural banks to leave his or her job. From the study, 59% of the respondents strongly agreed and 16% agreed to the above cause of turnover as against 4% and 9% disagreed and disagreed respectively. In a developing country such as Ghana, employees need to be assured of the continuity of their jobs. The researcher believes that employees place great importance on their jobs because it provides them with the source of income with which socio-economic stability and psychological well-being are achieved. Therefore job security is a crucial factor particularly in a developing economy like Ghana where jobs are difficult to find and where poverty rate is high.

4.2.5 Lack of work life balance

Lack of work life balance is one of the major causes of employee turnover in the selected rural banks. As indicated from the study, 86% of the respondents (comprises of 65% strongly agreed and 21% agreed) attested to this cause. Only 2% and 4% strongly disagreed and disagreed respectively. It is the opinion of the researcher that the employees would want to be able to balance their working life with their personal and family life. From the researcher's observation, employees in the banking sector could go to work as early as 6.00 am and close at late as 10.00 pm given them no room for family and social life. Inflexible work arrangement is a primary reason for employees to leave an organization and therefore the findings in this study is consistent with the assertion of Thompson et al (2005) that organisations should be more aware about work life balance and implementation of friendly policies because complex and additional working hours increase the stress , turnover and turnover intentions of employees.

4.2.6 Lack of sense of belonging to the organisation

A sense of belonging is an internal push that is based upon the ability of the organisation to provide an employee with job satisfaction and a friendly working environment. It was found from the study that lack of sense of belonging to the organization is one of the causes of employee turnover in the rural bank. The study indicated that 53% strongly agreed, 14% agreed 3% strongly disagreed, 14% disagreed and 14% neither agreed nor disagreed. For employees to feel that they belong to the organization, it is the opinion of the researcher that management could create a work environment in which employees feel free and are treated with dignity in order for them to be affectively attached to the organisation. People who identify with and are

more committed to the mission and values of the organisation are likely to stay even when better job opportunities exist elsewhere. Managers should therefore create a friendly work environment, a good public image and an organisational culture with a sound financial base that will hold them out as one of the best organisations to work for. Such a corporate image presents an effective tool in attracting and retaining employees.

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4.2.7 Lack of manager's/ supervisor's support

One of the most important factors that have impact on turnover is the relationship between a worker and a supervisor. From the study, lack of manager's/ supervisor's support is a cause of turnover of the rural banks. As indicated that 16% of the respondents strongly agreed, 42% agreed, 11% strongly disagreed, 20% disagreed and 11% neutral. This means that the relationship between the managers and their employees are very poor. Supervisors are the "human face" of an organization. According to Madiha et al (2009) a worker's view of the organization is strongly influenced by their relationship with their supervisor. By having support, workers are less likely to leave an organization and be more engaged by having good relationship and open communication with the supervisor. Employees who feel respected and valued will actively take part in organization's goals, exhibit productive workplace behaviors such as increased in job involvement, reduced absenteeism and have less turnover rates

4.3 Exit interviews

The HR managers and the administrators in charge of employee issues were interviewed on the reasons why employees leave the organizations. They were asked if they conduct exit interviews. They all responded negatively as shown in the figure 4

Figure 4. Exit Interviews



Source: Researcher's field work, July 2012

The researcher is of the opinion that HR managers should institute exit interviews so that they could find out the reasons why their employees leave their organization. Again by conducting exit interviews, the employer is better able to learn what the responses are for the employees' departure and to gain valuable information that can be helpful to improve or protect the firm in the future.

As part of the research objectives, the researcher wanted to find out from the human resource managers and administrators the underlying causes of employee turnover. Their responses are indicated below.

Table 4: Reason why employees leave your organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	6	75.0	75.0	75.0
	a	1	12.5	12.5	87.5
	b	1	12.5	12.5	100.0
	Total	8	100.0	100.0	

One HR manager identified lack of internal and external inequity as a cause of employee turnover. Another also identified lack of training and career opportunity as the major cause of employee turnover. The rest comprising 75% did not indicate any responses. It could be inferred from their lack of response that because they do not conduct exit interviews, they could not identify what actually causes their employees to leave their organizations.

4.4 Various Employee Retention Strategies Available in the Selected Rural Banks

Researchers have agreed that one of the fundamental challenges facing organizations in the area of performance is their inability to put in place strategies capable of recruiting competent employees and retaining them to achieve organizational goals (Gberevbie, 2008). One of the specific objectives of this study is to examine strategies for employee retention in the selected

rural banks. It was found out from the study that the majority of the selected rural banks do have any retention strategies to retain their skilled employees. Only two out of the eight human resource (HR) managers of the five selected rural banks interviewed affirmed they have a policy on employee retention. The others also proposed that they have strategies in place to retain their employees only that they are not documented. This is indicated in Figure 5

Figure 5: Employee Retention Policy



Source: Researcher's field work, July 2012

From the HR managers and administrators indicated that the following retention strategies are available in their banks:

