Factors Influencing Employee Retention at Meru University of Science and Technology

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Abstract: Employees’ retention is one of the critical aspects of human resource management and the success of any organisation; since human resource is a very critical resource that must be taken care of and retained. The purpose of this study was to establish the factors influencing employee retention at Meru University of Science and Technology. The study was conducted at Meru University of Science and Technology. The specific objectives of the study were: to establish the extent to which training and development influenced employee retention, to determine the extent to which performance appraisal influenced employee retention, to assess the extent to which welfare benefits influenced employee retention and to determine the extent to which potential for career growth influenced employee retention. The study will benefit the management of the university and future researchers. The study used descriptive research design with a target population of 312 employees and a sample size of 104 respondents whereby stratification was used to come up with the sample. The data was collected by use of questionnaires. For validity and reliability, questionnaires were pre-tested in a pilot survey. The study found that performance ratings were not done fairly and that staff did not undertake professional training however they attended mentorship programmes which was a major contributor to their retention. Lack of professional training was a contributing factor to the high turnover. Regarding the career growth, there was opportunity for career growth however this is not fairly done. The unfairness to career growth opportunity was another repellent that put off the employees from continuing to offer services. The institution also took care of the employees’ welfare but more needed to be done especially with regard to improvement of the medical scheme and pension scheme. The study therefore recommended that the staff members to be actively involved in performance appraisal especially in rating them so that they get the feedback for their rating and the support to improve their performance. The study also recommended that the management should encourage the employees to pursue professional training to improve their skills and also to enhance their career growth. The study further recommends that the institution should manage career growth of individual employees with fairness and without any discrimination so as to reduce the level of voluntary attrition.

Key words: employee retention, career growth, employee turnover, performance appraisal, welfare benefits, training and development

I. Introduction

Employee retention is one of the most critical issues facing organizational managers because of the shortage of skilled workers, economic growth, and high employee turnover (Samuel & Chipunza, 2013.). Once an organization has captured skilled employees, the return on investment requires closing the back door to prevent them from walking out. Employees are more likely to remain with the organization only if they believe that the organization shows more interest and concern for them, if they know what is expected of them, if they are given a role that fits their capabilities, and if they receive regular positive feedback and recognition (Samuel & Chipunza, 2013).

While retention strategies across different occupational groups and industries have many common features, such as competitive pay, good working environment, and progressive human resource policies that offer opportunities for advancement, they need to be context-specific and evidence-based to be more effective (Tittey, 2010). Therefore, an appropriate understanding of employees’ expectations of their work environments is a critical issue in higher education institutions. To retain workers effectively, employers must know what factors motivate their employees to stay in the field and what factors cause them to leave. Employers need to understand whether these factors are associated with worker characteristics, or with the nature of the work process, over which they may have some control (Horwitz, 2004). An evaluation of higher education in Africa over the last two decades shows that institutions of higher learning are hampered by a myriad of problems which affect their ability as the centres of intellectual excellence that they were conceived (Saint, 1992).

Tittey (2010) observes that over the last decade, student enrolment in African Universities has grown by significant amounts in response to the increasing demand for higher education. Hillary et al. (2005) opined that academic staffs are somewhat less satisfied with their jobs than those in the workforce as a whole since they consider salary and ability to earn money from additional work, qualitative dimensions of their job and longer
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term factors such as promotions and job security. According to Hugo (2010), academic staff recruitment and retention is a challenge across the globe with the situation in many African countries being particularly urgent.

During the previous years, the major cause of employee attrition was mainly related to low pay and lack of adequate benefits, as evidenced by various previous research; for instance Coaldrake & Stedman, (1999) in their study concluded that low pay heavy work load and bureaucratic conditions were the major cause of high turnover of employees in the institutions of higher learning. Another study by Netswera et al., (2005) concluded that unfavorable working conditions and low pay were the major cause of voluntary exit by employees in many organizations. However with the harmonization of pay in the Kenyan set up by the salaries and remuneration commission as from the year 2010, which has further been strengthened by the launching of Remuneration and Benefits Policy by his honorable president Uhuru Kenyatta in June 5th, 2015, the issue of underpayment is no longer the core cause of voluntary exits by the government employees and especially professionals in the academics; there are still other unresolved issues that are making public institutions unable to retain their employees for the longest period possible.

