

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ART AND SOCIAL SCIENCES**

**SCHOOL OF BUSINESS**

**DEPARTMENT OF HUMAN RESOURCE MANAGEMENT**

**AN INVESTIGATION INTO THE EFFECTS OF RETENTION STRATEGIES  
ON EMPLOYEE TURNOVER AT AKATE FARMS AND TRADING  
LIMITED, KUMASI**

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**MARCH 2012**

**DECLARATION**

I hereby declare that this submission is my own work towards the MBA 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 the text.

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## ABSTRACT

Employee retention is a vital challenge in all organisations. Among the reasons people leave their jobs is the offer of higher salaries, recognition, authority and more knowledge. The general objective of this study was to investigate the effects of retention strategies on employee turnover at Akate Farms and Trading Company Limited, Kumasi. The researcher used the descriptive type of research design for this study. Data were collected from both primary and secondary sources. The population of this study was 150 people and they included 5 management staff, 20 senior staff and 125 junior staff of Akate Farms and Trading Company Limited, Kumasi. The simple random sampling technique was used to select the sample from the company's sampling frame. A sample size of 130 people was used for the study and they included 5 management staff, 10 senior staff and 115 junior staff of the company. The instruments used to collect data for the study were questionnaires and interviews. The data were organised into frequency tables, pie-charts and bar charts using The Predictive Analytics Software Statistics (PASW Statistics), formerly The Statistical Package for Social Sciences (SPSS). Among the main findings of the study was that the major contributory factor of employee turnover in the company is the low wages or salaries paid to the workers. The company's output had dwindled due to the fact the workers left the company. The rate of employee turnover was always increasing. The major findings of the study reveal that the retention strategies used by Akate Farms and Trading Company Limited had a negative effect on employee turnover in the company. The study therefore recommends among others that management should consider the use of financial and non-financial benefits in a bid to retain their workers. They should also organise training and development programmes to sharpen the skills

and improve the knowledge of the workers. They should also create an environment that enables employees to realise their potential.

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This work is dedicated to my husband, Nana AddaiTwumasi, without whose caring support, it would not have been possible for me to come this far, and to my children, OhemaaPokuaaAddaiTwumasi and BarimaKwakuAddaiTwumasi.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background of the Study**

The human being possesses skills, experience, and knowledge that add economic value to firms or organisations' output. The human factor is therefore fundamental to the achievement of organisational goals. As a result, it becomes imperative for organisations to put in place strategies to retain their workforce for performance. There is no question regarding the fact that employees' qualifications, attitudes, and behaviour in the workplace go a long way in determining whether an organisation will be successful or not. People (human resources) provide organisations with an important source of sustainable competitive advantage and the effective management of this human capital (employees), not physical capital, may be the ultimate determinant of organisation performance and survival (Riordan, et al., 2005).

With globalisation which is heightening competition, organisations must continue to develop tangible products and provide services which are based on strategies created by employees. These employees are extremely crucial to the organisation since their value to the organisation is essentially intangible and not easily replicated (Meaghan and Bontis, 2002). Managers must recognise that employees are major contributors to the efficient achievement of the organisation's success (Abbasi and Holloman, 2000). Managers should seek to retain their employees for the benefit of the organisation's success. According to Peterson (2005), it is incredibly frustrating to go through a long hiring process, employee training, providing uniform and other necessities, and then have the employee quit after two months. Employee retention takes effort, energy, and resources and the results are worth it. The process of retention is not as easy as it

seems. There are so many tactics and strategies used in retention of employees by organisations. The basic purpose of these strategies should be to increase employee satisfaction, boost employee morale which may lead to retention. One of the foundation stones of companies which attract, retain and motivate high performing employees is a positive and valuing attitude toward them.

Employee retention is a process in which the employees are encouraged to remain with the organisation for the maximum period of time or until the completion of the project. Employee retention is beneficial for the organisation as well as the employee. Employees are different today. As soon as they feel dissatisfied with the current employer or job, they switch over to the next job. It is therefore the responsibility of employers to retain their best employees. If they do not, they would be left with no good employees. A good employer should know how to attract and retain his or her employees (Sarin, 2008).

Most employees feel that they are worth more than they are actually paid. There is a natural disparity between what people think they should be paid and what organisations spend in compensation. When the difference becomes too great and another opportunity occurs, turnover can result. Employees comprise the most vital assets of the company. In a work place where employees are not able to use their full potential and not heard and valued, they are likely to leave because of stress and frustration. In a transparent environment, when employees have a sense of achievement and belongingness, the company benefits from a stronger and reliable workforce that has bright new ideas for its growth (Dubey, 2010).

Employee turnover is one of the largest though widely unknown costs an organisation faces. While companies routinely keep track of various costs such as supplies and payroll, few take into consideration the cost of employee turnover. According to Ernst and Young in "The Wall Street Journal, "Organisational Health" (2000), it costs approximately \$120,000 to replace 10 professionals. According to research done by Sibson and Company (2007) to recoup the cost of losing just one employee a fast food restaurant must sell 7,613 combo meals at \$2.50 each. Employee turnover costs companies 30 to 50% of the annual salary of entry-level employees, 150% of middle-level employees, and up to 400% for upper level, specialised employees. It is not only the cost incurred by a company that emphasises the need to retain employees but also the need to retain talented employees from getting poached.

In spite of the negative effects of employee turnover, it has some positive sides. Some employee turnover positively benefits organisations. This happens when a poor performer is replaced by a more productive employee, and can happen when a senior retiring officer allows the promotion or acquisition of welcome 'fresh blood'. When the employees in question are valuable, their resignations or exit becomes damaging, particularly when they move on to work for competitors (Ljungberg and Larsson, 2005).

Moderate levels of staff turnover can also help to reduce staff costs in organisations where business levels are unpredictable. Companies today are forced to function in a world full of change and complexity, and it is more important than ever to have the right employees in order to survive the surrounding competition. New businesses are blossoming, new technologies are constantly developed and the knowledge and perception of the worth of what employees actually mean to organisations is greater

for every day. Most companies are looking for the right expertise in different areas, and human resources are therefore an important competitive factor that needs to be taken into consideration while managing business. It is a fact that a too high turnover rate affects companies in a negative way and retention strategies should therefore be high on the agenda (Ljungberg and Larsson, 2005).

### **1.1 Statement of the Problem**

Some organisations face the problem of frequent labour turnover due to job dissatisfaction on the part of the workforce arising from the provision of inappropriate employee retention strategies. Several authors cite gaps as to why performance is a challenge in some organisations such as inappropriate employee recruitment strategies (Amadasu, 2003); poor work environment (McOliver, 2005); lack of employee involvement in decision-making (Jike, 2003), inability of organisations to formulate and implement rational decisions (Iyayi, 2002); poor remuneration and application of traditional retention strategies (Adebayo, 2001; Ayagi, 2001). Staff turnover can cost companies dearly. Employee retention therefore involves being sensitive to people's needs and demonstrating the various strategies in retaining the employees of an organisation. Employee turnover is a major setback in most organisations and so the researcher would therefore like to conduct a study into the effects of retention strategies on employee turnover at Akate Farms and Trading Company Limited.

### **1.2 Objectives of the Study**

The objectives of the study are grouped under general and specific objectives.

#### ***1.2.1 General Objective***

The general objective of this study was to investigate the effects of retention strategies on employee turnover at Akate Farms and Trading Company Limited, Kumasi.

### ***1.2.2 Specific Objectives***

The specific objectives of the study are as follows:

- i. To examine the factors that cause staff to leave Akate Farms and Trading Company Limited, Kumasi.
- ii. To determine the effects of employee turnover on Akate Farms and Trading Company Limited, Kumasi.
- iii. To evaluate the effectiveness of the existing retention strategies at Akate Farms and Trading Company Limited.
- iv. To determine employee turnover rate at Akate Farms and Trading Company Limited, Kumasi.
- v. To make appropriate recommendations on how to improve the employee-retention strategies in Akate Farms and Trading Company Limited.

### **1.3 Research Questions**

The following are the research questions for the study.

- a) What are the factors that cause staff to leave Akate Farms and Trading Company Limited, Kumasi?
- b) What are the effects of employee turnover on Akate Farms and Trading Company Limited, Kumasi?
- c) Are the current retention strategies effective in retaining core employee at Akate Farms and Trading Company Limited?
- d) What is the rate of employee turnover at Akate Farms and Trading Company Limited, Kumasi?
- e) What are the best retention strategies that can be put in place to enhance the retention of employees at Akate Farms and Trading Company Limited?

#### **1.4 Significance of the Study**

This study would be helpful to organisations in terms of employee acquisition and implementation of human resource policies and practice that will retain competent workforce for performance. Also, organisations will have more informed knowledge on the best employee retention strategies that are in line with employees' preferences. Again, it would enable organisations to appreciate the impact of the retention strategies on employee turnover. Furthermore, the study would serve as a scholarly article for review in further studies. It would thus be used as a document or a material of reference by other people who would conduct a study into a similar topic in the future.

#### **1.5 Overview of the Research Methodology**

The descriptive type of research design was used for the study. The population used for the study included the management, senior and junior staff of Akate Farms and Trading Company Limited. The simple random sampling technique was used to select the sample from the population. Data was collected from both primary and secondary sources. The data collection instruments were questionnaires, interviews and observation. Data were analysed through the use of frequency distributions, pie charts, and tables obtained from the Predictive Analytics Software (PASW), formerly SPSS (Statistical Packages for Social Science).

#### **1.6 Scope of the Study**

This study focused on senior and junior staff of Akate Farms and Trading Company Limited, one of the foremost poultry institutions in the country.



### **1.7 Limitations of the Study**

The sample size used for the study in relation to the entire population was small due and this might affect the comprehensiveness of the study. The study was also in one or the other way affected due to limited financial and time resources. The survey method used in this study has its weaknesses. Standardised questionnaire items often represent the least common denominator in assessing people's attitudes, orientations, circumstances and experiences. The researcher recognised that the sampling from the target population might not be totally free from errors and as such, efforts were made to minimise such errors.

### **1.8 Organisation of the Study**

This study is in five chapters. Chapter one is the introduction. It deals with the background of the study, the statement of the problem, the objectives of the study, the research questions, significance, overview of the research methodology, scope, limitations and organisation of the study.

Chapter two is the literature review. Literature is reviewed according to the research questions used in the study. Various books, journals, articles and the internet helped the researcher to extract information on the topic for this write up. The conceptual framework for the study is also outlined.

Chapter three is the research methodology adopted for undertaking this research study. It outlines the research design, the research population, sample size and sampling techniques used in the study. It explains the sources of data, the data collection instruments that were employed in obtaining the data used for this study. It also describes the data analysis methods and provides a brief outline of the organisational profile.

Chapter four is the data presentation, analysis and discussion. It presents the data, analyses and discusses the results of the study. Chapter five presents the summary of findings, conclusion and recommendations for the study. It also provides suggestions for further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

In this chapter, literature is reviewed according to the research questions used in the study. Various books, journals, articles and the internet helped the researcher to extract information for this research. This chapter thus sought to review relevant existing literature on the factors that cause staff to leave and its effects on the organisation. It also looks at retention strategies and how they can be applied in organisations in order to help in the retention of core employees. The conceptual framework for the study is also outlined.

#### **2.1 Factors that cause staff to leave organisations**

Obtaining accurate information on the reasons for employees leaving their jobs is difficult. Employees do not leave an organisation without any significant reason. Griffeth et al (2000) stated that job dissatisfaction, lack of organisational commitment, comparison of alternatives, and intention to quit are some of the factors for employee turnover. They concluded that when high performers are insufficiently rewarded, they are most likely to leave the organisation to seek employment elsewhere when they examine the relationship between pay, a person's performance and turnover.

Kirschenbaum and Weisberg (2002) have observed that the influence of co-workers' intention to leave their organisation to seek employment elsewhere has a major influence on staff resignation from the workplace. According to them, the more positive the perception of their co-workers desire to leave the employment of their organisation, the more employees themselves would want to leave. They concluded

that a feeling about co-workers' intention to change jobs acts as a form of social pressure on the employee to make a similar move. They go on to argue that differences in rewards amongst employees in an organisation could motivate workers to remain in their job or demotivate others to quit.

Taplin, Winterton and Winterton (2003) identified two main factors as significant reasons for employees leaving their organisation to include low level of wage rates and industry or organisation's image. When employees perceive the level of their wage rate to be low or there is a low rating of the organisation in terms of future prospects which they are likely to achieve, employees are more likely to leave to seek employment elsewhere.

Even though, employee turnover has some disastrous effects on both the employer and the employees, employee turnover always happens. This happens because employees keep on moving due to reasons like marriage or further education. Nothing can stop these employees from moving on and so, rather than focus on achieving zero attrition companies should focus on identifying whom they want to keep so that they have healthy attrition rate (Nair, 2009).