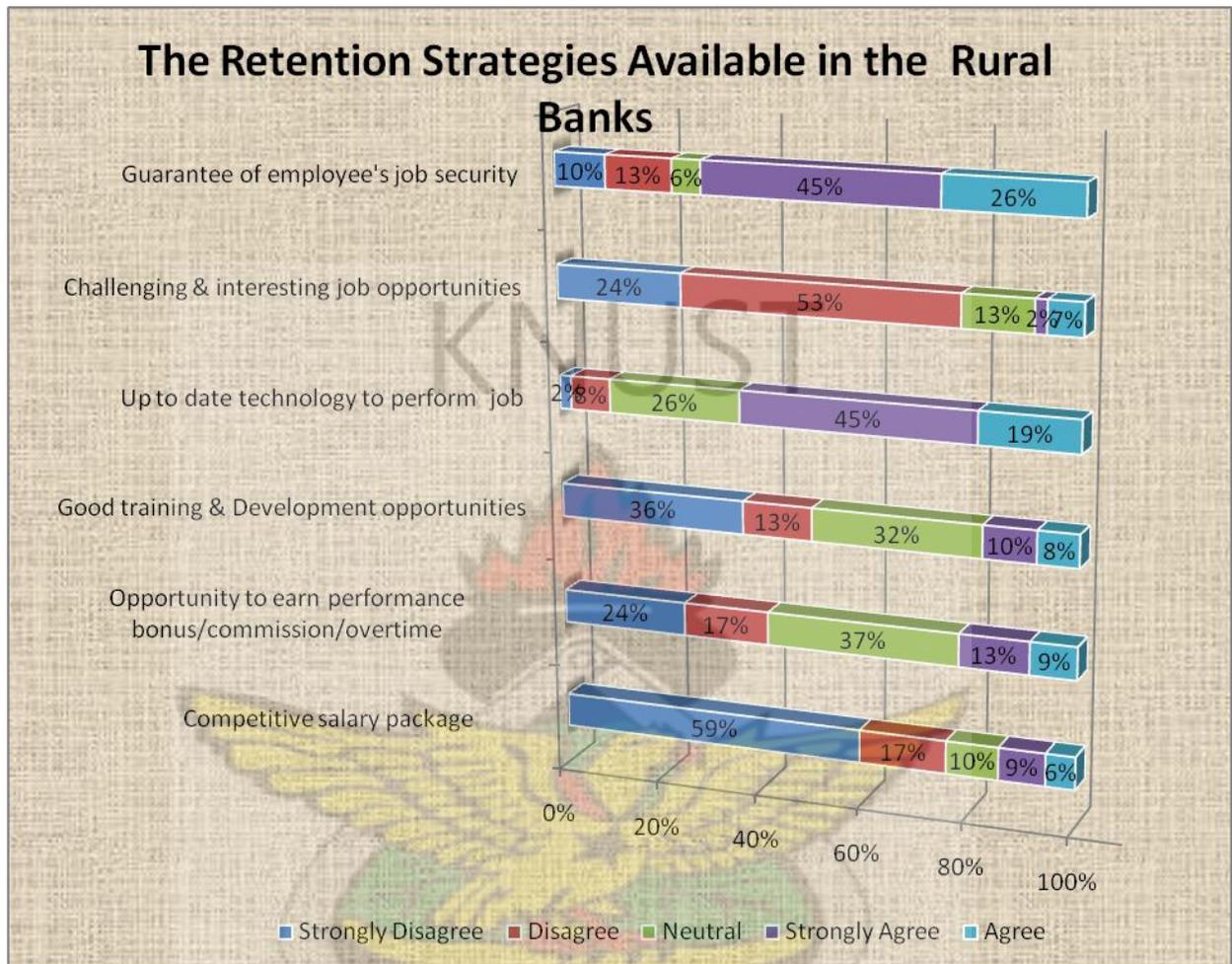
- a) Competitive salary package
- b) Guarantee of job security
- c) Challenging and Interesting job opportunities

- d) Good training and development opportunities
- e) Opportunity to earn performance bonus/ commission/ overtime
- f) Up to date technology to perform jobs

The researcher went further to verify from the employees if in fact the above retention strategies have been implemented and their effects being felt. Figure 6 depicts the results from the employees.



Figure 6: Retention strategies in the rural banks



Source: Researcher's field work, July 2012

4.5. Examination of the Retention strategies

The researcher used the responses from the employees of the rural banks as exhibited in figure 6 to examine the retention strategies as it has been outlined by the HR managers and administrators, these responses have been analyzed as follows:

4.5.1 Challenging and interesting jobs

Employees disagreed that their jobs were challenging and exciting. From the study, 77% of the respondents (comprising 26% strongly agreed and 53% agreed) refuted the practicability of challenging and interesting jobs as retention of employees of the selected rural banks. Only 2% strongly agreed and 7% agreed and 13% stayed neutral. This could be because employees' jobs were monotonous. It is the opinion of the researcher that, an introduction of systems such as job rotation and job enlargement could help solve the problem. Accenture (2001) rightly posit that work that mainly consists of routine based performance, the likelihood of de-motivation and turnover relatively high. Organizations should therefore be able to design jobs in such a way that boredom is removed.