According to Chew (2004) and Ramlall (2001) retention has been linked to a broad set of HRM practices, including compensation, benefits, training, advancement, supervision, workplace flexibility and provisions of dependent care assistance for a large number of employers. Thus the researcher has attempted to carry out this study on factors influencing employee retention in public universities in Meru county to find out if the same factors that are covered by other researchers could be the ones affecting the public universities in Meru county.

The specific study objectives were:

i. To establish the extent to which training and development influences employee retention.

ii. To establish the extent to which performance appraisal influences employee retention.

iii. To establish the extent to which welfare benefits influences employee retention.

iv. To establish the extent to which potential for career growth influences employee retention.

II. Literature Review

Theoretical framework

The study used two theories: the Social Exchange Theory and the social cognitive career theory. The social exchange theory views employment relationship as consisting of social or economic exchanges (David & Robert, 2007). Economic exchange relationships involve the exchange of economic benefits in return for employees’ efforts. Social exchanges are often dependent on formal contracts which are legally enforceable. On the other hand, social exchanges are ‘voluntary actions’ which may be initiated by an organization’s treatment of its employees, with the expectation that the employees will be obligated to reciprocate the good deeds of the organization, Fathan (2011).

The exchange approach view of organizational commitment engagement postulates that individuals attach themselves to their organizations in return for certain rewards from the organizations. According to this view, employees enter the organization with specific skills, desires and goals, and expect to find an environment where they can use their skills, satisfy their desires and achieve their goals. Perception of favorable exchange/rewards from the employees’ view point is expected to result in increased engagement to the organization. On the other hand, failure by the organization to provide sufficient rewards in exchange for employees efforts, is likely to result in decreased organizational engagement. From this perspective, social–exchange theory suggests that employees respond to perceived favorable working conditions by behaving in ways that benefit the organization and/or other employees. Equally, employees retaliate against dissatisfying conditions by engaging in negative work attitudes such as absenteeism, lateness or preparation to quit the organization (Chew & Entrekin, 2004) The exchange theory has also been used to explain the employees attitudinal engagement to the organization. According to the exchange perspective, employees exchange their identification, loyalty and attachment to the organization, in return for incentives from the organization. This implies that an individual’s decision to become and remain a member of an organization is determined by their perception of the fairness of the balance of organizational inducements and the employee contribution. Mapesela and Strydom (2004). Argue that unless employees believe they have been treated fairly, they will not be committed to the organization.

The social cognitive career theory was conceptualized as a derivative of Bandura’s general social cognitive theory in which the intersection of intrinsic and extrinsic factors influences psychosocial learning. This theory has been termed as the most promising career theory that may prove satisfactory in retention and career development. Branham (2005) expanded the scope of social cognitive career theory, offering a new and related social–cognitive model designed to explain the ways in which previously identified inputs such as self-efficacy and outcome expectations, along with person and contextual variables are related to job satisfaction. The authors cited recent research (Hays & Kearney, 2001) that linked job satisfaction to overall subjective well-being, thus providing a rationale for the use of the theory in the current research. The primary focus is on the...
central elements of social cognitive namely: self-efficacy and outcome expectations. Self-efficacy can be defined as an individual’s sense of control and responsibility for his/her personal environment. It is also defined as the beliefs in ones capability to organize and execute the courses of action required to produce given attainments. Self-efficacy is concerned with the belief in the ability to exercise control over ones actions and events that affect their lives. Beliefs impact life choices, motivation, quality of actions and the ability to overcome adversity. The sources of self-efficacy are derived from three sources: mastery experience, vicarious experience and social persuasion. Vicarious experience is observing the model of someone similar managing a task successfully and drawing experience. Outcome expectations refer to the personal belief that successfully performing certain tasks may result in probable response outcomes. Levine (1995) expanded upon Bandura’s work to focus exclusively on the development of the individual within the context of career. Managers who wish to retain talent can borrow heavily from this theory. Career behavior is driven by self-efficacy or believes in the ability to accomplish something worthwhile. The degree of achievement depends on two factors: outcome expectations or the idea that initiating a particular behavior will yield the desired results and goals. If a person feels confident of his/her abilities, he/she is more likely to take specific actions to reach them. This is especially so for the young generation of employees popularly known as the millennial. They have grown up with an abundance of role models from parents and other mentors and still expect the same at work. This theory associated individual failure to insufficient skill and knowledge which are deemed as acquirable. It is therefore imperative to provide customized training and development opportunities to the employees. This theory is relevant to the current study in that career behavior is driven by self-efficacy or belief in the ability to accomplish something worthwhile. The degree of achievement depends on two factors; outcome expectations or the idea that initiating a particular behavior will yield to desired results. Goals are key because if a person feels confident of his/her abilities, he/she is more likely to take specific actions to reach them. If employees feel supported and their goals and career advancement looked into, their intention to stay will be higher.