There is a positive relationship between an organisation's image and employee's satisfaction. This implies that the ability of an organisation to fulfill promises made to its employees in terms of welfare and working conditions and to customers in terms of quality products and services will determine the level of reputation that organisation will command before its workforce and customers, and hence retain its employees. Also unexpected job responsibilities lead to job dissatisfaction. Sometimes the job responsibilities do not come out to be the same as expected by the candidates. The job is not what the employee expected it to be and this can be a reason for employees

leaving their jobs. Furthermore, a candidate may be fit to do a certain type of job which matches his personality. If he is given a job which mismatches his personality, then he would not be able to perform it well and will try to find out reasons to leave the job (Clardy, 2005).

Again, no or less learning and growth opportunities in the current job will make candidate's job and career stagnant. When no growth opportunities exist in the organisation, it would serve as a motivating factor for employees to quit their present job. A seemingly lack of appreciation of work can be a strong tonic for employees to leave their work. If the work is not appreciated by the supervisor, the employee feels demotivated and loses interest in job (Singh, 2007).

Trust is the most important factor that is required for an individual to stay on the job. Lack of trust and support in co-workers, seniors and management can make the work environment unfriendly and difficult to work in. Job stress can lead to work life imbalance which often leads to employee leaving the organisation. Stress from overwork and work life imbalance may even lead to the death of some employees and thus can serve as a major factor for employees to leave their jobs. Better compensation packages being offered by other companies may attract employees towards themselves. Some companies offer better compensation packages than others and when employees or workers are aware of these packages, they may leave their present organisation and join the new organisation. Similarly, an attractive job offer which an employee thinks is good for him with respect to job responsibility, compensation, growth and learning etc. can make an employee leave the organisation (Singh).

It is important to appreciate that the reasons people give for their resignations are frequently untrue or only partially true. Individuals are likely to be reluctant to criticise their managers, colleagues or the organisation generally, preferring to give some less contentious reasons for their departure. Some employees who resign may however provide factual reasons through an exit interview.

## **2.2 Factors Affecting Retention**

Several factors affect retention of employees in organisations. Some of these are as follows:

### **2.2.1 Compensation and Benefits**

#### *2.2.1.1 Compensation Levels*

Compensation is an important tool to attracting and keeping good employees, particularly for workers whose skills and responsibilities are unique or indispensable to the organization, or for those workers in whom the company has invested considerable resources in recruiting or training (Lochhead and Stephens. 2004). However Lawler (1990) argue that low wage strategies may be appropriate if work is simple and repetitive and requires little training.

Companies in highly competitive local labour markets may well find that they need to pay highly competitive rates - against some industry or geographic benchmark - in each of their job classifications, even for semi-skilled or unskilled positions.

Competitive compensation packages can signal strong commitment on the part of the company, and can therefore build a strong reciprocal commitment on the part of workers. However, to the extent that it contributes to retention, competitive

compensation is also likely to affect both desirable and undesirable turnover: it will help to retain workers, irrespective of the quality of their contribution to the company.

While there is general agreement about the importance of competitive compensation for employee retention, there is also a growing consensus that competitive, or even generous compensation will not single-handedly guarantee that a company will be able to keep its most valuable employees.

It is worth remembering that building “affective commitment” involves much more than paying well, and that retention based on the principle of “compensation-based commitment” is of course sensitive to changes in compensation within the company. Employers that base their retention on compensation-based commitment will always be vulnerable to the possibility that their competitors will be able to offer better wages and thus lure away their employees (Meyer et al, 2003).

Similarly, Smith (2001) argues that “money gets employees in the door, but it does not keep them there.” Ashby and Pell classify money as a “satisfier,” meaning that it is a necessary but insufficient factor in employee retention, while Harris and Brannick (1999) agree that money is not the primary motivator for employees. In fact, many companies have done a very good job of retaining their employees without any pay-based retention incentives (Pfeffer, 1999).

Whatever their circumstances, companies that successfully incorporate compensation and benefits into their retention efforts have a clear understanding of their business objectives and use compensation as a tool for influencing organizational and employee behaviour (Lawler, 1990). For example, pay systems and practices can have a major impact on employee retention by motivating membership-oriented behaviour

(commitment). Pay systems may also affect knowledge sharing and transfer if sharing, teamwork, suggestions, etc. are rewarded or recognized.

According to Branham (2001) compensation can also drive commitment-oriented behaviour by: sending employees a strong message about what results are valued; recognize and reinforce important contributions so that employees feel valued; provide a sense of “emotional ownership” and increased commitment that comes from giving employees “a piece of the action” and maintain or cut fixed payroll costs and allocate variable pay to the employees they most want to attract and keep.

#### *2.2.1.2 Benefits*

Benefits can demonstrate to employees that a company is supportive and fair, and there is evidence to suggest that stable benefits are at the top of the list of reasons why employees choose to stay with their employer or to join the company in the first place (Dibble, 1999; Tompkins and Beech, 2002; Tillman, 2001). However, it is often the case that many employees do not realize the "true value" of the benefits they receive (Meyer, et al., 2003). Nor are they always sure what motivates the employer to provide these benefits. Thus, the link between benefits and employee commitment is not always strong. Adequate communication with employees is, as with most other retention practices, essential (Tillman, 2001).

The range of benefits offered by companies is too broad and some of these include: health, dental, vision, vacation, parental/family leave, disability, retirement/pension, employee assistance programs (EAPs), life insurance, extended leave, etc. Employee benefits are constantly evolving as the workforce itself evolves, and as people identify new priorities as being important. For example, the growing interest in fitness subsidies or eldercare provisions which are a direct response to changes in personal



priorities and demographic changes. In addition, there is also growing concern within industry about the mounting costs of health-related benefits and the magnitude of pension obligations for an aging workforce.

It is important to note that the relative importance of benefits will vary according to the specific needs of each individual. The importance of a benefit plan to an employee with dependents may assume far greater importance particularly in an environment where benefits costs are increasing rapidly (Tompkins and Beech, 2002). Companies with an older workforce demographic might see their retention efforts best served through benefit plans that cover health-related expenses, care for elderly parents, etc. Companies with a significantly younger demographic may find education subsidies or tuition rebates to be more effective retention drivers.

Most innovation in the area of benefits appears to be focused on the concept of flexibility. Many companies are responding to the increasingly diverse needs of their employees by introducing a greater element of choice in the range of benefits from which their workers can choose. Thus, the introduction of flexibility in benefits packages can be a key ingredient in ensuring good retention, particularly since it affords greater responsiveness to the specific needs and circumstances of individuals (Smith, 2001).

Some companies have become more creative in the types of benefits they offer their employees, and many such initiatives are focused on allowing employees to strike a better balance between their working and non-working lives. Examples are numerous and include: earned time off, on-site child care, paid paternity leave, sabbaticals, tuition reimbursement, etc (Meyer, et al., 2003). In the interest of facilitating a better work-life balance, Duxbury and Higgins (2001) advise employers to make it easier for

employees to transfer from full-time to part-time work and vice versa, introduce pro-rated benefits for part-time workers, guarantee a return to full-time status for those who elect to work part-time, and protect employee seniority when shifting from full to part-time work, and vice-versa.

### *2.2.1.3 Performance-based Compensation*

In general, the key purpose behind performance-based compensation is twofold. It is a means of modifying individuals' behaviour within an establishment in order to better align their activity with particular business objectives, and a way of influencing the development of particular types of organizational culture (e.g., team-based pay can lead to a stronger team-based culture, skill-based pay or profit-sharing can contribute to a culture of stability and mutual commitment, etc.; Meyer, et al., 2003).

The following are some of the typology of compensation systems (Lawler, 1990).

- a. Incentive Paysystems pay pre-determined amounts for each unit produced (piece-rate).
  
- b. Merit pay allocates pay increases based on individual performance. It can play a major role in attracting and retaining particular employees, and can lead both to good retention and beneficial turnover, i.e., good performers stay and poor performers leave.

Where teamwork is an important part of productive activity, individual merit pay may not work well. As with other forms of performance-based compensation, individual merit pay can cause excessive competition for incentives, and can promote counter-productive behaviour, e.g., hoarding important information rather than sharing it widely within the company and other forms of 'zero-sum' behaviour.

c. Gain sharing. Financial gains in organizational performance are shared with all employees in a single plant using a predetermined formula measured against a historical benchmark. Gain sharing is usually based on a participative management approach, for example, suggestion systems, shop floor committees, self-directed work teams, in order to enhance the coordination of teamwork and sharing of knowledge. Gain sharing may also may be effective in smaller firms with less than 500 employees.

d. Profit Sharing: pay is related to the company's overall financial performance. Profit sharing is different from gain sharing in that it does not necessarily involve participative management, and does not measure employee-controlled or productivity-related financial performance (Felix, 2000).

e. Employee Stock Ownership Plans (ESOPs). For publicly traded companies, employees are partly compensated through shares in the company's stock. Employee ownership arrangements can include stock options plans, stock purchase plans, and employee stock ownership plans.

Meyer, et al. (2003) cites a number of different studies that positively link ESOPs and organisational commitment. Research also indicates, however, that ESOPs in and of themselves, are not sufficient to increase "affective commitment." For example, measures to increase employees' say in how the company is run might be one type of support needed to increase commitment.

f. Skill-based Pay. Under this arrangement, the employee is paid according to his or her skills and experience, i.e. the company pays for the person rather than the job position. Skill-based pay can help organizations meet their skill requirements by directly motivating workers to learn specific skills.

The major advantage of this pay system is that it can promote a culture of flexibility. Individuals can perform multiple tasks, including filling jobs in the wake of turnover. Skill-based pay can also contribute to lower turnover since individuals will be paid more for their knowledge and will be unlikely to find similarly attractive pay in firms using more traditional job-based pay systems.

g. Bonus Plans. These have the advantage of being flexible, and capable of targeting particular behaviours that a company might want to change or promote without increasing fixed costs (Meyer, et al., 2003).

h. Retention-based Compensation. These include bonuses and other forms of compensation based on job tenure. Meyer, et al. (2003) notes that a potential disadvantage to this form of compensation is that it can contribute to reduced employee motivation, inhibit behavioural change, encourage risk aversion, and can often be expensive for organizations with long employee tenure.

i. Team-based Pay. Given the increased interest in employee participation and a growing interest in team-based work, our list of compensation options would not be complete without some mention of team-based pay, in which work teams are uniformly compensated for the performance of the team as a whole. Again, team-based pay must be aligned with intentions to promote certain types of behaviour. Properly managed, team-based pay can reinforce cohesion at the group level and generate strong performance by particular work teams.

As with individual performance compensation, team-based pay can also generate conflict and competition among work teams.

### **2.2.2 Recognition and Rewards**

Rotundo (2002) argues that reward systems ought to be a significant sphere of innovation for employers. The increasing diversity of the workforce, she says, suggests the need for more creative approaches to tailoring the right rewards to the right people. It is clear that recognition and rewards – as part of a more comprehensive effort at keeping workers or adopting good workplace practices- can contribute to increased retention.

The category “recognition and rewards” is in some ways a catch-all phrase as it includes a diverse range of formal and informal, financial and non-financial, incentives given to individual employees, groups of employees or to an entire staff. They come in all shapes and sizes: small employee of the month awards (e.g., gift certificates, recognition plaques), company-sponsored sports teams, company parties, prizes, clothing, etc. They are often incorporated into a company’s overall Human Resource policy, but are just as often awarded “as the need arises” and at the discretion of middle-level managers or team supervisors.

To function properly, rewards must be well justified, everyone must have a fair chance at getting one, and that reward must be something that the recipient employee values. Harris and Brannick (1999) offer the general principle that “what get rewarded gets done,” and they emphasise that that principle must be connected to the organisation’s core culture.

Rewards must, in other words, ‘fit in’ with people’s perception of their employer and their workplace. In workplaces where labour-management relations are strained or where workers are distrustful of management’s intentions, people will often react with skepticism when rewards are suddenly introduced.

Writing from the employer's perspective, Dibble (1999) does include money in her discussion of financial incentives but she also points out that money is not always an appropriate reward. In a survey that she conducted, almost a quarter of respondents said that they left their previous job because they did not feel valued or appreciated. In her view, showing appreciation "is not related to money, flexible work hours or career opportunities. It is more personal."

Beauregard and Fitzgerald (2000) also note the drawbacks with some types of incentives. They write: "for some employees incentives designed to motivate may actually demotivate if they seem to be unfair or too difficult to obtain. Also, incentives can sometimes cause unhealthy competition among employees and either force employees to cut corners or sabotage their colleagues. Incentive programs should be well thought-out before implementation and used with care."

Finally, Smith (2001), who also includes rewards and recognition in his list of high-retention practices, also argues that incentives and rewards can turn out to be counter-productive: Smith cautions that when used incorrectly, rewards, recognition, praise, and bonuses can be manipulative and controlling and amount to little more than a bribe for behavior. In many instances, these behaviorist techniques create an effect opposite from that intended.

