# A Study of Effect of Employee Retention on Organizational Competence

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**Abstract**

This study has been conducted to identify the impact of HRM practices on employee retention in higher education sector in Pakistan – Karachi. The questionnaire was distributed to collect primary data, and it is directly conducted from the employees to identify the factors that make them committed to serve their present organization. The findings of the study revealed positive correlation between dependent variable (employee retention) and independent variables (supervisor support, reward & recognition and work-life policies).

**Keywords:** Employee Retention, Commitment, Supervisor Support, Rewards & Recognition, Work-Life Policies.

**Introduction**

Retention is considered as all-round element of human resource strategies and tactics. It begins with selecting right people and persists with implementing various programs to keep employees motivated and engaged in organization (Freyermuth, 2004)

Tremendous studies have proved that there are many challenging issues emerged while developing competencies of organization. Out of these issues some are directly while others are indirectly related to human aspect of the organization. One of the challenges in today's era is employee retention. As the trend is heading towards more industrialization, opportunities for employment are also maintaining pace with this trend. Due to which employee retention has gained a lot of attention in the development of organizational competence. People have grown more demanding with respect to their jobs and duties. Numerous studies have shown that managing turnover is a biggest challenge for organizations, and different organizations have their own ways to retain employees (American Management Association, 2001). Employee retention will eventually have a positive impact on employees' performance. The organizations that are unable to hold back its employees will not be able to successfully capitalize on employee development within the organization (Shekshnia, 1994).

Through the literature survey, few factors have been explored and acknowledged in this study that may generate a significant influence on employee retention. These factors are;

- Supervisor support
- Rewards & Recognition
- Work-Life policies

## Problem Statement

It is essential for an organization to know its employees perspective regarding retention. For any organization, accomplishment of desired objectives in a timely manner is the main concern and for this organizations need to come up with adequate retention strategies. The companies face serious issues if it doesn't pay attention towards employee retention. Such companies may suffer in various ways like employee dissatisfaction, loss of company data and negative effect on company's good will. Although many researchers have contributed in this field but still it is quite an alarming phenomenon for many organizations.

## Literature Review

### Supervisor Support

The support from immediate boss or supervisor acts as a significant contribution in employee retention. The loyalty and attachment with the firm will be greater where supervisor and subordinate share a positive and strong relationship with each other. These organizations are more likely to retain employees for a longer period of time, as employees' perspective about their workplace is highly influenced by their relationship and bonding with the supervisor (Eisenberger, 1990). Employees become more engaged and involved in their tasks if they have an open and transparent communication with their bosses (Greenhaus, 1994). This bonding between the boss and the subordinated will also help in developing competencies and skills of employees. Due to this grooming, the individuals will develop their strong intentions to stay with such companies for a greater spectrum of time (Roepke, et al. 2000).

If there is a lack of transparency and understanding between the boss and the subordinate, then it might result into an extra pressure on employee which can cause stress among employees leading towards decline in efficiency and performance. Hence eventually it can lead towards unwillingness from an employee to work with this kind of supervisor (Golden & Veiga, 2008).

In order to increase organizations effectiveness and competency, it is very important to have a supportive and encouraging relationship between both the supervisor and subordinate. (Smith, 2005)

### Rewards & Recognition

One of the major tools used by an organization to retain the talent is reward & recognition. In nature a reward might be intrinsic or extrinsic, it means either it is in form of monetary benefits like cash or allowances or it might be in terms of non monetary benefits like recognition through an appreciation letter. Rewards used to exert long lasting effect on employees. A large number of studies have revealed the importance of reward and recognition in retaining employees (Shaw et al., 1998; Milman, 2003; Milman and Ricci, 2004; Cho et al., 2006; Walsh and Taylor, 2007). The rewards are the tools that can help in making employees committed with the organization and motivate them for performing well with a positive attitude. Appreciation in any form from

the supervisor, customer and colleagues will foster employees' loyalty towards their workplaces (Walker, 2001). Different organizations have different types of rewards to be offered to its employees for e.g. awards, bonuses, allowances, free trips, resorts memberships, certificates of recognition etc (Davies, 2001, Silbert, 2005).

**Work-Life Policies**
Work-life balance is comparatively a recent trend that is being used by various organizations to retain its employees by promoting a healthy balance between ones' personal and professional life (Robert, 2005). Due to increasing work demands and complexities of task, the organizations have taken an initiative to provide work-life balance to its employees so that they can balance well between their personal and professional lives, this way employees will be able to cope up with their issues of eldercare, child-care and many others (Spinks, 2004). In past, only male were known to be the bread winners of their family while females were known to be the home makers. But now this trend has taken a twist and these days we can see women in the same line with men. In addition to their present responsibilities of home making, the women are also contributing in earning to enjoy a better standard of living. Hence it is an utmost responsibility of organization to provide and implement appropriate work-life balance policies for its employees so that they can work with complete focus and efficiency. The stress arising due to load of work or imbalance between personal and professional life can result into a decline of performance of employee that will further effect organizations effectiveness and competencies.

