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Dilemma of Employee Retention through the Lens of Organizational Politics: A Quantitative Study on Pharmaceutical Industry of Pakistan

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Abstract

Employee retention is a vital issue in the pharmaceutical industry of Pakistan. Currently organizations and employees both are affected simultaneously with this serious problem. Current study was quantitative in nature and was conducted to measure the mediating influence of psychological capital between perceived organizational politics and employee retention. By using a simple convenient sampling technique, 255 questionnaires were acquired and data was analysed by smartPLS 2.0 statistical tool. Finding of the current study concluded that perceived organizational politics negatively but insignificantly effects employee retention. However, the relationship was negative and significant with psychological capital and psychological capital significantly mediated the relationship. Discussion and limitation with future recommendation are further discussed.

Key words

Employee retention, Perceived Organizational Politics, psychological capital

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1. Introduction

Employee retention is a standout amongst the most basic issues looked by organizational leaders because of the deficiency of talented workforce, financial development and high worker turnover (Michael, 2008). It is basic for organizations through the business procedure, to pull in quality workers to the organization. In any case, it is more vital for supervisors to gadget methodologies which help to hold the skilled workers in the administration of their associations with the end goal for representatives to profit by the venture effectively made in them. The part of leaders and their leadership style is vital in representative maintenance. In the current aggressive condition the pioneers need to direct their associations in the focused business condition. They will climate the test on the off chance that they esteem representatives as resources and as the ones to give their associations the upper hand. This upper hand will be ensured if the representatives are held for whatever length of time that conceivable so congruity of focused merchandise and ventures is guaranteed. The idea of employee retention developed with consistency in 1970's and mid 1980's on the grounds that before this, most people went into organizations and stayed for quite a while, some of the time for the term of their working life. Be that as it may, as occupation portability and deliberate employment changes started to increment significantly employers wound up with the issue of employee turnover and a coordinating administration tool known as employee retention been produced (Mckeown, 2002). Employee retention is an intentional move by an association to make a situation which connects with workers for long haul (Michael, 2008). Retention of human resource alludes to the

endeavours to guarantee that workers remain in the association and that deliberate turnover will be limited. The principle motivation behind Employee retention is to keep capable representatives from leaving the association as this could adverse effect on efficiency and service conveyance (Chiboiwa, 2010). The target of Employee retention strategies ought to be to distinguish and hold submitted representatives for whatever length of time that it is commonly beneficial to the organization and the worker (Sutherland and Jordaan, 2004). In addition, employee retention is an essential marvel to pick up the elite in all points of view, more towards the cost sparing (Mowday *et al.*, 2013). Numerous organizations have discovered turnover as an expensive issue. High employee turnover will convey enormous cost to the organization from different routes, for example, the lost deals and related learning, diminished efficiency and clients' fulfillment, expanded work weight to the rest of the employees, cost identified with the new enlistment and preparing for new workers, the decreased moral to the company (Lim *et al.*, 2010). Moreover, the cost of turnover can be as much as 250% of a representative's yearly compensation (Hester, 2013). Thus, associations need to hold workers with a specific end goal to spare this burden of cost.

Globally big organizations have sorted out their employee turnover problem and increased their employees' intention to stay in organization. For example, SAS General Mills recorded employee turnover rate of 2%, SC Johnson & Sons, Intel, meridian health and national instrument recorded the employee turnover rate of 3%. These multinational companies are retaining their employees in order to ensure their high performance (Hassan *et al.*, 2013). Literature is full of empirical researches indicating that organizations adopt various policies and strategies to retain employees in order to be the successful entities (Hong *et al.*, 2012; Cascio, 2014; Frey, *et al.*, 2013; Soundarapandiyan and Ganesh, 2015). Moreover, in order to achieve competitive advantage, maximum utilization of resources and to get organizational efficiency, employees must be retained in a true spirit in order to cope with all these conditions (Hassan et al., 2013).