### **2.2.3 Training, Professional Development and Career Planning**

Smith (2001) unambiguously states: all organizations will do a better retention job by spending more resources on training and development.... A business that provides education and training will be more competitive and productive and will win the loyalty of its workforce.

training and development are so enthusiastically embraced as key factors to good retention is in no doubt due to the fact that well-developed training programs are becoming ever more essential to the ongoing survival of most modern companies, whether or not retention is an important issue to that company.

In any event, retention reflects a desire to keep one's valued *people*; but it is just as much about keeping and managing the *skills* that a company needs to meet its goals. The provision of training is a way of developing those skills in the first place. The fact that providing it also turns out to be a benefit that is highly valued by those who receive it makes for a very powerful approach to doing business. Because training and professional development are so fundamental to the operation of a business, it goes against intuition to suggest that training and development are to be thought of primarily as "retention" tools.

Meyer et al (2003) suggest that employee learning - which encompasses training and development but is also related to socialization within the workplace -contributes to retention by building employee commitment through a show of support; providing employees with the means to deal with stress related to job demands and change; serving as an incentive to stay, and creating a culture of caring. Thus, training and professional development are seen as ways of building employee commitment in that they allow employees to "see a future" where they work, and provide them with the support necessary to face the on-going challenges related to their work.

Many employers will of course voice the familiar concern that there is a risk that once trained, workers may be tempted to leave the company for other opportunities. As such, companies are only willing to provide training at the minimum level or to provide more extensive training on proprietary equipment and processes.

Investing in training can be interpreted as a strong signal that the employer values the employee and wishes to keep that individual with the firm. To the extent that employees perceive this to be the case, and provided that the way the company actually behaves in such a way - by 'putting its money where its mouth is' - employees may in fact be more likely to stay. The training incentive is further reinforced if it falls within well-defined and adequately communicated plans for professional development within the company.

There is a good fit between training and a number of other retention-related practices, such as career development and planning, skill-based pay, and others. Taken together such practices can usefully complement one another. Training can be a particularly strong retention tool when it is combined with measures designed to allow people to develop and progress within a company (Butteriss, 1999; Meyer et al, 2003).

#### **2.2.4 Recruitment and Orientation**

Good retention is about more than what a company does once an employee has been hired and established within an organization. Failure to effectively recruit and orient employees may impose significant separation and replacement costs down the road. Smith (2001) attributes 60% of undesirable turnover to bad hiring decisions on the part of the employer. "Bad hiring decisions" may cover a number of considerations, including overly hasty selection processes that fail to ensure that the job candidate really has the adequate skills and qualifications to do the job for which she or he is hired.

Good employee retention is in part a result of a good "fit" between a company's workplace culture - its way of doing business and the qualities that it espouses as valuable - and the interests, character, and motivations of the individuals that exist



within it. In terms of recruitment, companies should therefore put an emphasis on not only evaluating formal qualifications, job-relevant technical ability, etc., but also more general types of qualifications and dispositions on the part of the recruit. If work in the company involves being part of a highly cohesive team, the company may want to recruit individuals who are interested in and capable of working in such an environment.

It is equally important for the individual job candidate to have a fair chance at deciding whether the company is a good fit for him or her. Meyer, et al. (2003) and others have emphasised the importance of providing “realistic job previews” to potential employees. These previews provide potential new hires with more than just a cursory glance at a company’s operations, providing the candidate with enough information to make a decision about whether it is the right workplace for her or him.

This is not to downplay the importance of other traditional and non-traditional recruitment methods such as structured interviews, multiple and panel interviews, pre-employment testing, biographical data analysis, simulations and work samples (Meyer, et al., 2003). The company must have at its disposal the right tools to enable it to make reasonably accurate evaluations about the type of people it might hire; and there exist a great number of evaluation tools at the employer’s disposal.

Finally, providing a good initial orientation to the newly-hired employee can not only help to effectively integrate that person into the workplace but can also help to make the new person feel welcome and provide him or her information about how to cope with the demands of the workplace, and any possible problems that may arise (Dibble, 1999). These can be important elements of the socialization process, and some companies spend two weeks or more on orientation, during which they provide

information about the company, its values, structure, goals, objectives, clients, customs, and history (Foundation for Enterprise Development, 1994).

### **2.2.5 Healthy Workplace and Well-being Programs**

There is a growing body of evidence that workplace safety, health and wellness initiatives can make a fundamental contribution to business performance as well as the improved health and well-being of individual employees. Healthy workplace practices take on a variety of forms, including those directed at the physical work environment (safety, ergonomics, etc.); health practices (supporting healthy lifestyles, fitness, diet, etc.); and social environment and personal resources (organisational culture, a sense of control over one's work, work-family balance (Beauregard and Fitzgerald, 2000; Branham, 2001; Kaye and Jordan-Evans, 1999).

Many "healthy workplace" researchers have become increasingly convinced that organisations must also become more attuned to the negative consequences of workplace stress and other psycho-social factors. Lowe's (2003) indicated that many Canadian workers link psycho-social factors, including interpersonal relationships, relations with supervisors and the availability of other forms of support to perception of how healthy a workplace may be.

Thus, to the extent that emotional and mental wellness is important to good retention and other indicators of business performance, companies might be well-advised to turn their attention to factors in the workplace that cause stress in the workplace. Potential remedies to poor workplace health may, in fact, come from a number of the other retention areas described in this report, e.g., vacation benefits, flexible time, a good work-life balance, effective and open communications, job enrichment.

Workplace health and wellness initiatives were seen to reduce health and safety costs, facilitate good labour management relations, and improve profitability and customer satisfaction. They are also viewed as key factors affecting employee recruitment and retention.

### **2.2.6 Work-Life Balance**

Work-life balance programs cover a variety of interventions, and include such practices as dependent care leave, childcare subsidies, eldercare programs, counseling and referral, and flexible working hours (Withers, 2001). As the list suggests, the concept of “work-life balance” recognizes that employees have important family and extraprofessional obligations that compete with their professional commitments; benefits that may be grouped under this concept therefore allow people to strike a more meaningful and potentially less stressful balance between obligations at the workplace and obligations at home.

Ashby and Pell (2001) have reported that most workers in the US want a job with flexible hours and that allow them to take care of personal concerns, while a substantial number cited similar reasons for their preference for working at home. Similarly, B.C. Business (2001) reports that the amount of salary and number of work hours workers say they are willing to give up to achieve a work/life balance has doubled.

Whether or not we are in the midst of a cultural shift, many employers have begun to respond to such demands by implementing “work-life balance” initiatives in their workplace, and have done so out of a conviction that providing such benefits can substantially enhance productivity, revenues, and employee retention and commitment (Withers, 2001).

Duxbury and Higgins (2001) argue that employers can help to create more supportive work environments by working with employees to identify and implement the types of support they say they need, and better inform them about policies that may currently be available to them, and encouraging employees to use the supports that are readily available and ensure that employees who could make use of such assistance do not feel that their career prospects would be jeopardized by doing so (Duxbury and Higgins, 2001).

### **2.2.7 Job Design and Work Teams**

Workers stay with a company for reasons other than just good pay, benefits and other sundry perks. Workers value their jobs not only when they are well compensated, but often because doing the job is in itself a rewarding experience - in other words, it is fulfilling, challenging, interesting, and stimulating. Practices such as autonomous or semi-autonomous work teams, 'self-scheduling,' and job rotation can not only improve retention but have also been shown to improve a number of other important indicators such as productivity, accidents and injuries and product quality (Branham, 2001).

Smith (2001) speaks generally about the retention benefits of "high-involvement" work environments. Harris and Brannick (1999) say "allowing employees' freedom to control their work" is a major 'best practice' in retention, while Ashby and Pell (2001) report that "the highest turnover rates are those in which the corporate culture is one of domination, autocracy and inflexibility."

They also report on a survey of 3,000 American employees, quoted in the May 2000 issue of *Bottom Line Business's* May 2000, which listed the reasons why employees stay in their current job, and the evidence seems to suggest that the intrinsic rewards

of a challenging job, including good relations with co-workers, meaningful work, team-based activity, and a degree of autonomy often guide workers' decisions to stay with their employer.

From the point of view of retention, the concept of the autonomous work team is one among a number of practices that contribute to what is called "job enrichment" (Kaye and Jordan-Evans, 1999), which we can define as: ways of organizing work so as to maximise the benefits that employees derive from a job's intrinsic rewards. In this sense, autonomous work teams are only one form of job enrichment, and there are many other ways to enrich a job, such as: seeking to combine related tasks under one job description so as to create a more unified sense of purpose for the person who carries out that job and rotating people through assignments so as to introduce an element of task-diversity for workers whose normal assignments involve a high degree of repetitiveness (Kaye and Jordan-Evans, 1999).

### **2.2.8 Communications and Employee Participation**

One of the best practices in retention is the importance of communications. Open, responsive, two-way communications would appear to be vital to good employee retention. "The fastest way to transform a top-performing staff into a group of disgruntled, discouraged job-seeking workers," according to Harris and Brannick (1999), "is to shut them out of the loop of corporate information." Conversely, they say, the feeling that one is in the loop reinforces the employee's connection to the organisation.

Without communications, many of these practices would be difficult to implement, or it would at least be difficult to implement them with the goal of retaining employees.

Communication is a basic building block of any effective retention practice. many companies have an open-book policy through which employees are kept up to date on the financial performance of the company — good or bad — and are equally keen to apprise employees of changes to business strategy.

The rationale for good communications is best summed up by Kaye and Jordan-Evans (1999) that conspicuously withholding information can lead to deleterious consequences within the organisation. When top leaders share information and expect other managers to share it with employees, employees tend to feel more included and their trust is reinforced, resulting in smaller dips in productivity during crises. Additionally, informed employees are sometimes able to provide solutions to otherwise unresolved problems. Information sharing includes: strategic directions, the organisation's and industry's future, emerging trends that could affect career possibilities, and other cultural political realities affecting the organization. These types of information help to support employee career development and advancement.

Again, there is no magical formula for effective communication. It is clear, however, that the success of any communications practices will hinge upon management's commitment to and belief in the value of good and open communications in the first place; the lack of leadership will otherwise ensure that communications practices are dropped or not adopted as a part of the company's culture. Thus, implementing practices in the absence of a willingness to communicate - about both positive and negative matters - will not likely contribute to retention. Communications is, in the end, a general feature of a company's culture, and not reducible to particular practices, systems or interventions.

### **2.2.9 Performance Appraisal and Performance Management**

Performance management can effectively help an organisation to meet its retention objectives, in addition to other important business goals. Performance management is a process of employee performance evaluation that is closely tied to strategic objectives, that provides good feedback to employees and gives them a view of their longer-term progress within the company, and is potentially married to training and other development opportunities (Wagar, 2003).

Generally speaking, performance seeks to develop an objective basis for talking about performance; let employees know the difference between acceptable and unacceptable results; increase job satisfaction by letting teams know when a job is well done; let new staff know about expectations regarding job performance, and; encourage an open and trusting relationship with employees.

Performance appraisals inform a number of HR decisions related to compensation, training, promotion, and even termination. However, as part of a human resources policy that values open communication and employee commitment, performance appraisals also allow objectives and values to be effectively communicated to employees and can ensure a steady stream of critical feedback about business processes (Rotundo, 2002). When closely aligned with ongoing training and career development, performance management can be a successful retention tool.

According to Meyer et al (2003), performance management aligns the goals of individual members to those of the organisation with which they are associated. It requires clearly articulated and well-communicated strategic goals for the organisation as a whole.

As with other retention practices, employee perceptions about the performance appraisal system can have an important impact on their decision to stay with a company. Most importantly, effective performance management requires a system that is fair, and that employees trust as being fair, both in terms of procedure (e.g., consistent and well-communicated evaluation criteria) and in terms of the potential benefits arising from such evaluations (e.g., training, professional development). Indeed, fairness and openness about the evaluation process are of paramount importance when performance management is tied to specific rewards or advancement.

### **2.3 Effects of employee turnover**

The reason why so much attention has been paid to the issue of employee turnover is because it has some significant effects on organisations. From the point of view of the organisation, employee turnover is expensive. When employees quit an organisation, it represents an exodus of human capital investment from the organisation and the subsequent replacement process brings so many costs to the organisation (Ongori, 2007).

These replacement costs include for example, search of the external labour market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels equivalent to that of the individual who has left. In addition to these replacement costs, output would be affected to some extent or output would be maintained at the cost of overtime payment (Sutherland, 2000). High turnover rates might have negative effects on the profitability of organisations if not managed



properly. Hogan (1992) stated that the direct and indirect cost of a single line employee quitting is between 1, 400 and 4, 000 US Dollars.

Estimates of the Dollar cost of turnover vary but all are high in absolute amounts. The cost of losing a managerial employee is about 150% to 200% of the employee's annual salary. Therefore, if a firm loses a person earning \$50,000, it can expect to be "out of pocket" by \$75,000 to \$100,000 before the new person is in place and functioning (Rubis, 1998). The Minneapolis Star Tribune reported that the termination of a human resource manager cost \$133,803 (Cunniff, 1999).