Employee retention

Employee retention refers to the ability of an organization to retain its employees. It relates to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome. Employee turnover is a symptom of a deeper issue that has not been resolved. The success of the most competitive companies throughout the world, including education institutions, lies in their highly skilled employees on which these institutions spend millions to retain, (Branham, 2005).

Retaining employees is a dilemma that many companies are facing; hence identifying the root cause of employee turnover is a good approach. Companies must be proactive and not wait for employees to start leaving then react by analyzing likely reasons. Recruitment and retention of employees presents a seemingly insurmountable problem for employers still working in the old paradigm in these areas (Diamond, 2000).

Earle (2003) carried out a study, which showed that the problem currently faced by many companies is that they do not have proper plans to retain their employees because if the retention strategies are not properly embedded in the business process, all the effort will ultimately prove futile.

Njue (2004) in his study to find out the various levels of job satisfaction among secondary school teachers in Nairobi province discovered that the teachers were satisfied in the job factor of interpersonal relation and the lowest level of job satisfaction was recorded in the job factor of work environment and working conditions with the levels increasing with their age and length of teaching experience.

Training and Development with regard to employees retention

Training and development is the formal activities designed by an organization to help its employees acquire the necessary skills and knowledge to perform current or future jobs (Mondy & Noe, 2005). Thus, training and development plays an important factor in career satisfaction of an employee in their career lives (Mathis & Jackson, 2004). Training provides employees with specific skills or helps to correct deficiencies in their performances while development is an effort to provide employees with abilities the organization will need in the future according to Gommez-Mejia et al. (1995). Powell (2010) wrote on the relationship between skills training and retention of graduate interns in a South Africa Information, Communication and Technology Company. They argued that substantial costs are associated with attrition of key talent in South African organizations. As a result, organizations invest in graduate internship programmes to attract and retain high caliber graduate interns.

Training is a key retention factor for employees at any age. Statistical evidence indicates job training is a critical factor for personal (behavioral) and professional (technical) development (United States Department of Labor, 2009). The availability for all employees having access to training and development programs is critical in facilitating organizational growth, particularly with performance and technological improvements (Boomer Authority, 2009).
Thorton (2000) explains that it is necessary to recognizing that on-the-job training and other forms of education are both beneficial to helping employees achieve their personal and professional career goals. Gowry (2011) argues that a tuition reimbursement program allows employees to pursue their educational goals as the employer provides financial support for those employees who wish to attain accreditation in their professional field. Creating a learning environment that encourages and expects employees to develop new capabilities that build long-term careers and add greater value to the organization will build a positive culture in the organization. The organization can provide best-in-class development opportunities and tools supported by integrated HR systems and processes. Individual development plans identify on-the-job learning opportunities that accelerate the acquisition of skills for the employees, Thorton (2000).

**Contribution of Performance Appraisal in employee retention**

Performance appraisal is a formal system used by the organization to periodically evaluate an employee’s performance (Mondy & Noe, 2005). Performance appraisal evaluates employees periodically against set standards or organizational expectations. Through the performance appraisal exercise, employees may be aware of their level of performance and realize their areas of weaknesses from their supervisors. Through the performance appraisal exercise, employees may be aware of their level of performance and realize their areas of weaknesses from their supervisors. Results of performance appraisal may facilitate organizational decisions in compensation allocation, promotions, termination, transfers, recognition awards and training opportunities that can influence an employee’s career satisfaction (Lau & Shohlin, 2005). However, performance appraisal can also be a source of frustration for employees due to the unfairness and subjectivity by the administrators as stated by Lau & Shohlin(2005)

Generally, the aims of a performance appraisal are to give employees feedback on performance, Identify employee training needs and document criteria used to allocate organizational rewards among others. According to Stemp (2002) a common approach to assessing performance is to use a numerical or scalar rating system whereby managers are asked to score an individual against a number of objectives/attributes. In some companies, employees receive assessments from their manager, peers, subordinates, and customers, while also performing a self-assessment.