1.1. Overview of Pharmaceutical Sector

The pharmaceutical sector is one of the leading manufacturing sectors of Pakistan (PPMA) and the 10th largest in the Asia-Pacific region and has shown significant growth over the last two decades (IBM, 2013). Today Pakistan has about 400 pharmaceutical manufacturing units which can meet around 80% of the country's demand of Finished Medicine. The value of pharmaceuticals sold in 2007 exceeded US\$1.4bn, which equates to per capita consumption of less than US\$ 10 per year and value of medicines sold is expected to exceed US\$2.3 B by 2012. The pharmaceutical industry in Pakistan has experienced an impressive growth of 17% during 2013, which is more than the global pharmaceutical average annual growth rate of 8 per cent (Zaman, 2011).

Pakistan pharmaceutical exports amount to US\$200 million annually in 18 different countries with an export vision of US\$500 million in 2013 (Ahmed and Batool, 2017). Pakistan's pharmaceutical industry has introduced the new talent management systems; however the industry is suffering from poor talent management practices that cause immense problem of employee turnover. After conducting a survey analysis from senior HR personnel of randomly selected 4 big companies (Martin Dow Pharmaceuticals Limited, Novo Nordisk Pharma Private Limited, Genix Pharma Private Limited, and Sante Private Limited companies including) it was found that 56% of the respondents disagreed on the use of talent management system for retaining the internal employees in their companies (Abbasi *et al.*, 2010). Moreover, Pakistan's pharmaceutical sales force is suffering from acute employee turnover problem and currently Pakistan pharmaceutical industry is facing 20% employee turnover including 59.6% of the field force (Molvi, 2012). This shows a drastic need of employee retention strategies. Additionally, different authors have supported this argument that Pakistan's pharmaceutical industry has a critical situation in order to keep and retain the talented employees (Ali and Akram, 2012; Rana *et al.*, 2014). Additionally Table 1 shows the employee turnover in 3 big pharmaceutical companies of Pakistan for the year of 2014 and 2015.

Table 1. Employee turnover rate in 3 big pharmaceutical companies for the year of 2014 & 2015

2014	2015	% increase
13%	21%	8%
17%	24%	7%
19%	25%	6%
	13% 17%	13% 21% 17% 24%

Source: Compiled data from regional managers of the companies

2. Literature review

In this section of the current study, particular literature with the help of particular references has been reviewed on the relationship between transformational leadership, psychological capital and employee retention. In the later part hypotheses are developed to examine how transformational leadership develops psychological capital of employees in pharmaceutical companies of Pakistan and how psychological capital plays a mediating role between transformational leadership and employee retention.

Perceived organizational politics and Employee Retention

Although contemporary organizations have turned out to be less formal and various levelled, and more libertarian (Friedman, 2006), organizational politics is an unavoidable and certain piece of an organization's social texture (Pfeffer, 2013). Politics is an endemic wonder in associations, with 88% of directors announcing it exists in their organizations (Buchanan and Badham, 2008). organizational politics is a social impact in which conduct is intended to augment short-or long haul self-interests, either predictable with or to the detriment of others' interests (Miller *et al.*, 2008). The way in which representatives see organizational politics, and the ramifications of the observations, have been considered by looking at perception of organizational politics (POP), characterized as individual, subjective assessments with respect to the degree to which a workplace is portrayed by associates and directors who show self-serving practices (Ferris and Kacmar, 1992). In light of these definitions, organizational politics is a precursor of perceived politics. This study focuses on POP and its association with employee outcome "retention".

The perception of organizational politics is the most prominently studied factor where it leads to job anxiety or stress and also to different forms of organizational withdrawal, including turnover intention (Ferris and Kacmar, 1992; Kacmar and Baron, 1999; Kacmar and Ferris, 1991). It is important to shed light on social exchange theory by Blau (1968), in order to combine the available literature regarding the relationship between perceived organizational politics and employee retention. Basically, social exchange theory recommends that when organizational politics do not support a worker, consequently to that hostile workplace he/she is probably going to think about leaving his/her work activity (Gouldner, 1960). Harris, Andrews and Kacmar (2007) validated social exchange theory by conducting a study to investigate the relationship between organizational politics and turnover intention amid 311 water management district employees in the southeastern U.S.A. As anticipated, the outcomes demonstrated that perceived organizational politics was positively identified with turnover intentions and negatively identified with employee retention.