4.5.2 Up to date technology to perform jobs

Here employees strongly agreed that they have up to date technology to do their jobs. As shown in figure 6, 45% of the respondents strongly agreed, 19% agreed, 2% strongly disagreed, 8% disagreed and 26% being neutral. This implies that up to date technology is available in the banks and it motivates the employees of the rural banks to remain with their organisation. The availability of up to date technology in the rural banks surveyed is important in the conduct of their business. Up to date technology will allow banks to be competitive in the delivery of banking products and service more competitively and efficiently.

4.5.3 Training and development opportunities

It was revealed from the study that training and development opportunities as stated by the management as retention strategy is not well implemented in the selected rural banks. As indicated in the study, 39% of the respondents strongly disagreed, 13% disagreed, 10% strongly agreed, 8% agreed and 32% neither agreed nor disagreed. Employees feel they are not given regular training to update their skills, capabilities and knowledge. Hall (2002) affirms that training and development is important for both the organization and individual. It is a mutual benefit process because it provides important outcomes for both parties. The organizations need talented employees to sustain its competitive advantage. Training process moulds the thinking of employees and leads to quality performance of employees.

4.5.4 Competitive salary package

From the study, the employees of the rural banks disagreed that they are being given any competitive salaries compare to the salaries of their counterparts in the commercial banks. As shown in figure 6, 59% of the respondents strongly disagreed and 17% disagreed to the fact that they have competitive salary package. 10% were neutral, 9% strongly agreed and 6% agreed. This means their organizations do not offer them any competitive salary packages. It is the opinion of the researcher that employees' perception of internal and external equity and inequity of salary structure are very important and should be very carefully considered when rural banks are setting their compensation objectives. Competitive salary package is a very important factor when it comes to retention because it fulfills the financial and material desires of the employees.

Employees who perceive equitable pay treatment may be more motivated to perform better and to support their organizations goals when they are given competitive salaries.

The researcher went ahead to find out the category of employees who strongly agreed that the organization offered them competitive salary package. The result is as shown in the Table 4.

Table 5: Present position in organization * Competitive salary package Crosstabulation

			Competitive salary package
			Strongly Agree
Present position in organization	Branch Manager	Count	6
		% within Present position in organization	75.0%
	Others	Count	2
		% within Present position in organization	2.4%
Total		Count	8
		% within Present position in organization	8.9%

Source: researcher's field work, July 2012

From the table, 8 respondents strongly agreed that they were being given competitive salaries. Out of the 8 respondents, 6 representing 75% were branch managers and 2 representing 2.4 held other positions. It is the opinion of the researcher that the high salary levels of managers provide an indication of their relative position of power and status within the organization. It could be

thus deduced that the higher your position in an organizations charts, the higher the salary package and benefits.

The researcher wanted to determine if the relationship between the two cross tabulated variables is significant as shown in Table 5. Pearson Chi-Square was used to test the levels of association between the two variables. The results are presented in Tables 4.2 and 4.2 respectively.

**Table 5.1 Present position in organization * Competitive salary package
Crosstabulation**

		Competitive salary package	
		Strongly Agree	
Present position in organization	Branch Manager	Count % within Present position in organization	6 75.0%
	Others	Count % within Present position in organization	2 2.4%
Total		Count % within Present position in organization	8 8.9%

Level of significance between an employee's position and competitive salary package

Table 5:2 Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	54.329 ^a	5	.000
Likelihood Ratio	35.944	5	.000
Linear-by-Linear Association	13.034	1	.000
N of Valid Cases	90		

The Pearson Chi- Square value or Asymp. value shows how strong or weak a relation is between two variables. If the value is significantly less such as 0.000 to 0.005, then there is a strong relation existing between the two variables crosstabulated. It can therefore be inferred from table 5.2 that there is a significant relationship between an employee's position and his salary package since the Pearson Chi-Square value is 0.000. This means there is a significant relationship between an employee's position in the organisation and his salary package. An employee's salary package is dependent on his or her position and status that and therefore, the higher the position, the higher the salary package. This confirms the result as shown in table 5.

4.5.5 Guarantee of job security

The study shows that employees' job security in the selected rural banks is assured as indicated by the percentages of the responses. From figure 6, 26% and 45% of the respondents strongly agreed and agreed respectively that there is a high probability that their jobs are secured for the