Public accounting firms' human resource directors estimate that turnover costs are between \$50,000 and \$100,000 per exiting employee (Moncada and Sanders, 1999). The cost of replacing a registered nurse is placed at about \$7,000 (Cohen-Mansfield, 1997) while the cost of replacing a fast food restaurant manager is set at \$21,931 (Cunniff, 1999). The turnover of hourly workers also generates considerable cost increases.

Purdue University estimates the cost of replacing a fast food worker at about \$500 (Purdue University, 1999). The University of Wisconsin places the cost of replacing an employee earning \$9.50 per hour at \$2,288 (Pinkovitz, et al., 1999). The Supermarket News reports that the cost of turnover is 41% higher than the total profits earned by the industry (Supermarket News, 2000).

Employee turnover has many hidden or invisible costs and these invisible costs affect the profitability of the organisation (Philips, 1990). Employee turnover has a significant effect on customer service and satisfaction. Gustafson (2002) states employee turnover costs include costs, such as lost productivity, lost sales, and

management's time. She estimates the turnover costs of an hourly employee to be 3,000 to 10,000 US Dollars each. This clearly demonstrates that turnover affects the profitability of the organisation and if it is not managed properly it would have the negative effect on the profit.

A research by Johnson, et al (2000) estimates that hiring and training a replacement worker for a lost employee costs approximately 50% of the worker's annual salary and these costs do not stop there. Each time an employee leaves a firm, productivity drops due to the learning curve involved in understanding the job and the organisation. Furthermore, the loss of intellectual capital adds to this cost, since not only do organisations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets (Meaghan and Bontis, 2002).

Employee turnover affects an organisation adversely in terms of personnel costs and in the long run, its liquidity position. Organisations incur significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organisational memory) and the loss of social capital (Dess and Shaw, 2001).

Again, some employee turnover is desirable. Zero attrition is not desirable mainly because of two reasons. Firstly, if all employees continue to stay in the same organization, most of them will be at the top of their pay scale which will result in excessive manpower costs. Secondly, new employees bring new ideas, approaches, abilities and attitudes which can keep the organisation from becoming stagnant (Nair2009).

## **2.4 Extent of the effectiveness of the retention strategies**

The process of retention is not as easy as it seems. There are so many tactics and strategies used in retention of employees by organisations. The basic purpose of these strategies should be to increase employee satisfaction, boost employee morale and hence achieve retention. However, sometimes these strategies are not used properly or even worse, wrong strategies are used and fail to achieve the desired results (Lindgren and Paulsson, 2008).

Employee retention is a term that means many things to many people, with its meaning and means of achieving it usually specific to each individual organisation - and even to each manager and each employee. The concept of employee retention developed as a response to increasing voluntary employee turnover (McKeown, 2002).

Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. Also of concern are the costs of employee turnover (including hiring costs, training costs, productivity loss) (Cohen-Mansfield, 1997). Replacement costs usually are 2.5 times the salary of the individual. The costs associated with turnover may include lost customers, business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring, and training the new employee just to get back to where you started (Workforce Planning for Wisconsin State Government, 2005).

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs (Nair, 2009). A definition culled from the Wikipedia website (2011) states that employee retention is a business management term referring to efforts by employers to retain current employees in their workforce.

A similar definition from the times ascent website (2011) states that employee retention strategies are the organisational policies and practices designed to meet the diverse needs of employees and create an environment that encourages employees to remain employed. The Cornerstone on demand website (2011) defines employee retention as the rate at which employees stay within an organisation.

Employee retention is a business management term referring to efforts by employers to retain current employees in their workforce. The purpose is to minimise employee turnover and its associated costs: hiring and training expenses; productivity loss; lost customers; diminished business; and damaged morale among remaining members of the workforce. Retention is particularly a problem in high stress occupations such as teaching, nursing and social care work (Gberevbie, 2008).

Retention is a big and a constant challenge for every organisation. It is a herculean task for most organisations in the modern era of globalisation and competitive business. Successful organisations realize employee retention and talent management are integral to sustaining their leadership and growth in the market place. The highest priority of employers should be employers of choice by retaining high calibre employees in today's labour market. Human resource professionals all over the world are breaking their heads to formulate retention strategies to work out in their favour (Bogic, et al., 2008).

Gberevbie (2008) sees employee retention strategies as means, plans or sets of decision-making behaviour put in place by organisations to retain their competent workforce for high performance. Organisations that do not put their emphasis on attracting and retaining talents may find themselves in dire consequences, as their competitors may be outlaying them in the strategic employment of their human resources.

According to Branham (2001), the task of managing employees can be understood as a three stage process:

- (a) a process that involves the identification of the cost of employee turnover;
- (b) understanding the reasons for employee turnover and;
- (c) the implementation of retention strategies.

Organisations should start with identifying the employee turnover rates within a particular time period and benchmark it with the competitor organisations. This will help in assessing whether the employee retention rates are healthy in the company. The cost of employee turnover can be calculated. According to a survey, on an average, attrition costs companies' 18 months' salary for each manager or professional who leaves, and 6 months' pay for each hourly employee who leaves. This amounts to major organisational and financial stress, considering that one out of every three employees plans to leave his or her job in the next two years (Branham, 2001).

The most effective strategy is to adopt a holistic approach to dealing with attrition. An effective retention strategy will seek to ensure that attraction and recruitment strategies enable selection of the 'right' candidate for each role/organisation. It would also ensure that new employees' initial experiences of the organisation are positive

and appropriate development opportunities are available to employees, and that they are kept aware of their likely career path with the organisation. It should ensure that the organisation's reward strategy reflects the employee drivers (Gupta and Srivastasa, 2005).

## **2.5 Rate of employee turnover**

Employee turnover is the rotation of workers around the labour market; between firms, jobs and occupations; and between the states of employment and unemployment (Abassi and Holloman, 2000). Employee turnover means voluntary cessation of membership of an organisation by an employee of that organisation (Morrell et al., 2001).

Employee turnover refers to the characteristic of a given company or industry, relative to the rate at which an employer gains and lose staff. For example, if an employer is said to have a high turnover, it means that employees of that company have a shorter tenure than those of other companies in that same industry (Mudor and Tooksoon, 2011).

Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees.

### ***2.5.1 Measuring employee turnover***

Organisations may track their 'crude' or 'overall' turnover rates on a month by month or year by year basis, expressed as a percentage of employees overall. The formula is simply:

Total number of leavers over period x 100

Average total number employed over period

The total figure encompasses all leavers including those who leave involuntarily due to dismissal or redundancy (and as a result of retirement). It also makes no distinction between functional (that is, beneficial) turnover and that which is dysfunctional.

Crude turnover figures are often used in published surveys of labour turnover as they tend to be more readily available and can be useful as a basis for benchmarking against other organisations (Chartered Institute of Personnel Development {CIPD}, 2006).

However, it is also useful to calculate a separate figure for voluntary turnover – specifically, resignations - as such departures are unplanned and often unpredictable (unlike, say, planned retirements or redundancies) and hence can have a particularly adverse impact on the business.

It may also be helpful to consider some of the more complex employee turnover indices which take account of characteristics such as seniority and experience. A huge concern to most companies, employee turnover is a costly experience in lower paying job roles, for the employee turnover rate is highest. Frequently, managers refer to turnover as the entire process associated with filling a vacancy. Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained (Beam, 2010).

Frequent labour turnover in the workplace has been found to be detrimental to performance, particularly where an organisation is losing employees to direct competitors. They argue that the higher the staff turnover witnessed in an organisation, the less likely that organisation will experience enhanced performance due to lack of availability of competent employees arising from frequent turnover of

organisational workforce (Chartered Institute of Personnel Development {CIPD}, 2006).

The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organisation. A higher retention rate does not only create a stable working environment for its employees but it also acts as a motivational source for others to join the organisation. When an employee works for an organisation he gathers detailed knowledge about the organisation, its competitors, working style, different projects, etc. When an employee leaves the workplace, there is loss of knowledge to the affected organisation. He takes away with him valuable knowledge about the company, customers, current projects and past history sometimes to competitors who may misuse this information in the market. Often much time and money have been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realised (Raghuvanshi, 2010).

The cost of employee turnover adds hundreds of thousands of money to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate. Customers and clients do business with a company partly because of the people. 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 (Nair, 2009).



Employee turnover leads to more turnovers. When an employee terminates, the effect is felt throughout the organisation. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff. If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to affect the company directly sometimes goes unnoticed. The sad realisation is that even after employing a new employee; the organisation cannot be assured of the same efficiency from the new employee (Nair).

Hiring new employees requires good amount of time and money. It involves a lot of procurement planning, implementation and providing training to the new employee. Besides this, there is always a risk if the new employee selected will adjust to the new environment, his dedication and work efficiency etc. It is therefore a challenge for organisations to find and keep the best people who can contribute towards the growth and success of the organisations. Resignations are quite infectious. They directly or indirectly affect the thoughts of other employees. This leads to loss of return from employees and so every organisation should develop clear understanding and expectations from their employees. This implies that every organisation should take care of needs and requirements of their employees and at the same time should clear them about their expectations from them. This helps the employees from getting poached (Raghuvanshi, 2010).

## **2.6 Best Strategies to enhance retention of employees**

Thompson, Gamble and Strickland (2004) see strategy as a game plan which management of an organisation adopts to stake out market position, attract competent employees and please customers, compete successfully, conduct operations, and

achieve organisational goals. Strategy therefore implies the action plan organisations or individuals put in place to achieve their goals.

Gberevbie (2008) sees employee retention strategies as means, plans or sets of decision-making behaviour put in place by organisations to retain their competent workforce for performance. The first steps when developing an employee retention strategy is to establish why employees are leaving and the impact that employee turnover has on the organisation. This explains why there is no single strategy to enhance the retention of employees in any organisation. Some of the strategies that can help in this direction are as follows.

#### *2.6.1 Golden hello and Golden handcuff*

The golden hello as the name suggests, refers to a joining bonus and is an incentive offered to a select set of new recruits, mostly middle and senior level executives poached from rivals who are well known in industry or are skilled in a niche area. The bonus could be in the form of employee share ownership plans (ESOPs), cash incentives, non-cash incentives or a combination of all three. The Golden handcuff refers to cash incentives and full variable payouts meant to keep important talent within the organisation (Newth, 2007).

#### *2.6.2 Career Planning and Growth strategy*

Growth and development are integral part of every individual's career. If an employee cannot foresee his path of career development in his current organisation, there are chances that he will leave the organisation as soon as he gets an opportunity. Thus the human resource professionals should provide to its employee's opportunity to grow, learning and implement. It includes continuous learning and improvement of the individual, certifications and provision for higher studies, etc. the achievements made

if any by workers should be recognised. Growth and development should be recognised and encouraged in order to make an organisation a learning organisation and making learning on an on-going basis. By providing various career oriented programs, technical certification courses, trainings in new fields can attract, motivate and retain talents in an organisation (Jyothi and Venkatesh, 2005).

Training and development opportunities provide many employees with the incentive to stay with a company. This is especially true when employees become actively involved in their own career development and tailor a personal development plan that meets their particular goals(Bernthal and Wellins, 2001).

### *2.6.3 Attractive Compensation Package*

Compensation and various employee benefits, now-a-days are being shaped according to what the employee wants rather than what the employer can give. Compensation constitutes the largest part of employee retention process. Effective and sound remuneration policy must be constructed to attract, maintain and retain talented peoples in an organisation. In the crisis of talent hunt, Human Resource professionals should design the compensation package that can help to attract, motivate and retain talented peoples in the organisation. Attractive compensation package should include high remuneration, various monetary and non monetary benefits, bonus ,incentives, fringe benefits, medical facilities, paid holiday vacation, retrial benefits like provident fund and gratuity, employee insurance, maternity leave, merit scholarship, company accommodation and transportation facility, company sponsored study, credit cards etc. Moreover, many companies are offering innovative benefits in order to retain talent. Apart from such benefits, nowadays other forms of pay are designed by companies like variable compensation, executive compensation, pay for

performances, skill and competency based pay to retain their employees (Aswathappa, 2005).

#### *2.6.4 Employee Empowerment*

One of the basic strategies to retain talents is to empower the employees by enlarging an employee's job responsibility by conferring on him the authority to get things done without becoming over-burdened or distressed. By empowerment, the employees are supported and encouraged to utilise their skills, abilities and creativity by accepting accountability for their work. Empowerment occurs when employees are adequately trained, provided with all the relevant information and the best possible tools, are fully involved in key decisions, and are fairly rewarded (Meaghan and Bontis, 2002).

The degree of commitment and loyalty can be achieved if management enrich the jobs, empower and compensate employees properly. Empowerment of employees could help to enhance the continuity of employees in organisations (Malone, 1997).

Superiors empowering subordinates by delegating responsibilities to them leads to subordinates who are more satisfied with their leaders and consider them to be fair and in turn perform up to the superior's expectations. All these make employees to be committed to the organisation and their chances of quitting are minimal (Keller and Dansereau, 1995).