Moreover, Miller, Rutherford and Kolodinsky (2008) led a meta-investigative study of 79 samples from 59 studies including published and unpublished among 25,059 participants; they found that perceived organizational politics was positively and fundamentally identified with employee turnover and contrarily identified with employee retention. Abbas, Raja, Darr and Bouckenooghe (2014) led an examination to explore the consolidated impacts of view of organizational politics and psychological capital on employee turnover among 237 clerical workers over an assortment of organizations, including textile-manufacturing companies, government service organizations, and media transmission companies in Faisalabad, Pakistan. The outcomes gave a solid help to the proposed speculation that perceived organizational politics positively affects turnover aims and negative impact on employee retention.

As of late, Bedi and Schat (2013) likewise directed a meta-investigative study on the effects of perceived organizational politics on outcomes related to the attitude and behavior of employees. By analyzing 118 samples, including 44,560 individual participants they found that perceived organizational politics was positively and essentially relayed with worker turnover and negatively related with worker retention. The results were similar with the study conducted by Chinomona and Chinomona (2013) among 300 non-managerial employees in Zimbabwe's Small and Medium Enterprises (SME) sector that perceived organizational politics negatively effects employee retention and positively effects turnover intention. Additionally, Karatepe (2013) conducted an investigation on relationship between perceived organizational politics and employee outcomes (employee retention). The results showed that perceptions of organizational politics negatively effects employee retention and positively effects turnover intention. Moreover, Abbas *et al.* (2015) conducted a study to analyze the relationship between perception of

organizational politics and turnover intention. After acquiring the results they found that perception of organizational politics was positively related to intention to leave but the relationship was insignificant.

The review of a recent literature shows that there is a negative relationship between perceived organizational politics and employee retention. However, the results show some inconsistencies. In this regards further investigation for the effect of perceived organizational politics on employee retention is required. Hence, following hypothesis has been proposed.

H₁. Perceived organizational politics is negatively related to employee retention.

Mediating Role of Psychological Capital

The psychological capital is an idea, as of late presented by Luthans is acquired from positive organizational behavior (POB) (Nafei, 2015), which can give economical upper hand to organizations (Hodges, 2010). People with more elevated amounts of psychological capital will produce pathways to successfully seek after and accomplish individual objectives inside of the work space (Snyder and Lopez, 2002). Likewise, workers will forcefully seek after those objectives (Bandura, 1997) hoping to make progress (Carver and Scheier, 2003) while being flexible to mishaps (Masten and Reed, 2002). Taking part in stimulating work and holding discernment that the association typifies the framework inside of which the worker can acquire accomplishment of individual objectives will lead those representatives to yearning support in the organization and retain themselves longer. It has been proposed that more research is expected to better comprehend whether Psychological capital is in fact a vital and important variable at work and in life (Choi and Lee, 2014).

In previous literature psychological capital was found to mediate the relationship between occupational stress and job burnout (Li et al., 2015), occupational stress and depressive symptoms (Shen *et al.*, 2014), ethical leadership and job performance (Bouckenooghe *et al.*, 2015), work-family conflict and job burnout (Wang *et al.*, 2012). However, up to best of the researcher knowledge current study is the only of its kind to test the mediating effect of psychological capital between perceived organizational politics and employee retention. Moreover, in past literature it has been found that perceived organizational politics directly predicts psychological capital (Bedi and Schat, 2013; Landells and Albrecht, 2017) and psychological capital directly effects employee retention (Abbas *et al.*, 2014; Avey *et al.*, 2011; Avey *et al.*, 2010). Therefore, current study proposes to measure psychological capital as an intervening variable which mediates the relationship between perceived organizational politics and employee retention.