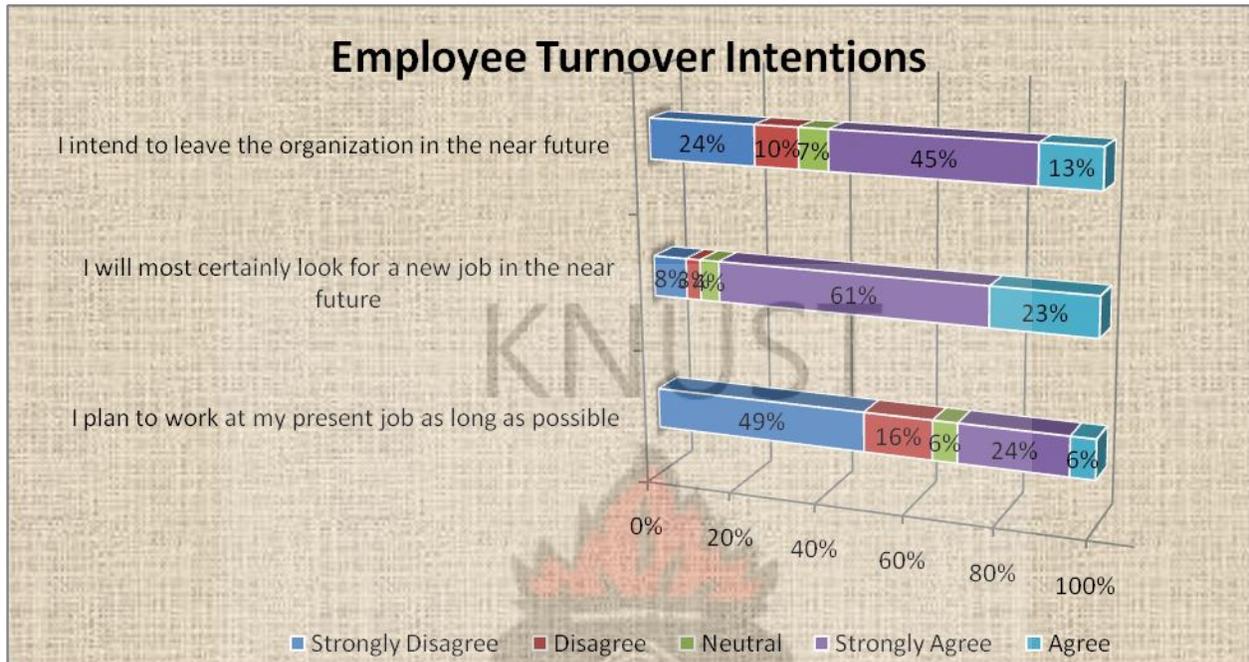
future and that they do not have any concerns about the discontinuity of their jobs. Employees would want to be assured of the security of their jobs because it provides them their source of livelihood, socio-economic stability as well as psychological well being. Employees need to be assured especially in Ghana where employment opportunities are not readily available. Regardless of the unattractive conditions which prevails in their organizations, once they have job security, employees would accept and stay on as revealed by the findings that most employees of the rural banks have stayed for 6-15 years.

It could be summarized from the examination of the above retention strategies that most of the employees disagreed with their HR managers and representatives that the retention strategies are being implemented in their respective banks.

4.6 Employees' Turnover Intentions

The researcher went ahead to assess the turnover intentions of the employees of the selected rural banks. Employees turnover intention was assessed based on the fact that no strategies are put in place in the rural banks to retain them and therefore employees would have a strong desire to leave to the commercial banks where conditions of work are assumed to be better. The findings are indicated in figure 7.

Figure 7: Employee turnover intentions



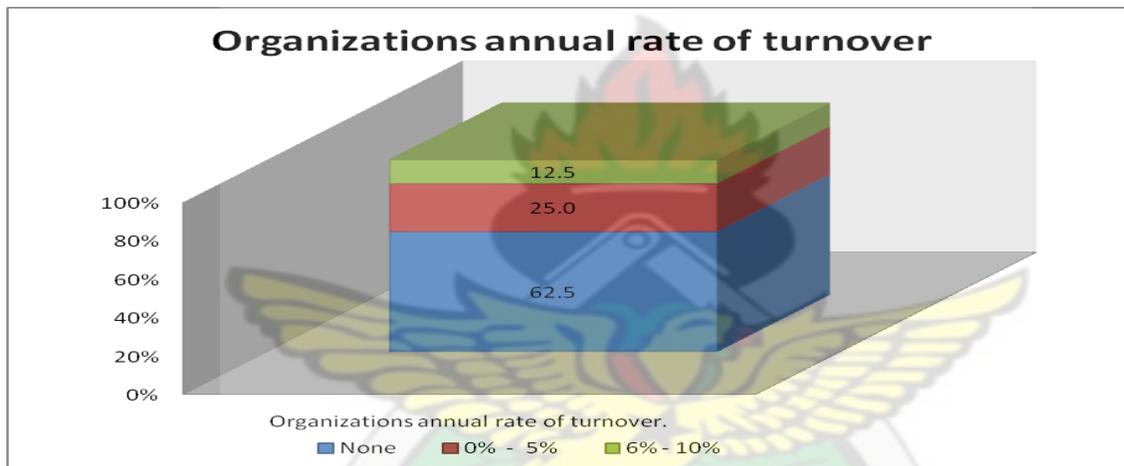
Source: Researchers field work, July 2012

The researcher asked respondents of their intentions to leave in respect of the fact that employees have affirmed that most of the retention factors were not being implemented in the rural banks. When employees were asked if they intend to leave the organization in the near future, 45% strongly expressed their intention to leave in the near future, 13% agreed they would also leave. Again the respondents were asked of their certainty of looking for a new job in the near future, 61% strongly agreed that they would certainly look for new job, 23% also agreed on that fact. This indicates employees' intention to leave the organization is very high. The reasons for their high intention to leave could be attributed to the absence of retention factors which should be implemented to motivate employees to remain loyal and committed to their organizations and to

influence them to stay longer with their organizations. Yet 20% have stayed for 1-5years, 53% of the employees surveyed have stayed in their present jobs for 6-10 years, 21% have stayed for 11-15 years, and 6.7% have stayed for 16 years and above.