#### *2.6.5 Decision making*

A unique dimension to organisational performance is that of workers participation in decision-making. This is the ability of workers to exhibit their initiative in their day-to-day activities to promote organisational goals (Jike, 2003). Riordan, et al. (2005) sees participative decision-making as the perception among staff that they have control or say in decisions that affect their work. They argue that workers

participation in decision-making may have stronger effect when it co-exists with organisational attributes that support it.

#### *2.6.6 Congenial Work Environment*

An effective employee retention program is a systematic effort to create a good quality work life by providing congenial work environment. People want to work for an organisation which provides a friendly and cooperative environment, ample opportunities to grow, appreciation for work done. A congenial work environment includes good organizational culture, values, company reputation, quality of people working, good working conditions, fostering employee development and growth, using leading technologies, flexible work environment that welcomes new ideas, risk taking, and does not carve all decisions in stone, trust, good employee relation. It also includes efficient managers, supportive co-workers, challenging work, involvement in decision-making, clarity of work and responsibilities, and recognition. The environment should be such that the employee feels connected to the organisation in every respect. Other supportive work environments that can attract and retain talents in an organisation are flexible timings, alternative work schedules, vacations and wellness(Gupta, 2011).

#### *2.6.7 Reward and Recognition Scheme*

There should be an effective reward and recognition scheme in place. High performers should be suitably rewarded and recognised by the management. Rewarding employees for their exceptional performance through incentives, gifts, free vacations, paid holidays etc can boost the employee morale. A high performer should be recognised by the management so as to get the best and stay motivated. Various recognition programs should be designed such as on-the-spot award, employee

appreciation, nominated recognition, award of best employee of the month/year, peer to peer recognition, anniversary/length-of-service celebration etc. Researchers have found that rewards as provided by organisations have relationship with job satisfaction and hence employee retention (Taplin et al., 2003). Rewards help to motivate and retain competent staff for performance (Okoh, 1998; Bamigboye and Aderibigbe, 2004; Jerez-Gomez et al., 2005).

Heneman and Judge (2003) argue that for an organisation to retain its employees for performance, it must match its rewards to employees' preference. The match between rewards desired by employees and offered by the organisation is likely to lead to job satisfaction which in turns guarantees employee retention.

#### *2.6.8 Selection*

Retention starts up front, in the selection and hiring of the right employees. This requires both an assessment of basic job skills and an examination of the "softer" issues: motivation, values, and being able to fit into the organisation. These factors have a powerful impact on employees' success and tenure with a company (Bernthal and Wellins, 2001).

#### *2.6.9 Leadership*

An employees' experience at a company is shaped by his or her boss. Truly effective leaders work with others rather than over others to achieve results. Influential leaders build employee capacity for learning and accomplishing unrealized potential. They possess enhanced communication skills, develop strong interpersonal relationships and foster successful exchanges (Jacobsen, 2002).

#### *2.6.10 Meaningful Work and Ownership*

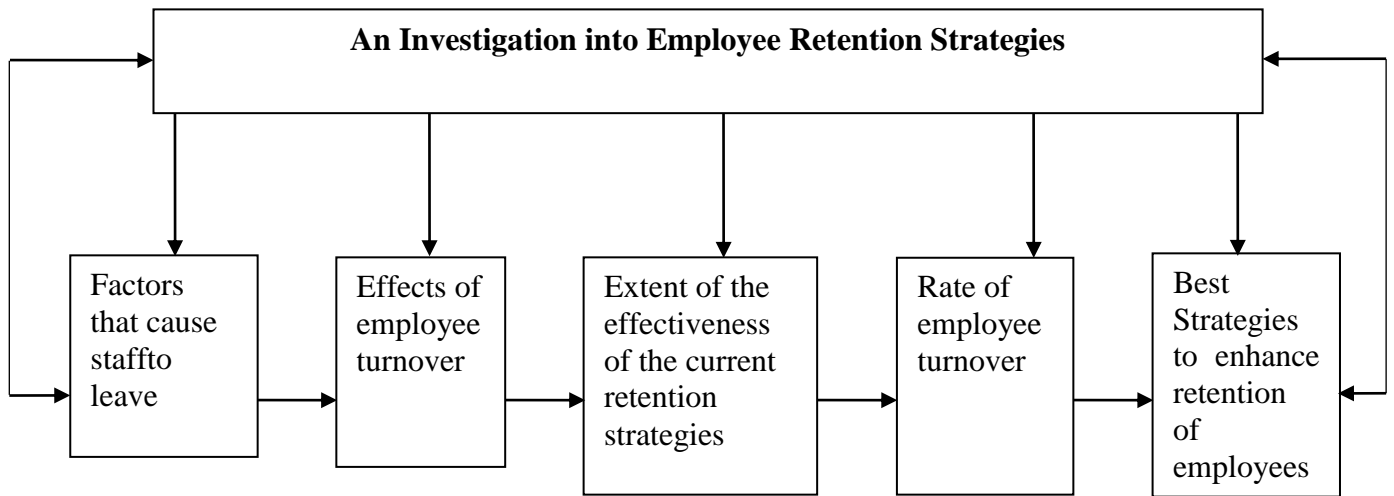
People need to know they are making a difference and being effective in their jobs. Expectations and responsibilities need to be clearly defined. Employees need to understand how their roles are linked to the organisation's overall success. Employees who are involved in determining how work gets done have a sense of ownership and an opportunity to contribute to improvements in the company's performance (Toh and Owen, 1997).

Ayagi (2001) argues against the use of fear, coercion, and sometimes intimidation and blackmail to force employees stay on the jobs even though they want to leave. Instead, he advocated retention programmes targeted at employees such as adequate compensation – good salaries and allowances and creation of social community in the workplace that would enhance social ties such as encouraging employees' marriages and siblings' employment as basis for employees' retention.

### **2.7 Conceptual Framework**

Different perspectives on employee retention strategies abound. The success or failure of an organisation is considered to be a function of the decisions taken as it affects its management. This study looks into the effects of retention strategies on employee turnover. Thus the best employee retention practices should be undertaken to minimise employee turnover rate in companies. The literature considered the factors that cause staff to leave, the effects of employee turnover, the extent of the effectiveness of the current retention strategies, the rate of employee turnover and the best strategies to enhance retention of employees at Akate Farms and Trading Company Limited, Kumasi

**Figure 2.1 A Model of Employee Retention Strategies**



*(Source: Researcher's own construct, February 2012)*

The literature review found out that to date, there has been a little consistency in findings on why organisations are not able to retain their employees because of the diversity of employees working in the various organisations. Several reasons have thus been enumerated in this write-up. It should also consider the extent of the best strategies to enhance the retention of employees and if possible come out with strategies that can help organisations to reduce employee turnover.



## **CHAPTER THREE**

### **METHODOLOGY AND ORGANISATIONAL PROFILE**

#### **3.0 Introduction**

This chapter outlines the methodology used for undertaking this study. It explains the research design, the sources of data, the population, sample size and sampling techniques used in the study. It also describes the data collection instruments and the data analysis technique used for this study. It also gives a brief outline of the organisational profile.

#### **3.1 Research Design**

The research design indicates the type of research methodology undertaken to collect the information for the study. The researcher used the descriptive type of research design for this study. The main objective of using descriptive research is to describe the state of affairs as it exists at present. It mainly involves surveys and fact finding enquiries of different kinds. The researcher used descriptive research to discover the effects of retention strategies on employee turnover at Akate Farms and Trading Company Limited. The descriptive research also included the demographic characteristics of staff who were involved in the study.

#### **3.2 Sources of Data**

Data were collected from both primary and secondary sources.

##### ***3.2.1 Primary data***

It is the new or fresh data collected from the respondents through structured scheduled questionnaire and interview.

### 3.2.2 Secondary data

The secondary data are collected from books, theses, reports, journals, newspapers, bulletins and past records maintained by the company.

### 3.3 Population

The population refers to the total number of people in the community or organisation from which the sample was selected (Saunders, et al., 2007). The area of study is confined to staff of Akate Farms and Trading Company Limited.

The population used for the study under consideration has been tabulated in table 3.1

*Table 3.1 Population for the Study*

<b>Category</b>	<b>Number</b>
Management staff	5
Senior staff	20
Junior staff (Permanent)	125
<b>Total</b>	<b>150</b>

*(Source: Researcher's Fieldwork, February 2012)*

### 3.4 Sample Size

A sample size of 130 workers was selected for the study. They included 5 Management staff, 10 senior staff and 115 junior staff.

### 3.5 Sampling Technique

The simple random sampling technique was used in this study. According to Saunders, et al (2007), the simple random sampling technique is “a sampling technique in which every member of the population will have a known non-zero probability of selection.” The simple random sampling technique was used to give

each staff an equal chance of being included in the sample. A random number table was created. The cases in the sampling frame were given a unique number. The first case was numbered 0, the second 1 and so on. The cases were then selected using random numbers until the actual sample size was reached.

### **3.6 Data Collection Instruments**

The data collection instruments were questionnaires and interviews.

#### ***3.6.1 Questionnaire***

The structured questionnaire was used as the instrument for the study. The form of question was of both closed ended and open ended type. The questionnaire was framed in a clear manner such that it enabled the respondents to understand and answer the questions easily. The questionnaire was designed in such a way that the questions were short and simple and was arranged in a logical manner. The questionnaire was categorised under appropriate segments such as demography, education/qualification, employment history, etc. The questionnaires were distributed to the respondents to fill them out three weeks earlier before these (questionnaires) were collected from them to be used for the analysis. Repeated visits and phone calls were made to persuade respondents to answer the questionnaire to ensure good response.

#### ***3.6.2 Interview Schedule***

Interview served as an opportunity to get a vivid description of the effects of retention strategies on employee turnover at Akate Farms and Trading Company Limited. The unstructured interview schedule was carried out with the respondents. The main thrust of the interviews was to draw out those issues that were considered important to the topic and had not been captured by the questionnaire.

### **3.7 Data Analysis Techniques**

Data collected was analysed using the Predictive Analytics Software (PASW), formerly the Statistical Package for Social Science (SPSS) and was presented in the form of bar charts, pie charts and tables.

### **3.8 Organisational Profile of Akate Farms and Trading Company Limited, Kumasi**

#### ***3.8.1 Brief History***

Akate Farms and Trading Company Limited was established in 1987 and registered with the Registrar of Companies, The Registrar General's Department and issued with a Certificate of Incorporation and Certificate to Commence Business on 19<sup>th</sup> November and 2<sup>nd</sup> December, 1987 respectively. It is located at Dote, Kumasi. Alhaji Abdul Salam Akate, the Chief Executive Officer of Akate Farms and Trading Company Limited was adjudged the National Best Farmer in 2007. It has a total farm capacity of 600,000 birds and currently has a capacity of 400, 000 birds.

#### ***3.8.2 Staffing position***

Akate Farms and Trading Company Limited started with five workers and surprisingly, up to date, four of them, are still working with the company. The total number of workers currently is 150. The company has both senior and junior staff who, ensure that the day-to-day activities of the company are carried out efficiently.