In past literature, psychological capital as a mediating variable has been measured mostly between individual level factors and individual level outcomes (Liu *et al.*, 2012; Wang *et al.*, 2012; Epitropaki, 2013). Very little attention has been given to measure the mediating role of psychological capital between organizational level factor and employee behaviour. Therefore, current study will measure the mediating role of psychological capital between perceived organizational politics and employee retention. Thus, following hypothesis has been proposed.

 H_2 . Psychological capital mediates the relationship between perceived organizational politics and employee retention.

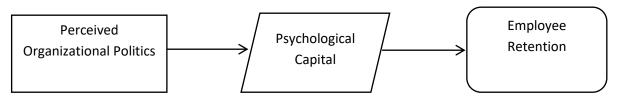


Figure 1. Conceptual framework

3. Methodology of research

Sample and data collection procedure

In this study, pharmaceutical employees from Lahore were considered as population of the study. Survey method with the help of questionnaires data was collected. In this study convenient sampling was used and the sample included 255 employees from different pharmaceutical companies of Lahore, Pakistan. In order to get the adequate response rate, 400 questionnaires were distributed personally by

visiting each company in Lahore, Pakistan. 260 questionnaires were collected back, which showed 65% response rate.

Measurement Scale

Current study used transformational leadership, psychological capital and employee retention as unidimensional constructs. Employee retention scale by Kyndt *et al.* (2009) was adapted. All the responses were measured on a five-point Likert type scale. Perceived organizational politics scale by Kacmar and Carlson (1997) was adapted and measured on a five-point Likert type scale (1 = Not at all; 2 = Once in a while; 3 = Sometimes; 4 = Fairly often; 5 = Frequently). Psychological capital scale by Luthans *et al.* (2007) and was measured on a five-point Likert type scale (1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree (Neutral); 4 = Agree; 5 = Strongly agree). The scales were found reliable with the alpha values of 0.91, 0.87 and 0.90 respectively.

Data Analysis

Partial least square (PLS) is a multivariate analysing statistical tool which can examine the relationship between the dependent variable and one or more than one independent variables (Ringle *et al.*, 2005). The advantage of PLS-SEM (Structural Equation Model) is that it can be used when there are problems with data, such as the sample size is small; the data is not normally distributed (Hair *et al.*, 2012). PLS tool has ability to test the measurement model (outer model) and the structural model (inner model) simultaneously. Measurement model is used to determine the relationship between the observed items (research instrument) with latent variables to test the validity and reliability and structural model is used to determine the relationship between the variables to test the causality affect.

4. Results

This section of the study shows the results for demographic variables, reliability and validity results, measurement model and hypotheses results through structural model. Table 2 shows that in current study number of male respondents were higher (63.2%) than female respondents (36.8%). Moreover, majority of the respondents were 20 - 29 years old (44.7%) than 30 - 39 years old (24.1%), 40 - 49 years old (22.2%) and 50 - 59 years old (5.5%). Majority of the respondents were bachelor's degree holders (64.4%) than intermediate (10.3%), masters (23.7%) and doctorate (1.6%).

In a similar vein, majority of respondents in current study were having 7-9 years of working experience (41.5%) as compared to respondents having less than 1 year of experience (0.4%), 1-3 years of working experience (15%), 4-6 years of experience (31.6%) and more than 9 years of experience (11.5%). Additionally, majority of the respondents (43.1%) showed that they have worked with their current leader for 4-6 years as compared to the other respondents who have worked with the current leader for less than a year (7.9%), 1-3 years (34.4%), 7-9 years (13.8%) and more than 9 years (0.8%).