The HR managers and administrators interviewed were asked to indicate their organizations annual rate of turnover. The result is shown in the figure 8.

Figure 8: Employee’s annual turnover rate



Source: Researcher’s field work, July 2012

62.5% of the HR managers and administrators indicated that no employee has left in the past year, 25.0% reported their annual turnover rate is between 0-5%. This is not consistent with Sousa-Poza and Henneberger (2002) that turnover intent is a reflection of the subjective probability that an individual will change his or her job within a certain time period and is an immediate precursor to actual turnover and therefore when the intentions to leave increases, actual turnover also increases. What could account for the reason that turnover intentions are very high but actual turnover rate is nonexistent or very low? This inconsistency could be due to

the economic situation in the country. The availability of jobs is virtually nonexistent in the country. The unemployment rate is reported to be very high. Therefore employees would stay where they are and accept whatever terms and conditions of employment they are offered.

4.7 Effects of retention on the organization

The study has revealed that most of the retention strategies the HR managers outlined to be available in their organizations have been disputed by the employees. It has also been revealed that most of the retention strategies are not well implemented in the selected rural banks. What is making employees stay primarily is based on the security of their jobs. Despite the fact the retention strategies are not being put to use, employees have still stayed long in their respective organizations as table 3 indicated and therefore their staying will have some effect on their respective banks.

The researcher in an interview with the HR managers asked them to indicate the effect of the retentions of employees on their banks. The study revealed the following effects on employee retention as shown in table 5.

- Employee retention prevents loss of organizational knowledge
- Employee retention prevents disruption of customer service
- Employee retention leads to efficiency gain
- retention makes employee more loyal toward management and the organization
- Retaining employees reduces the turnover cost of the organization

Table 6: HR managers' responses on effects of retention on the banks

	Responses		Percent of Cases	
	N	Percent		
a	a13	8	25.0%	100.0%
	b13	7	21.9%	87.5%
	c13	5	15.6%	62.5%
	d13	7	21.9%	87.5%
	e13	5	15.6%	62.5%
Total		32	100.0%	400.0%

Source: Researcher's field work, July 2012

4.7.1 Employee retention prevents loss of organizational knowledge

When an employee leaves from the organization, he or she takes with him or her valuable knowledge about the organization, customers, current projects and past history to the new organization. The finding of the study revealed that employee retention prevents loss of organizational knowledge. As indicated in table 5 all the eight HR managers interviewed affirmed to this fact.

4.7.2 Employee retention prevents disruption of customer service

It has been revealed from the study that the rural banks have been able to keep their customers due the long term relationships between the employees and the customers. Customers and clients do business with a company in part because of the employees. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

4.7.3 Employee retention leads to efficiency gain

Another effect of employee retention of the selected rural banks found from the study was efficiency gain. According to HR managers, the employees of the banks through the long term experience are able to serve the customers at a reduced time bringing queue at the banking hall very low.

4.7.4 Retaining employees reduces the turnover cost of the organization

The cost associated with employee turnover adds hundreds of thousands of money to a company's expenses. These costs include hiring costs, training costs and productivity loss. When employees remain on their jobs, all the enormous cost associated with turnover is avoided.

The findings of the present study and the discussion thereof have substantially addressed the objectives of the study and provided answers to the fundamental research question. The next chapter gives a summary of the findings and the conclusion.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary, conclusion and recommendations on the findings made in the study.

5.1 Summary of findings

5.1.2 Causes of employee turnover

The study revealed that the major causes of employee turnover are lack of competitive pay systems, lack of work life balance, the unavailability and inadequate training and development opportunities, the availability of attractive jobs in the economy, lack of sense of belonging to the organisation and lack of manager' support.

5.1.3 Employee retention strategies in the rural banks

The study identified competitive salary package, guarantee of job security, challenging and interesting job opportunities, good training and development opportunities, opportunity to earn performance bonus/ commission/ overtime, and up to date technology to perform jobs as some of the retention strategies available at the selected rural banks. This was confirmed by all the eight HR managers and administrators who responded in the study.

However, these views were sharply contrasted by the employees of selected rural banks who indicated that the above retention strategies were not available in their respective banks. This

researcher is of the opinion that the retention strategies may be there only on paper and are not being implemented to the satisfaction of the employees.

5.1.4 Employee's intention to leave

It was evident from the study that employees' intention to leave was very high. This was confirmed by 84% of the respondents. The study further identified that actual turnover rate is very low. 62% of the HR managers and administrators confirmed that no employee has left for the past year. However, the researcher is of the opinion that the contrast between employees high intention to leave and low turnover rate is due to the lack of jobs in the economy.

5.1.5 Effects of employee retention on organisations

Employee retention has some positive effects on the performance of the selected rural banks. The study revealed that, employee retention prevents loss of organizational knowledge; employee retention prevents disruption of customer service, leads employees to gaining efficiency and above all reduces the turnover cost of the organization.