#### ***3.8.3 Main activities carried out***

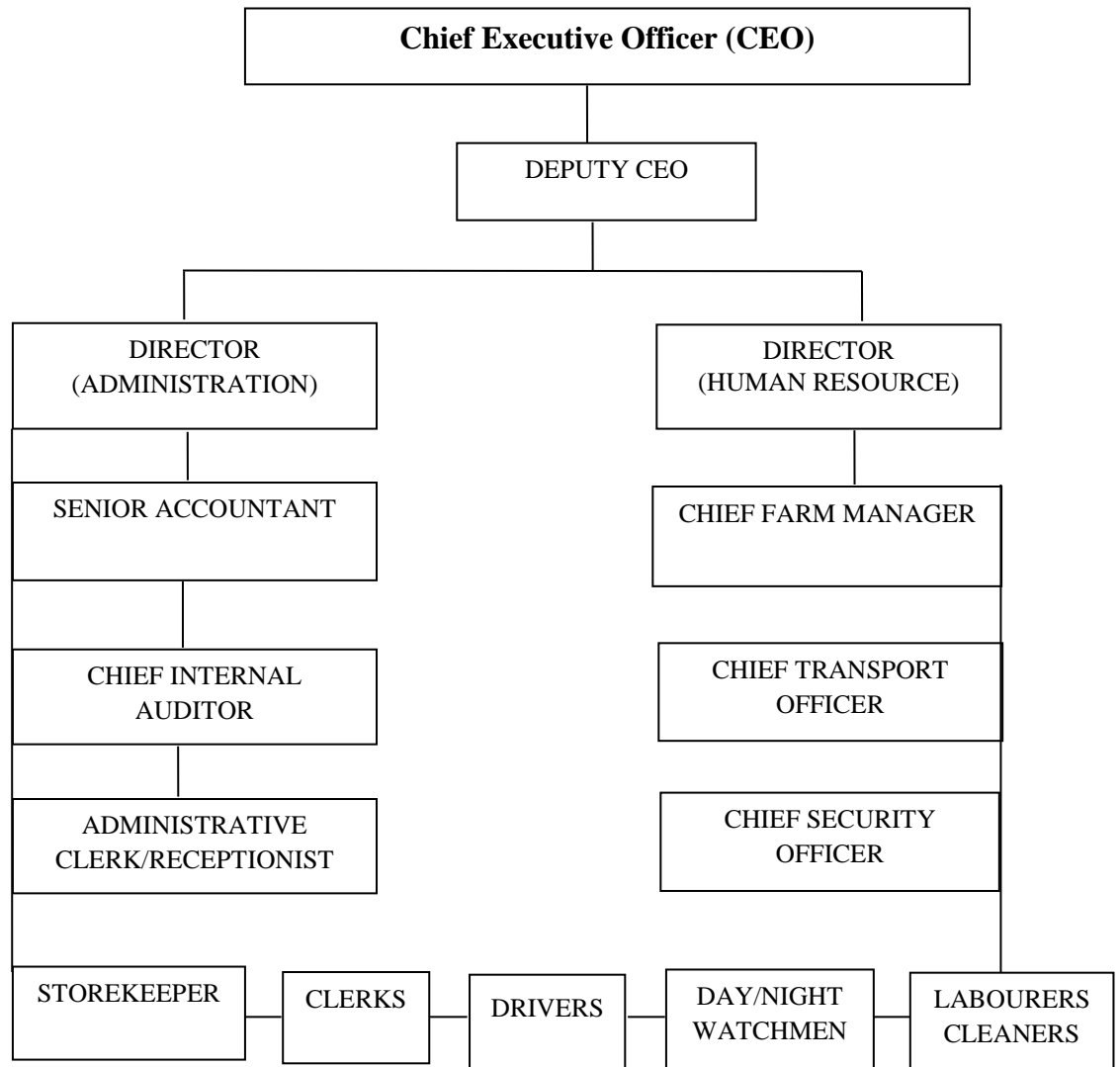
The company carries out its main business as poultry farmers. They also engage in trading of poultry products and consultancy services to other poultry farmers.

#### ***3.8.4 Relevance of topic to the organisation***

The topic, “investigation into the effects of retention strategies on employee turnover in firms” is relevant to the organisation because awareness of this can help management ascertain whether the organisation has put in place better strategies to retain its employees or otherwise. Again, it would enable the organisations to adjust with a view to improving on their services for survival and growth.

#### ***3.8.5 Organisational Structure of Akate Farms and Trading Company Limited***

The organisational structure of Akate Farms and Trading Company Limited is depicted in Figure 3.1. The head of the organisation is the Chief Executive Officer



**Figure 3.1: Organisational Chart of Akate Farms and Trading Company Limited**

*(Source: Researcher's own construct, February 2012)*

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **4.0 Introduction**

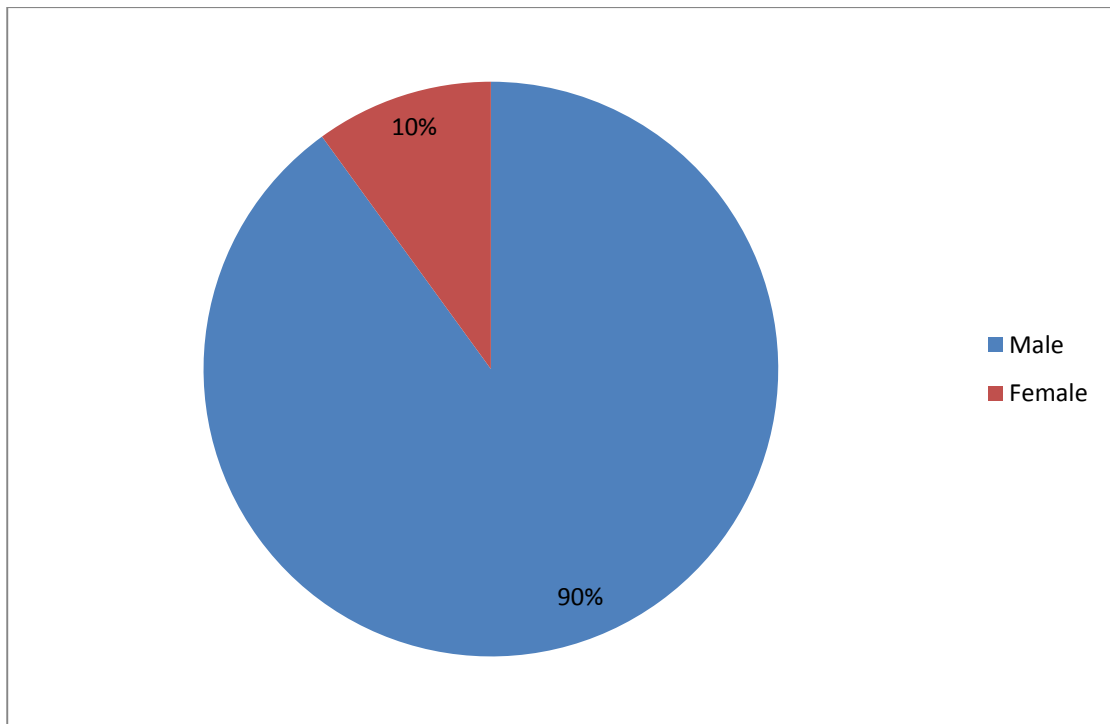
This chapter analyses data collected from the sample made up of management, senior and junior staff. The questionnaires were structured in a way so as to elicit as much responses as possible on the subject. The questionnaires were distributed and retrieved from these groups of respondents for analysis.

The general distribution pattern of the questionnaires was as follows; 5 questionnaires were given to the management, 10 were given to the senior staff and 125 were also given to the junior staff. All the questionnaires given to the management and senior staff were retrieved but for the junior staff, 115 were retrieved. In all, 130 questionnaires were retrieved from the respondents.

The chapter also discusses the findings from the data analysis to establish if the findings are supportive to existing knowledge on the subject matter of the research study or provide a new knowledge.

#### 4.1 Results, Analysis and Discussion of the Study

The results of the study have been depicted here.



***Figure 4.1 Gender of respondents***

*(Source: Researcher's Field Study, February 2012)*

Figure 4.1 shows that 117 respondents representing 90% were males while 13 respondents representing 10% were females.

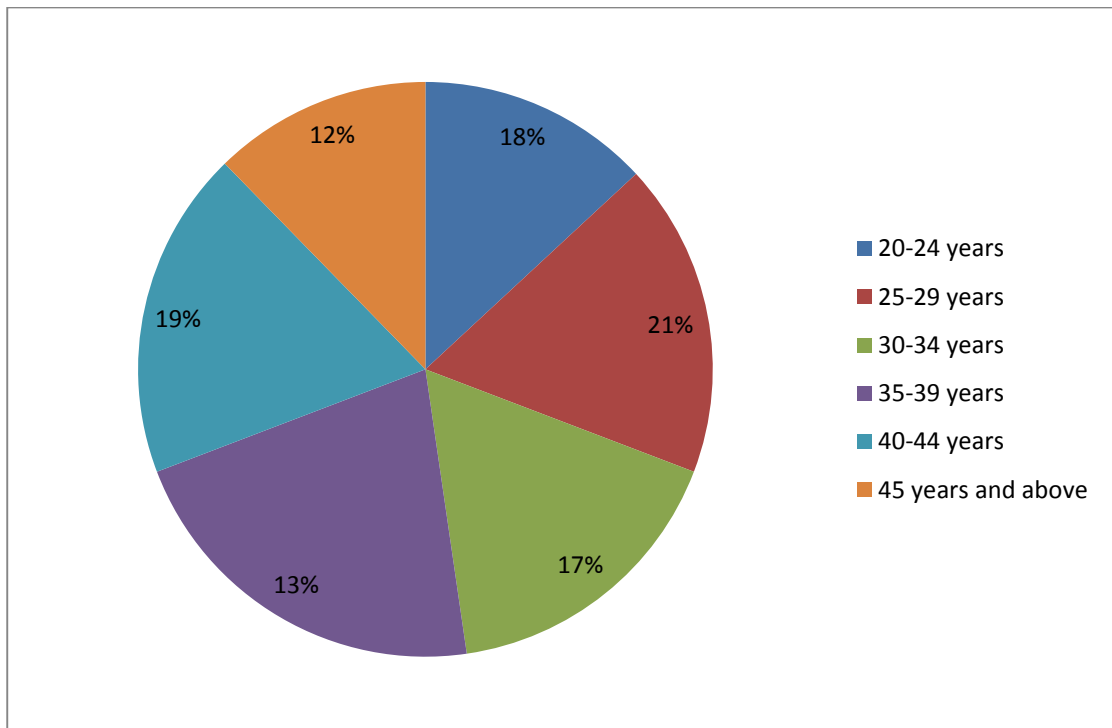
##### ***4.2.1 Analysis and Discussion of responses on Sex of Respondents***

From Figure 4.1 is a clear indication that Akate Farms and Trading Company Limited is dominated by male employees who constitute 90% of the total sample.

This is a clear indication that the company is male dominated. Males are the breadwinner for the family and have greater achievement-orientation than females (Elaine, 1997). Consequently, males may leave the current job in favour of a more attractive job if their expectations are not met.



One point noteworthy is that females and males have great difference in job satisfaction. Generally speaking, females are easier to be satisfied than males, and this can partly be a reason for the rate of employee turnover in the company. The nature of the job might also account for the large number of males in the company.



**Figure 4.2 Age of respondents**

*(Source: Researcher's Field Study, February 2012)*

Figure 4.2 shows that 23 respondents representing 18% were within the ages of 20-24 years. Twenty eight respondents representing 21% were within the age group of 25-29 years. Twenty two respondents representing 17% were within the age group of 30-34 years. Seventeen respondents representing 13% were within the age group of 35-39 years. Twenty four respondents representing 19% were within the age group of 40-44 years. Sixteen respondents representing 12% were within the age group of 45 years and above.

#### ***4.2.2 Analysis and Discussion of responses on Age of Respondents***

From Figure 4.2, it could be observed that those in the age group 25-29 years were in the majority. Ying-Chang, et al (2010) stated that there is a positive relationship between overall job satisfaction and age. Older people seem to have a different relationship to authority than younger people; older people readily accept orders. Older people are easily satisfied than younger people. Younger people are apt to seize new things as they have higher expectations even though they may not be experienced. Satisfaction dropped for younger people when their job expectations are not met. However, increasing maturity and work experience finally cause younger people to adjust their work expectations to more realistic level.

***Table 4.1 Marital status of respondents***

Response	Frequency	Percent
Single	68	52.3
Married	39	30.0
Separated	15	11.5
Widowed	8	6.2
<b>Total</b>	<b>130</b>	<b>100.0</b>

*(Source: Researcher's Field Study, February 2012)*

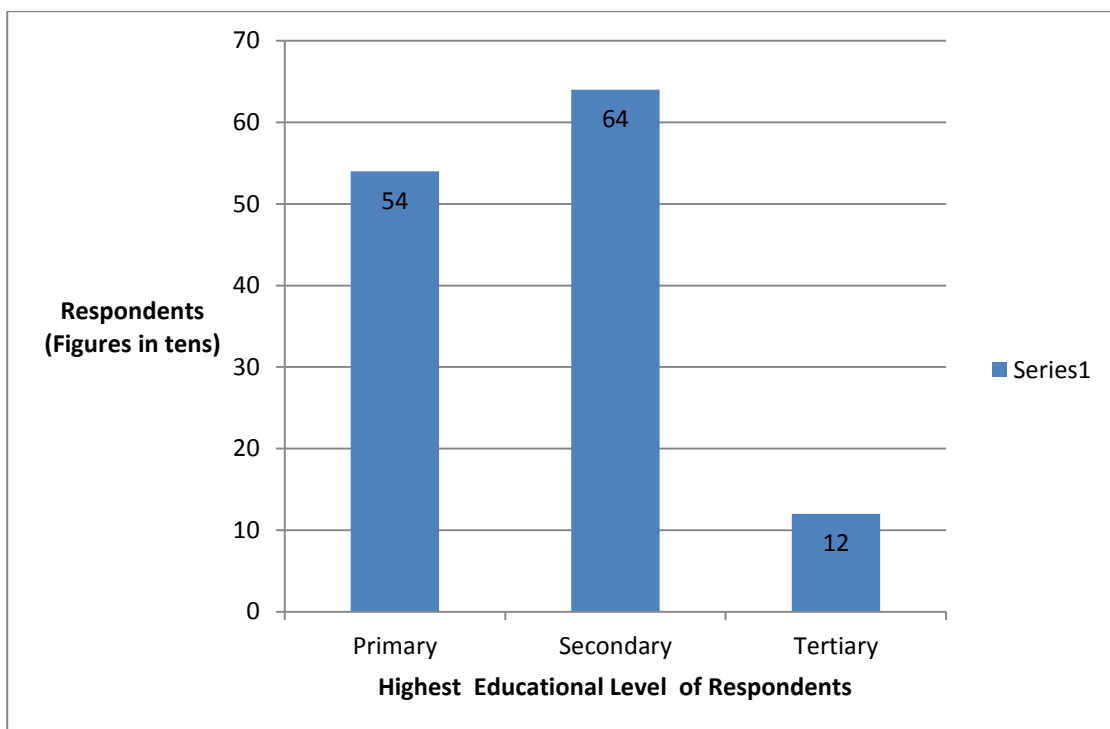
Table 4.1 shows that 68 respondents representing 52.3% were single while 39 respondents representing 30% were married. Fifteen respondents representing 11.5% were separated while 8 respondents representing 6.2% were widowed.