	Frequency	Percentage
Age		
Less than 20 years	14	5.5%
20 - 29	113	44.7%
30 - 39	61	24.1%
40 - 49	51	22.2%
50-59	14	5.5%
60 and above	0	0
Gender		
Male	160	63.2%
Female	93	36.8%
Current level of job		
Senior Management	13	5.1%
Middle Management	67	26.5%
Lower Management	69	31.2%

Table 2. Demographic Profile of the respondents

	Frequency	Percentage
Non-Administrative staff	94	37.2%
Highest qualification		
Intermediate	26	10.3%
Bachelor	163	64.4%
Master	60	23.7%
Doctorate	4	1.6%
Working experience		
Less than 1 year	1	0.4%
1-3	38	15.0%
4 –6	80	31.6%
7 – 9	105	41.5%
More than 9 years	29	11.5%
Experience with current leader		
Less than 1 year	20	7.9%
1-3	87	34.4%
4 –6	109	43.1%
7 – 9	35	13.8%
More than 9 years	2	0.8%

Measurement Model Results

Further data analysis was performed using software SmartPLS 2.0 M3. Initially, evaluation of the measurement model (outer model) was performed to determine the reliability and validity of the research model. Validity tests consisting of convergent validity and discriminant validity were performed. Validity was viewed on the score of average variance extracted (AVE), and the outer loadings of the model (Abdillah and Hartono, 2014). According to Hair *et al.* (2016) composite reliability of a study should fall between 0 and 1, however; it should not be lower than 0.60. Moreover, to test the convergent validity of a study the AVE value should be \geq 0.50 (Hair *et al.*, 2016). As it can be seen in Table 3, the CR values are ranging in between 0.946 and 0.965 and AVE values fall between 0.553 and 0.742. Hence, it can be concluded that current study model is sufficiently reliable and convergent validity has been confirmed.

Table 3. Outer Loadings, Composite Reliability and Average Variance Extracted (AVE)

Latent Constructs and Indicators	Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Employee Retention		0.938	0.946	0.620
ER1	0.8647			
ER2	0.7149			
ER3	0.8423			
ER4	0.8658			
ER5	0.7472			
ER6	0.8048			
ER7	0.7734			
ER8	0.8641			
ER9	0.7201			
ER10	0.7124			
ER11	0.7198			
Psychological Capital		0.946	0.951	0.553
PC1	0.6562			
PC2	0.7144			
PC3	0.7396			
PC4	0.7565			
PC5	0.685			
PC6	0.8172			
PC7	0.7882			
PC8	0.7778			
PC10	0.6562			

Latent Constructs and Indicators	Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
PC11	0.7144			
PC12	0.7396			
PC15	0.7565			
PC17	0.685			
PC18	0.8172			
PC19	0.7882			
Perceived Organizational Politics		0.978	0.965	0.742
POP1	0.6622			
POP2	0.9844			
POP5	0.9844			
POP6	0.6622			
POP7	0.6694			
POP9	0.9407			
POP12	0.9844			
POP13	0.6694			
POP14	0.9407			
POP15	0.9844			

Table 4 shows the discriminant validity results. Discriminant validity is explained with the extent to which one construct differs from another construct. If two constructs are theoretically different, their measures must not be related to each other (Hair et al., 2016). In order to confirm the discriminant validity Fornell-Larcker Criterion test was applied. According to Hair et al (2016) the square root of AVE for each construct should be greater than the highest correlation of that construct with other constructs. In current study, the square root of AVE shown in bold is greater than the correlation of the construct with other constructs. Hence, there is no problem with discriminant validity in current study.

Table 4. Correlations and Square root of AVE

	ER	PC	POP
Employee Retention (ER)	0.787		
Psychological Capital (PC)	0.574	0.744	
Perceived Organizational Politics (POP)	-0.187	-0.177	0.861

Structural Model Results

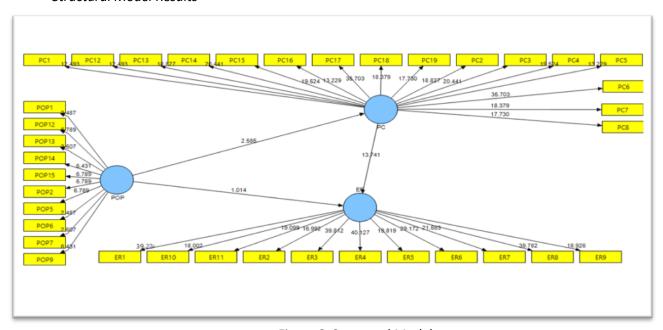


Figure 2. Structural Model

In order to estimate the structural model, a bootstrapping method (Preacher & Hayes, 2008) was applied. Current sample was bootstrapped with 500 sub-samples to generate the relationship t-value. Figure 2 shows the relationship between perceived organizational politics, psychological capital and employee retention.