5.2 Conclusion

The study attempted to examine the retention strategies of selected Rural Banks and its' effects on performance. The study found that employee intentions to leave were very high but actual turnover rates were low. It also came to light that while the HR managers insisted on the

availability of retention strategies, their views were contrasted by employees who indicated that such retention strategies were not available in their respective banks. The retention or long stay of the employees at the rural banks was mainly due to unavailability of jobs in the economy. It was found that employee retention has positive effects on the performance of the selected rural banks. It prevents loss of organizational knowledge, disruption of customer service and also reduces the turnover cost of the organization.

It is also important that retention strategies are formulated with inputs from the employees to ensure that retention strategies are properly aligned with needs of employees. The cost of high turnover can be very destructive making it necessary for organizations to retain its' high performing employees in the face of competition for labour. It will be too late for managers trying to respond after the employees have left. Therefore the rural banks need to adopt comprehensive and proactive retention strategies to retain employees and to reduce employee turnover intentions.

5.3 Recommendations

The following recommendations are suggested in view of the findings of the present study:

5.3.1 The causes of employee turnover

On the causes of employee turnover, the following recommendations are suggested.

- Employees in rural banks would be better influenced by competitive salary package as shown in the present study. In other words, employees of the rural banks are not fairly

remunerated compared to their counterparts in the commercial banks. In order to avoid losing key employees to the commercial banks, rural banks must pay salaries that are industry competitive, and that can equally compete with the commercial banks. This will create external equity and reduce turnover intentions among employees of rural banks.

- Rural banks should also invest heavily in the education, training and development of their employees. Training and development remains one of the best ways of retaining key employees. Employees' performances are enhanced through training and development and this encourages retention especially in a programmed training system where the training programme is tailored towards employees' career progression in the organisation.
- Lack of sense of belonging to the organisation was found to be a cause of turnover for employees of the rural banks. Managers can improve on this by creating structures that make employees proud of and identify with the organisation. At organisational level, managers should build a respectable corporate culture and image that will position their organisations as employers of first choice where prospective and incumbent employees will be proud to work and build a long lasting career.
- In view of work life balance, the management of rural banks should manage the workplace stress through initiating different programs. These programs can include employee support and wellness programs, flexible work schedules, job redesign and social help from the employers. If rural banks can encourage the implementation of these programs and friendly policies, they will have a positive impact because work life

balance practices can be helpful in attracting new employees and improving the attitude and behavior of employees.

5.3.2 Conduction of exit interviews

The researcher recommends that for the HR managers to gain a better understanding of the reasons employees leave their organizations, they should conduct exit interviews when an employee tenders in his resignation. Exit interviews would help the HR Managers to identify key areas creating turnover. Exit interviews provides an opportunity for the organization to enable transfer of knowledge and experience from the departing employee to a successor or replacement, or even to brief a team on current projects, issues and contacts. Exit interviews would also yield useful information about the organization, to assess and improve all aspects of the working environment, culture, processes and systems, management and development, etc.; in fact anything that determines the quality of the organization, both in terms of its relationship with its staff, customers, suppliers, third-parties and the general public.

5.3.3 Employee retention strategies

Upon examination of retention strategies available in the selected rural banks, employees indicated that those retention strategies were not available in their respective banks. Given the growing need for rural banks to improve on service delivery and to stay competitive, the researcher recommends that comprehensive and effective retention programmes are implemented which would be evaluated by employees as highly effective. HR managers should be able to

work out retention policies and practices that are highly effective for employees. HR managers should put in more effort in retention policies especially relating to compensation or financial rewards, training and development and which must be felt or perceived by employees to be highly effective.

Again in designing employee retention strategies, HR managers should take into account the retention strategies most valued by their employees. In addition, employee participation should be considered when carving retention strategies, so that employee would know the retention strategies are available not only on paper but have in fact been implemented to the satisfaction of employees.

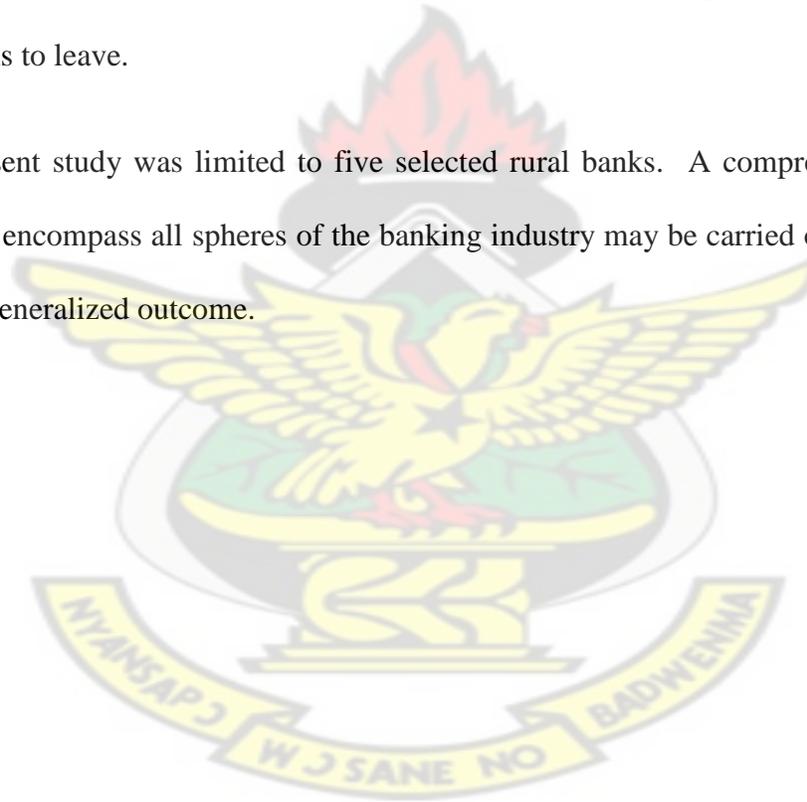
5.3.4 Establishment of functioning HR departments