#### ***4.2.3 Analysis and Discussion of Responses on the Marital Status of Respondents***

From Table 4.1, it could be deduced that most of the sample members were single.

This finding is given credence by Ying-Chang, et al (2010) who have stated that married employees are more satisfied with their job than their unmarried employees.

It may be that conscientious and satisfied employees are more likely to be married or that marriage changes employees' expectations of work. In certain sense, they state that satisfaction is the happiness of mental needs. Degree of satisfaction may depend on people's mental status. The divorced have less job satisfaction compared to others.



***Figure 4.3 Highest educational level of respondents***

*(Source: Researcher's Field Study, February 2012)*

Figure 4.3 shows that 54 respondents had completed the primary school, 64 had completed secondary school while 12 had completed tertiary school.

#### ***4.2.4 Analysis and Discussion of responses on the Educational level of Respondents***

From Figure 4.3, it could be depicted that the highest educational level of the workers was secondary school.

The inference that can be drawn from the finding of highest educational qualification of the people being secondary level is that the higher an employee's educational level, the more likely that there would be dissatisfaction if he is engaged on a lower level job. This is explained on the basis that employees with a higher educational background would expect more in terms of financial compensation, benefits, and supervision than the ones with a lower educational background. This explains why many companies in Ghana prefer to employ those people with lower educational background so that they can pay lower compensation.

**Table 4.2** *Number of years in Akate Farms and Trading Company Limited*

Response	Frequency	Percent
Less than 6 months	22	16.9
6 months - 2 years	40	30.7
3 - 4 years	23	17.7
5 - 6 years	21	16.2
7 - 8 years	11	8.5
9 - 10 years	8	6.2
11 years and above	5	3.8
<b>Total</b>	<b>130</b>	<b>100.0</b>

*(Source: Researcher's Field Study, February 2012)*

Table 4.2 shows that 22 respondents representing 16.9% had worked with Akate Farms and Trading Company Limited for less than 6 months. Forty respondents representing 30.7% had worked with the company for between 6 months and 2 years. Twenty three respondents representing 17.7% had worked with the company for between 3 and 4 years. Twenty one respondents representing 16.2% had worked with the company for between 5 and 6 years. Eleven respondents representing

8.5% had worked with the company for between 7 and 8 years. Eight respondents representing 6.2% had worked with the company for between 9 and 10 years. Five respondents representing 3.8% had worked with the company for 11 years and above.

#### ***4.2.5 Analysis and Discussion of responses on Number of Years***

Table 4.2 clearly showed that most of the workers had worked with Akate Farms and Trading Company Limited for between 6 months and 2 years.

Tenure is negatively related to turnover. The longer a person is with an organisation, the more likely he/she would stay. In another breadth, Khatri, et al. (1999) has stated that tenure was positively associated with turnover intention in the food and beverage and the marine and shipping industries. If an individual has been in one job for a long time, he or she starts feeling a need to change his or her job perhaps because so many people are doing so.

**Table 4.3: Contributory factor of employee turnover in Akate Farms and Trading Limited**

Response	Frequency	Percent
Low level of wages/salaries	41	31.5
Lack of rewards and recognition	17	13.1
No growth opportunities	20	15.4
Poor Leadership	16	12.3
Further Education	21	16.2
Lack of Skills	15	11.5
<b>Total</b>	<b>130</b>	<b>100.0</b>

*(Source: Researcher's Field Study, 2012)*

Table 4.3 shows that 41 respondents representing 31.5% said the low level of wages or salaries was a contributory factor to employee turnover while

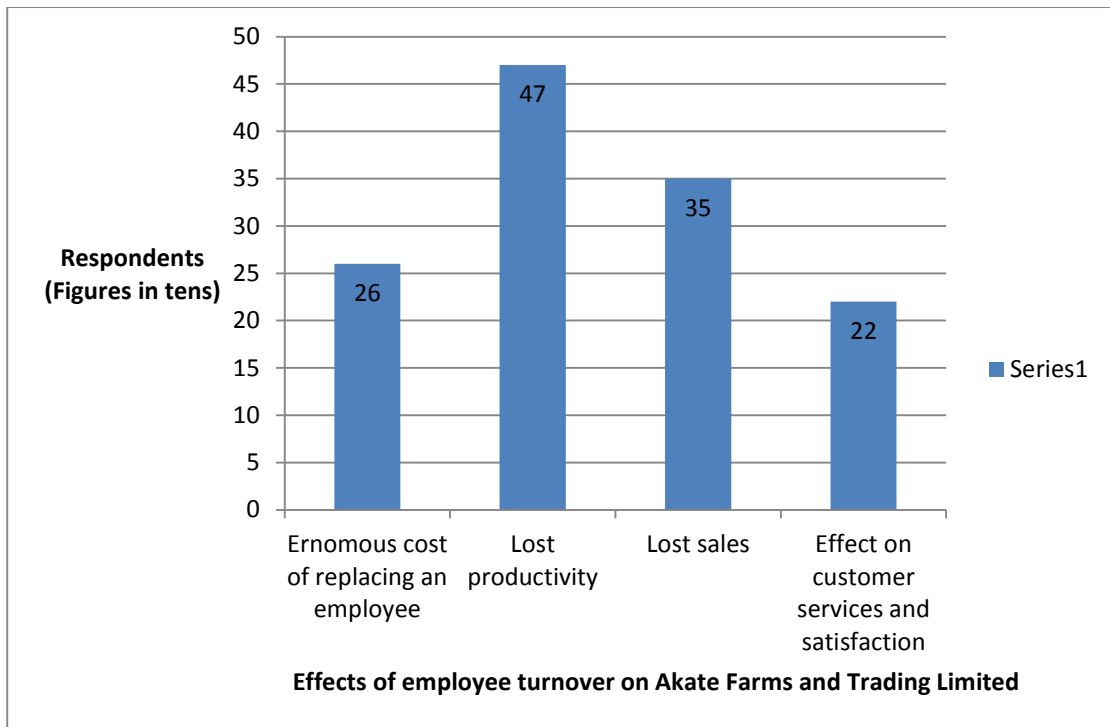
17 respondents representing 13.1% attributed it to lack of rewards and recognition. Twenty respondents representing 15.4% mentioned that the absence of growth opportunities in the company was a contributory factor to employee turnover while 16 respondents representing 12.3% attributed it to poor leadership. Twenty one respondents representing 16.2% stated that their wish for further education was a contributory factor to employee turnover while 15 representing 11.5% attributed it to the lack of skills.

#### ***4.2.6 Analysis and Discussion of responses on contributory factor of employee turnover***

Table 4.3 clearly showed that low wages or salaries were a contributory factor of employee turnover in Akate Farms and Trading Company Limited.

Khatri, et al (1999) has stated that the level of income influences turnover intention negatively in the food and beverage and the marine and shipping industries. Taplin et al. (2003) have also identified low level of wage rates as one of the two main significant reasons for employees leaving their organisations. Griffeth et al. (2000) also confirms this finding when they concluded that when high performers are insufficiently rewarded, they are most likely to leave the organisation to seek employment elsewhere.

Surprisingly, for most workers of Akate Farms and Trading Limited, especially, the farm hands, even though they are dissatisfied with their pay, they still intend to stay with their employer for more years. This is because they are at a younger age with less experience, wishing to obtain a certain amount of experience before searching for a better paid job. Again, they stated that their educational levels were low and so they wanted to save some monies to be able to further their education to the highest level.



**Figure 4.4 Effects of employee turnover on Akate Farms and Trading Limited**

*(Source: Researcher’s Field Study, February 2012)*

Figure 4.4 shows that 27 respondents said ‘the enormous cost of replacing an employee’ was one of the effects of employee turnover on Akate Farms and Trading Limited. Forty seven respondents said ‘lost productivity’ was one of the effects of employee turnover. Thirty five respondents said ‘lost sales’ was one of the effects of employee turnover. Twenty two respondents said ‘effect on customer service and satisfaction’ was one of the effects of employee turnover.

**4.2.6 Analysis and Discussion of responses on effect of employee turnover on Akate Farms and Trading Limited**

Figure 4.4 clearly showed that ‘lost productivity’ was a major effect of employee turnover at Akate Farms and Trading Company Limited. The effects of employee turnover are varied. However, in this study, it was felt that since the farm hands were

the predominant workers who leave the company, the company faced challenges with increasing output or even maintaining the previous level. Thus, the ability of the company to meet its business objectives comes under threat. This finding is in consonance with Gustafson (2002) who states in the literature that employee turnover costs include costs, such as lost productivity and lost sales, among others.

#### ***4.2.7 Descriptive analysis on the rate of employee turnover in Akate Farms and Trading Limited***

Figures collected from the Human Resource Department of the company showed the rate of employee turnover from 2006 to 2011.

***Using the formula:***

***Total number of leavers over period x 100***

***Average total number employed over period***

**2006**

$$8 / 115 \times 100 = 7\%$$

**2007**

$$5 / 120 \times 100 = 4.2\%$$

**2008**

$$10 / 129 \times 100 = 7.8\%$$

**2009**

$$17 / 141 \times 100 = 12.1\%$$

**2010**

$$23 / 147 \times 100 = 23\%$$



## 2011

$$36 / 150 \times 100 = 24\%$$

From the computations, one can see clearly that the number of people employed by the company increased each year. Again, with the exception of the year 2007, the number of employee who left the company was always increasing.

The turnover rate of the company was always on the increase with the exception of the years 2006 and 2007 where it dropped from 7% to 4.2%. It however increased from 4.2% in 2007 to 7.8% in 2008. There was an increase from 7.8% in 2008 to 12.1% in 2009. It again shot from 12.1% in 2009 to 23% in 2010. The turnover rate increased from 23% in 2010 to 24% in 2011. This increase in the turnover rate was chiefly attributed to the low level of wages or salaries. Other factors such as no growth opportunities, lack of rewards and recognition, poor leadership, further education and lack of skills were also cited for this phenomenon.

The position of the sample members that employee turnover in the company is attributable to the remuneration has been confirmed by Taplin et al. (2003) who have identified low level of wage rates as one of the two main significant reasons for employees leaving their organisation. Griffeth et al (2000) also confirms this finding when they concluded that when high performers are insufficiently rewarded, they are most likely to leave the organisation to seek employment elsewhere when they examine the relationship between pay, a person's performance and turnover.

Generally speaking, Akate Farms and Trading Limited does not feel that it has a turnover problem. The company is able to fill vacancies relatively quickly, and the turnover is strongly concentrated in a particular occupational group – the labourers or farm hands.

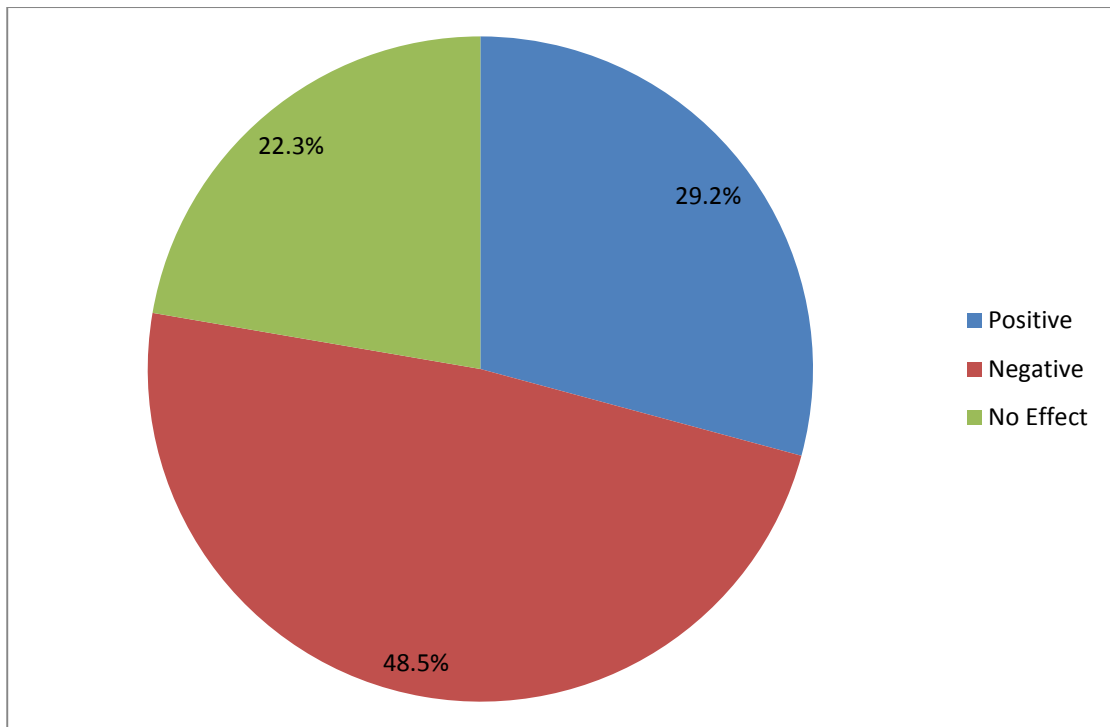
Nevertheless, the company notes that the rise in the rates of turnover would be a significant problem, and does engage in a number of activities and programs that potentially affect its employee retention.