To measure employees' productivity, it is not appropriate to judge it by the time spent on job or quantity, rather it is the quality of work that needs to be assessed in order measure the productivity and performance of employee (Hayward, 2011). The initiative of work-life balance policies to be practiced in organization will leads towards a win-win situation for both the employees and the employers. Through the proper implementation of such programs and policies will improve overall productivity of organization, absenteeism rate will be reduced, employees will become more committed and motivated and their morale will be improved too (Lockwood, 2003)

**Effect of Employee Retention's factors on Organizational Competence**
Employee retention is a major issue in today's era of business environment. Without talented and well integrated people, the organization can never experience long term success (Gentry et.al. 2006).
According to Cole (2000), employees prefer to stay in those organizations that give them the sense of accomplishment, pride and recognition as a result of some rationales like, rewards & recognition, supervisors support and cooperation and work life balance policies, the individuals will work to their maximum potential which will help organization to gain high level of competency. MacDuffie (1995), identified constructive feedback from supervisors and contingent rewards as the main factors in describing high level of individual performance that in turn will increase the competency level of organization.

## Theoretical Framework
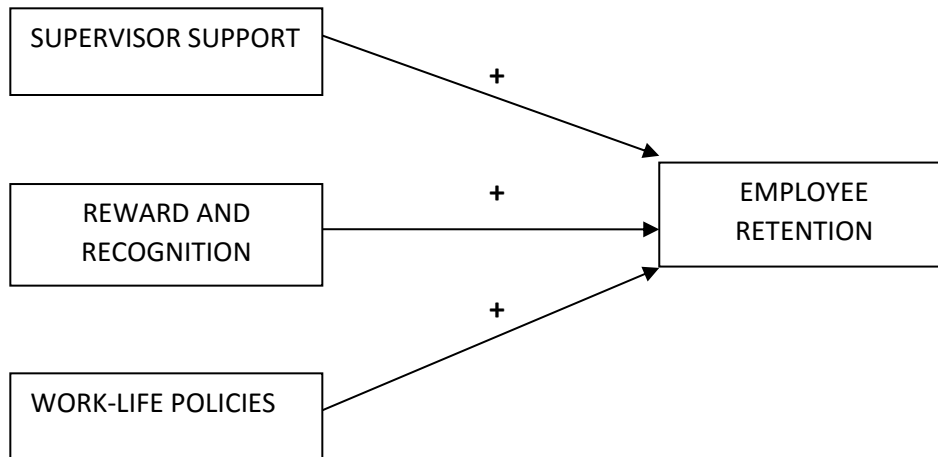


## Methodology

This research work examined the relationship of supervisor support, reward & recognition and work-life policies with employee retention among the faculty in higher education sector in Pakistan (Karachi). Secondary data was studies to develop the theoretical framework for this study while questionnaire instrument was used to collect primary data.

## Research Variables

As a result of literature review, employee retention was considered as dependent variable where as supervisor support, reward and recognition and work-life policies were known to be independent variable. The relationship was verified between both the dependent and independent variables.

## Data Collection

The primary data was collected through the instrument i.e. questionnaire. The questionnaire was sent to faculty members in 4 different universities in Pakistan - Karachi. The sample consisted of 110 participants, however 101 (92%) of the participants fully completed the questionnaire and returned back. Among all 20 faculty members were from KASBIT, 14 faculty member were from SZABIST, 45 faculty members were from Bahria University and 22 were from Hamdard University. The collected data was analyzed through statistical software SPSS.

## Data Analysis

Descriptive statistic was used to find out the demographics characteristics of the participants. Correlation test was used to validate the presence of link and relationship between the dependent variable (employee retention)and independent variables (supervisor support, reward & recognition, work-life policies). The data was analyzed by using SPSS 13.0. Out of 101 respondents, 54.5% were female while 45.5% were male.

## Hypotheses

In this research, the variables are tested for their link and association with each other. Following are the set of hypotheses developed;

H1: Supervisor support has a positive relationship with employee retention

H2: Reward & recognition have a positive relationship with employee retention

H3: Work-life policies have a positive relationship with employee retention

## Pearson Correlation

| Variables | Supervisor Support | Rewards Recognition | Work Life Balance |
|---|---|---|---|
| Employee Retention | $.847^{**}$ | $.842^{**}$ | $.866^{**}$ |

**Table A**

## Findings

### Hypothesis 1

This hypothesis states that supervisor support has a positive relationship with dependent variable (employee retention), which show that if supervisors provide higher support to subordinates then the employee retention will also be higher. This forecast is supported by the result shown in table A (r= 0.847**), it demonstrate that the correlation is significant at 0.01.

### Hypothesis 2

This hypothesis states that reward & recognition has a positive relationship with dependent variable (employee retention), which show that if the organization provide reward and recognition to its employees then the employee retention will also be higher. This forecast is supported by the result shown in table A (r= 0.842**), it demonstrate that the correlation is significant at 0.01.

### Hypothesis 3

This hypothesis states that work-life policies have a positive relationship with dependent variable (employee retention), which show that if the organization provide better policies for work-life balance to its employees then the employee retention will also be higher. This forecast is supported by the result shown in table A (r= 0.866**), it demonstrate that the correlation is significant at 0.01.

## Conclusion & Recommendations

The success and prosperity of an organization is hidden in its committed and dedicated employees. The analysis of the selected variable and their impact on employee retention will help organizations to implement and practice such factors to hold back its talent for a longer period of time. It was indicated in this research that all the chosen variables have a positive influence on

employee retention. Hence it's a blend of factors that helps in employee retention. Organizations must strive to implement practices related to retention of employees.

There should be good career prospects within an organization to retain employees for longer duration. Moreover, attitude of a supervisor is very important in this regard. Employee loyalty comes when he or she is fully satisfied with his employer. Different measures should be taken to make communication and relationship between employee and supervisor transparent and comfortable. Turnover rate in any company should be monitored very carefully as it will help in formulating adequate HR policies related to employee retention. Also the organizations should amend its necessities and desires as per the demands of market place in order to foster employee retention.

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