Hypotheses results are shown in Figure 2, Table 5 and Table 6. According to the structural model results, perceived organizational politics and employee retention has insignificant negative relationship (β =0.088, t=1.014). Hence, H1 was not supported.

Table 5. *Hypothesis results*

Relationship	Beta Value	Standard Error	t-Value	Decision
POP > ER	-0.088	0.086	1.014	Not Supported

Mediation analysis was conducted with the help of bootstrapping method and mediation calculator (Preacher and Hayes, 2008). As shown in Table 6, lower limit value and upper limit value does not straddle 0 (Preacher and Hayes, 2008). Hence, psychological capital mediates the relationship between perceived organizational politics and employee retention.

Table 6. Mediating effect

Н.	Relationship	hip Direct Effect with Effect Standard Error (SE) T Value	t Effect with Indirect Error (SE) T Valu	P Value	Bootstrapped Confidence Interval		Decision			
		Ellect	Mediator	Effect				95% LL	95% UL	
H2	POP > PC > ER	-0.227	-0.088	-0.049	0.004	-14.026	0.000***	-0.056	-0.043	Supported

5. Discussions and conclusions

The findings of the present study can help to provide different types of solutions for the problem of employee retention. Strategies which are design for the purpose of increasing employee retention decision should focus on the negative influence of perceived organizational politics in effecting the psychological capital of the employees. Findings of the current study showed that there is a negative but no significant relationship between perceived organizational politics and employee retention. This can be due to the fact that pharmaceutical industry in Pakistan is a private sector industry. Due to the proper chain of command and substantial trainings, organizational politics is not a concern for pharmaceutical employees in order to stay or leave in the company. Current study finding is consistent with the findings of Abbas *et al.* (2015), Kaya *et al.* (2016) and chang *et al.* (2009).

However, current study additionally found that psychological capital mediates the relationship between perceived organizational politics and employee retention. In previous literature psychological capital was found to mediate the relationship between occupational stress and job burnout (Li *et al.*, 2015), occupational stress and depressive symptoms (Shen *et al.*, 2014), ethical leadership and job performance (Bouckenooghe *et al.*, 2015), work-family conflict and job burnout (Wang et al., 2012). However, up to best of the researcher knowledge current study is the only of its kind to test the mediating effect of psychological capital between perceived organizational politics and employee retention. Current study results will provide great inside for the human resource policy makers and private firm owner that what is psychological capital of an employee and how to gain this capital like other capitals, i.e. financial capital, resource capital and human capital. The findings of the current study can help pharmaceutical industry policy makers to comprehend the employee retention problem and different ways increase employee retention. Current study results will help pharmaceutical industry think tanks to understand how psychological capital of an employee can play a mediating role between a perceived organizational politics and employee's retention decision.

6. Limitations and future suggestions

Similar to other empirical studies, this study is also has limitations. Firstly, the response rate was low but in acceptable range for an empirical study. Secondly, due to the limited resources and time this study was conducted only in Lahore city of Punjab province, Pakistan. Future studies should focus whole province

or a country level analysis in order to get more generalizable results. Thirdly, convenient sample was applied in current study on the basis of scare resources and no excess of employee record. Future studies should apply probability sampling with help of employee records in order to get more generalizable results. Fourthly, current study only focussed on private pharmaceutical sector of Pakistan. Future studies should compare private sector with the government sector results. Finally, current study only focussed on the relationship between perceived organizational politics and employee retention with the mediating role of psychological capital. Since, psychological capital is a new phenomenon which requires more attention of researchers. Hence, future studies should empirically measure other variables with the mediating role of psychological capital to find the low employee retention solutions.

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