The researcher further observed that only one of the five selected rural banks surveyed had an HR department. The rest had administrators who were designated to handle HR issues with little or no insight into what the job actually entailed. The rural bank that has HR department is not manned by people who had been properly trained in human resource management. More so, they only dealt with the day to day administration of the business. According to Armstrong (2006, p.4), Human Resource Management as a strategic and coherent approach of an organisation's most valued assets. - the people working there, who individually and collectively contribute to the achievements of the objectives of the business. In a constantly changing industry such as the banking industry where competition is intense, it is important for organisations to have some kind of competitive edge. The human leverage is the most contributing factor to being competitive and making a difference to customer satisfaction and general organisational

performance. Therefore human resource management must be at the heart of the organization. I recommend that rural banks must have a separate HR department to deal properly with HR issues.

6.0 Suggestions for further research

- Given the cost implication and the destructive nature of turnover to organizations, it is recommended that more research be carried out in this area particularly on employee intentions to leave.
- The present study was limited to five selected rural banks. A comprehensive research that will encompass all spheres of the banking industry may be carried out to bring about a more generalized outcome.



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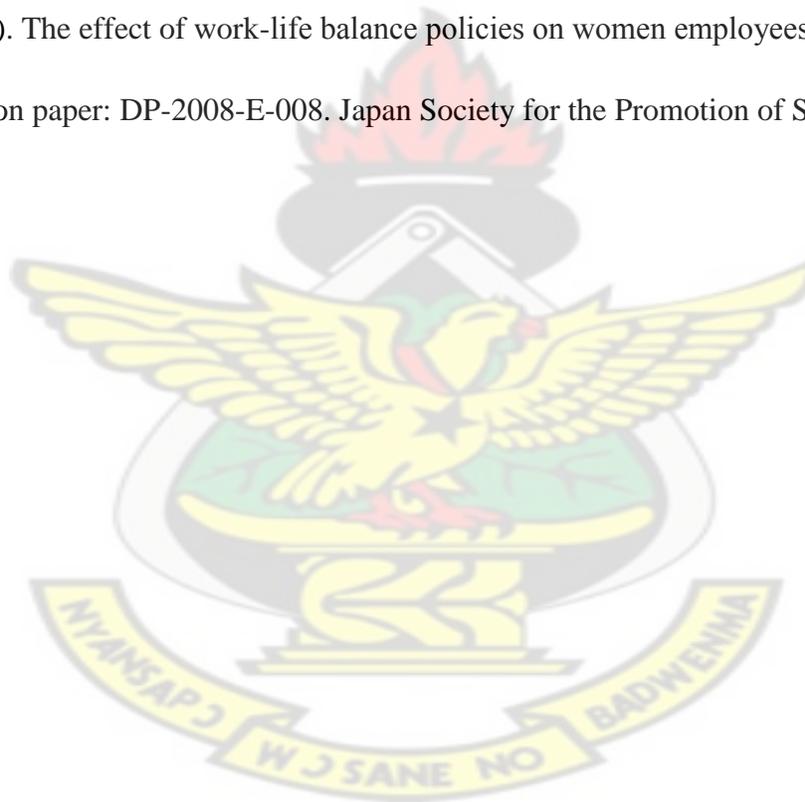
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Fellow



APPENDIX 1

Dear Respondent,

I am a postgraduate student in the Department of Managerial Science at the Kwame Nkrumah University of Science and Technology. I am presently conducting a research in the area of employee retention and its effects on organizational performance.

You are kindly requested to complete the attached questionnaire as honestly as possible. The information being solicited from you is purely for academic purposes. All information provided by you will be treated confidentially. Your honest completion of this questionnaire will assist in generating information that will help organizations to improve on their employee retention strategies to enhance quality service delivery and improved productivity.

Thanking you for your co-operation.

Section A – Demographic Information

Please mark (X) as appropriate

1. Gender

a. Male () b. Female ()

2. Highest educational qualification

a. Postgraduate () b. Degree () c.HND () d. Diploma () e. Others ()

3. Present position in organization

.....

4. How many years have you been in the service of the organization?

a. 1-5 () b.6-10 () c. 11-15 () d. 16 and above

Please indicate which of the following factors could cause you to leave your present organisation

	ITEMS	Strongly Disagree	Disagree	neutral	Strongly Agree	Agree
		1	2	3	4	5
5	Lack of manager's support					
6	Lack of work-life balance					
7	Lack of strong communication system the organisation					
8	Lack of challenging job within the organisation					
9	The unavailability and inadequate opportunities for training and development					
10	Lack of job security					
11	The availability of attractive job in the economy					
12	Lack of competitive pay system					
13	Lack of sense of belonging to the organisation					

Please indicate the extent to which the following retention factors or strategies are available in your organisation.