#### ***4.2.8 Descriptive Analysis on the retention strategies in Akate Farms and Trading Limited***

Some of the retention strategies in place at Akate Farms and Trading Limited include provident fund, credit union, a yearly bonus scheme based on the performance and profitability levels for the year under review, free lunch, free transportation and interest free loans to workers.

Bevan (2000) states perhaps surprisingly, massive bonus payments may not make much difference to whether an individual stays or leaves. Some organisations are however using bonuses as a tool, either to head off a potential resignation or to encourage individuals to delay or defer their decision to leave. Bonuses can also cause resentment among those ineligible for them either because they (or their post) are not considered vital enough, or because they have not made sufficient fuss compared with others.

The use of free lunch and transport and interest free loans also plays an important role when it comes to attracting, retaining and motivating employees. This assertion is in consonance with Shields (2007) and Curtis and Wright (2001) who state that both financial and non-financial benefits can help to retain employees. As a supplement to base pay, financial benefits may enhance an organisation's ability to attract and retain employees. Non-financial benefits may however allow organisations to meet the specific needs of the employees.



***Figure 4.5 Effect of retention strategies on employee turnover in Akate Farms and Trading Limited***

*(Source: Researcher's Field Study, February 2012)*

Figure 4.5 showed that the 29.2% respondents said the company's retention strategies had a positive effect on employee turnover while 48.5% said it had a negative effect on employee turnover. 22.3% respondents said the company's retention strategies had no effect on employee turnover.

#### ***4.2.6 Analysis and Discussion of responses on the effect of retention strategies on employee turnover in Akate Farms and Trading Limited***

From Table 4.5, it could be noticed that majority of the workers were of the opinion that the company's retention strategies had a negative effect on employee turnover. Surprisingly, all the workers felt that the provision of free lunch and transportation and interest free loans could not make them stay in the company because there were

equally other factors that the management had ignored. They felt that the company did not place any high premium on training as a strategy for staff retention, career development and performance. The management of the company did not place any premium on consultation with employees on matters affecting them and did not encourage formal and informal channels of communication in keeping employees properly informed about issues bothering on the company's performance.

Again, they averred that the implementation of policies showed management's lack of confidence in members of staff in their day-to-day activities and this can serve as a platform for an employee to quit the organisation.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents in a comprehensive manner the summary of the study. It also presents the conclusion and the recommendations of the study. It also provides suggestions for further research.

The general objective of this study was to look into the effects of retention strategies on employee turnover at Akate Farms and Trading Company Limited, Kumasi. The research method adopted tried to address the objectives of the study and the research questions.

#### **5.1 Summary of Findings**

Employee retention has been seen as a topical issue in organisations. The need to retain employees is very important considering the many financial and non-financial costs of employee turnover. The study outlines the following major findings:

##### ***5.1.1 Educational level***

The study brought to light that most of the workers were secondary school leavers. However, a few of them were tertiary level leavers. Most of them had opted to work in the company because of their low level of education. They stated that they might leave to further their education when they are able to save enough money. Others also maintained that because of scarcity of jobs, they had decided to work in the company to be able to make ends meet.

### ***5.1.2 Contributory factor of employee turnover***

The study revealed that the workers were paid very little amount of money as wages or salaries. The bonus payments and benefits were not enough to motivate them to stay on the jobs. The impression that was created in the minds of the workers was that the owners of the company did not value the worth of their labour.

### ***5.1.3 Effect of employee turnover on Akate Farms and Trading Limited***

The study demonstrated that the company's output had dwindled due to the fact many workers had left the company. When there is a drop in output, it has a rippling effect. It affects the amount of sales made by the company, hence profitability and customer service and satisfaction.

### ***5.1.4 Rate of employee turnover in Akate Farms and Trading Limited***

The study revealed that the rate of employee turnover was always increasing. The company is experiencing most difficulty in retaining its staff. The company strangely enough does not have a vibrant human resource department. The Deputy Chief Executive Officer who is the wife of the chief executive officer happens to be the one in charge of human resource in the company. This may explain why the workers leave the company in that manner.

### ***5.1.5 Retention strategies in Akate Farms and Trading Limited***

The study brought to light the various retention strategies implemented by the company. The workers were of the opinion that the yearly bonus was conditional because it was premised on the profitability levels made in that year.

### ***5.1.6 Effect of retention strategies on employee turnover in Akate Farms and Trading Limited***

The study showed that the retention strategies had a damaging effect on employee turnover in the company. The retention strategies employed by the company were not motivating and inspiring enough to make the workers stay on the job. The company felt they were very doing pretty much well with the retention strategies but the workers felt otherwise.

### **5.2 Conclusion**

Managing retention and keeping the turnover rate below target and industry norms is one of the most challenging issues facing business. Employee retention is really an element of a more general concern that might be best termed ‘skills management,’ - i.e., everything that has to do with recruiting, maintaining and developing the necessary mix and levels of skill required to achieve organisational and business objectives. The cost of replacing workers can be high, the problems associated with finding and training new employees can be considerable, and the specific workplace-acquired skills and knowledge people walk away with can take years to replace. It is therefore within this broader notion of skills management that employee retention assumes such great importance. Employee turnover continues to be the most unappreciated and undervalued issue facing business leaders. Managers should come out with practical guides to retain their employees. There should be a logical process of managing retention, from identifying turnover costs and causes, designing solutions that match the causes of turnover, developing tools for tracking turnover and placing alerts when action is needed. The major findings of the study reveal that the retention strategies used by Akate Farms and Trading Company Limited had a negative effect on employee turnover in the company.

### **5.3 Recommendations**

The following recommendations are suggested.

#### ***5.3.1 Educational level***

It was found out that most of the workers were secondary school leavers.

It is therefore recommended that training and development programmes should be organised by management to sharpen the skills and improve the knowledge of the workers. Short courses should be organised to update the skills of workers. Management should identify some of the intelligent workers and sponsor them to go for further education that can ultimately benefit the organisation.

#### ***5.3.2 Contributory factor of employee turnover***

It was revealed that the workers were paid very little amount of money as wages or salaries and it was the major contributory factor of employee turnover in the company.

It is therefore recommended that management should look at the exigencies of the time and give workers good salaries in one way or other to retain their workers. Money is a significant motivator for most people. Management should also consider the use of other non-financial benefits in a bid to retain their workers. Attractive compensation package should include high remuneration, medical facilities, employee insurance, maternity leave, merit scholarship, company accommodation, transportation facility and company sponsored study in order to retain talent.



### ***5.3.3 Effect of employee turnover on Akate Farms and Trading Limited***

It came to light that the company's output had dwindled due to the fact many workers had left the company.

It is therefore recommended that management should also create an environment that enables employees to realise their potential. This approach is not just about motivating people who achieve great results but fostering a culture where employees are able to bring their ideas to life.

### ***5.3.4 Rate of employee turnover in Akate Farms and Trading Limited***

It came to light that the rate of employee turnover was always increasing because the company strangely enough does not have a vibrant human resource department.

It is therefore recommended that management should come out with a vibrant human resource department to deal with the complex issues of manpower management. The human resource department should not be managed on an adhoc basis.

Management should also provide leadership development support to help raise the performance, capabilities and growth opportunities for staff. A leadership and performance plan can be jointly developed with each manager, aligned to company and department goals, and can incorporate objects around results, leadership behaviours and areas for professional development. This can also help more technical staff to develop and grow their management skills.

### ***5.3.5 Retention strategies in Akate Farms and Trading Limited***

It was revealed that the yearly bonus given to workers as a way to retain them was conditional because it was premised on the profitability levels made in that year.

It is therefore recommended that management should come out with employee recognition and award programmes. Management should come out with a surprise

“spot” recognition for a job well done. This can help employees give off their best and feel satisfied on the job and hence stay on the job a little longer.

### ***5.3.6 Effect of retention strategies on employee turnover in Akate Farms and Trading Limited***

The study showed that the retention strategies had a damaging effect on employee turnover in the company.

It is therefore recommended that the design or use of various compensation systems, type of benefits offered, rewards and recognitions should all reflect the interests and needs of one’s employees. They should also demonstrate commitment and support towards the employees. Reducing turnover takes an investment in coaching, developing, motivating, mentoring and listening to people.

In addition to the above recommendations:

The company should have an “open door” communication policy, in which employees are free to talk directly with managers at all levels. Communications activities can take the form of:

- Production meetings at the start of every shift to inform people what has happened before and what is going to happen after;
- Supervisors must fill out month-end reports, in which good (or bad) encounters with employees must be documented. This allows upper management to communicate with employees about good performance.

There should be humane treatment of employees through words of encouragement, informing employees on a regular basis on why certain actions are taken.

Management should implement policies that show their confidence in the employees and see them as friends or partners.

#### **5.4 Suggestion for Further Research**

It is recommended that future research be conducted on the topic collecting data from a bigger sample to increase the precision of the analysis and to enable firmer conclusions to be drawn from the study.

As indicated in the scope of the study, the research context was delimited to Akate Farms and Trading Company Limited, Kumasi. It is entirely plausible that there may be significant differences in the findings if this study is replicated in other industry sectors. It is therefore recommended that this study is replicated in other industry sectors to allow for comparative analysis to be undertaken.

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4. Position: Top management [ ]<sub>1</sub> Middle management [ ]<sub>2</sub>  
First line management [ ]<sub>3</sub> No management position [ ]<sub>4</sub>

5. What is the highest education you attained?

Primary [ ]<sub>1</sub> Secondary [ ]<sub>2</sub> Tertiary [ ]<sub>3</sub>

Others [ ]<sub>4</sub> (please specify) .....

6. How long have you worked in this company?

Less than 6 months [ ]<sub>1</sub> 6 months – 2 years [ ]<sub>2</sub> 3-4 years [ ]<sub>3</sub>

5-6 years [ ]<sub>4</sub> 6-7 years [ ]<sub>5</sub> 7-8 years [ ]<sub>6</sub>

8-9 years [ ]<sub>7</sub> 10 years and above [ ]<sub>8</sub>

7. What would make you seriously interested in leaving this company in order to start working for a competitor? Please rank the alternatives according to how they would influence you in such a situation:

Low level of wages/salaries [ ]<sub>1</sub>

Lack of rewards and recognition [ ]<sub>2</sub>

No growth opportunities [ ]<sub>3</sub>

Poor Leadership [ ]<sub>4</sub>

Further Education [ ]<sub>5</sub>

Lack of Skills [ ]<sub>6</sub>

8. In your opinion what can you say about the employee turnover rate in the company?

High [ ]<sub>1</sub> Low [ ]<sub>2</sub> Don't know/not sure [ ]<sub>3</sub>

9. To what extent has employee turnover affected the operations of Akate Farms and Trading Limited?

Enormous cost of replacing an employee [ ]<sub>1</sub> Lost productivity [ ]<sub>2</sub>

Lost sales [ ]<sub>3</sub> Effect on customer service and satisfaction [ ]<sub>4</sub>

10. What are some of the retention strategies in place at Akate Farms and Trading Limited? Rank from highest to lowest.

Provident fund [ ]<sub>1</sub>

Credit union [ ]<sub>2</sub>

A yearly bonus scheme [ ]<sub>3</sub>

Free lunch [ ]<sub>4</sub>

Free transportation [ ]<sub>5</sub>

Interest free loans to workers [ ]<sub>6</sub>

11. In your candid opinion, what effect does the above retention strategies have on employee turnover in Akate Farms and Trading Limited?

Positive effect [ ]<sub>1</sub>

Negative effect [ ]<sub>2</sub>

No effect [ ]<sub>3</sub>

12. What strategies would you recommend to management to help them retain employees in the organisation?

.....  
.....  
.....



### **Question guide used in conversational interview**

1. How many years have you worked for your current employer?
2. Have you changed employers before?
3. What made you consider changing employer?
4. Which factors would be decisive for your final decision to leave if you choose to leave?
5. What makes you content/not so content with your current workplace?
6. Which opportunities do you see for yourself at this workplace?
7. How do you look upon your career?