	Item	Strongly Disagree	Disagree	Undecided	Strongly Agree	Agree
		1	2	3	4	5
14	Guarantee of employee's job security					
15	Opportunity to earn performance bonus/commission/overtime					
16	Good training & Development opportunities					
17	Competitive salary package					
18	Up to date technology to perform my job					
19	Challenging & interesting job opportunities					
20	Participation in decision making process					
21	Strong sense of belonging to this Organization					

Please indicate the degree of your intentions to leave your present organisation

	ITEMS	Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree
		1	2	3	4	5
22	I intend to leave the organisation in the near future					
23	I will most certainly look for a new job in the near future					
24	I plan to work at my new job as long as possible					

APPENDIX 2

INTERVIEW GUIDE FOR HR MANAGERS

Section A: Causes of employee turnover

1. Please does your company monitor its employee turnover rate?

- a) Yes
- b) No

2. Kindly indicate your organizations annual rate of turnover.

Please place a tick against the answer.

- a) None
- b) 0% - 5%
- c) 6% - 10%
- d) 11% -15%
- e) 16% - 20%

3. Do you conduct exit interviews?

- a) Yes
- b) No

4. Please indicate the reason why employees leave your organization. (please tick as many as possible)

- a) Not being paid at or above market and not having internal or external equity
- b) The position not offering adequate challenges and the opportunity to learn new tasks and responsibilities

- c) Not being able to advance in one's career within a reasonable time []
- d) Not being rewarded fairly for work performed, either in terms of financial or not financial rewards []
- e) The inability of leaders to develop and communicate the company's vision and effectively developing employees to maximize their potential []
- f) The distance an employee has to commute to and from work []
- g) The unavailability and inadequate opportunities for training and development []
- h) Lack of autonomy, creativity and sense of control []
- i) Lack of job security and stability []

5. Does employee turnover has any effect on the performance of your organization?

- a. Yes []
- b. No []

6. If yes what are some of these effects on the performance of the organization?

Please tick.

- a) The financial impact on the organization(the costs involved in hiring – advertising, agency fees, management time involved in interviewing and selection, the direct employment costs of the new employee – salaries, sign-on bonuses, moving allowances, workers compensation, payroll tax, office furniture, IT equipment. []
- b) Operational disruption-the disruption of an existing smooth-functioning team when existing employees are required to take up the departed employees workload []

- c) Lowered morale and productivity of existing employees []
- d) Lost customers and business opportunities because relationships have been severed []
- e) A dent on the organization's image []

7. Please estimate the financial cost of hiring a new employee. Please tick.

- a) GHc 0.00- GHc 500
- b) GHc 600- GHc 1000
- c) GHc 1500-GHc2000

8. Please are there any steps taken to reduce the rate of employee turnover?

- a. Yes []
- b. No []

9. If yes, please indicate the specific steps you are taking to reduce employee turnover?

Please tick

- a) Hiring the right people from the start
- b) Putting in employee retention strategies
- c) Conducting exit interviews
- d) Instituting an open door policy that allows managers to hear of issues prior to escalating into employees leaving.

Section B: employee retention strategies

10. Does your organization have any policy on employee retention?

- a) Yes []
- b) No []

11. Please indicate the employee retention strategies in your organization. Please tick as many as possible

- a) Competitive salary package []
- b) Good training & Development opportunities []
- c) Recognition and reward for good performance []
- d) Promotion based on Performance []
- e) Opportunity to work Independently []
- f) Up to date technology to perform jobs []
- g) Challenging & interesting job opportunities []
- h) Participation in decision making process []
- i) Encouraging good working relationship amongst employees []
- j) Provision of health/wellness []
- k) Conditions of employment that guarantee job security []
- l) Strong sense of belonging to this Organization []

12. In your view, has employee retention any effect on your organization?

- a) Yes []
- b) No []

13. If yes, please indicate how the employee retention affect the your organization (please tick as many as appropriate)

- a) Employee retention prevents loss of organizational knowledge []
- b) Employee retention prevents disruption of customer service []

The employees working for a longer period of time are more familiar

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Section C: organizational performance

15. Please is there any laid down criteria for measuring the performance of your organization?

- a) Yes []
- b) No []

16. If yes please indicate the criteria you use to measure the performance of your organization

- a) financial (Profit margin, return on assets, return on equity, return on investment, and return on sales) []
- b) non financial (include job satisfaction, organizational commitment, and employee turnover) []

17. How often do you evaluate the performance of your organization?

- a. Every three months []
- b) Every six months []
- c) Once a year []
- d) Other, please specify.....

18. Who evaluates the performance of the organization?

a) external consultants

b) internal auditors

c) departmental heads

d) human resource managers

e) others, please specify

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Black -46,48,50,52-55,57,59,61-66,69-

Color 47,49,51,56,58,60,67,68

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