Appraisals help develop individuals, improve organizational performance, and feed into business planning. Formal performance appraisals are generally conducted annually for all staff in the organization. Each staff member is appraised by their line manager. Directors are appraised by the CEO, who is appraised by the chairman or company owners, depending on the size and structure of the organization. Performance appraisals also typically feed into organizational annual pay and grading reviews, which commonly also coincide with the business planning for the next trading year, (Stemp, 2002).

**Welfare Benefits and performance appraisal**

Employee welfare is defined as efforts to make life worth living for workmen with their origin either in some statute formed by the state or in some local custom or in collective agreement or in the employer’s own initiative according to S. Shiny Nair (as cited in human resource articles on www.articlebase.com). Employee welfare is a term including various services, benefits and facilities offered to employees by the employers. The welfare measures need not be monetary but in any kind/forms. This includes items such as allowances, housing, transportation, medical insurance and food.

According to Derek & Laura (1998), there are two primary welfare areas which are of benefit to individuals like physical (health, safety, paid holidays, reduced working hours) and emotional like (improved mental health through provision of counseling services, improved communication and general human relations at the workplace). Fox (1966) is of the view that welfare encompasses not only the earlier concern with workers physical working conditions (sanitation, canteens, hours of work, rest pauses) but also the human relations aspect to achieve job satisfaction. The logic behind providing welfare schemes is to create efficient, healthy, loyal and satisfied labour force for the organization. Welfare measures have importance of providing better physical and mental health leading to a healthy work environment

Chhabra, (2006) notes that the benefits an employee receives from his employer for his welfare are often a significant reason why he decides to accept a job offer. As such, providing employee benefits allow an organisation to compete with other businesses to recruit and retain qualified employees, Mamoria. (2007). Giri (2007) asserts that if other employers offer better benefits, good employees may choose to go there. Thus by providing a plan that's good for employees' welfare, it is a sign that they are valued. Mamoria. (2007) further explains that if the organisations health plan has wellness coverage and preventative care, employees are more likely to stay health thus cutting down on absenteeism and sick days. Mamoria. (2007) also argues that the basic purpose of employee welfare is to improve the lot of the working class and thereby make a worker a good employee and a happy citizen. Therefore employee welfare is an essential part of social welfare. It involves adjustment of an employee's work life and family life to the community or social life.
Career Growth and employee retention

According to Huang and Chuang (2006), career development involves managing one’s career either within or between organizations. It also includes learning new skills, and making improvements to help you in your career. Career development is an ongoing, lifelong process to help you learn and achieve more in your career. It includes things employees do to enhance or develop their career.

The purpose of career planning as part of an employee development program is not only to help employees feel like their employers are investing in them, but also help people manage the many aspects of their lives and deal with the fact that there is not a clear promotion track. Employers can no longer promise job security, but they can help people maintain the skills they need to remain viable in the job market (Moses, 2000). Eisen, Jasinowski and Kleineli, (2005) state that job flexibility along with embracing career and life options, is a critical incentive for all employees. Research shows growing trends of employers providing greater job flexibility that includes flexible career options like (training, mentoring, workstation accommodations, job mobility, and reduced work hours) and life options (counseling services, health and wellness programs) (Boomer Authority, 2009; Eisen, et al., 2005).

III. Research Methodology

The study employed survey design to determine to what extent the factors discussed influenced employees retention across various departments in the university. This research was carried out at Meru University of science and Technology located 16kms from Meru town. The research targeted three hundred and twelve (312) employees of Meru University of Science and Technology who were distributed in terms of their grades. The study used stratified random sampling technique which has an advantage of every element in the population being known and had an equal chance of being selected as a subject in the study. A sample of one hundred and four (104) members of staff was drawn from the targeted three hundred and twelve (312) employees of MUST by utilizing Yamane’s calculation of the sample size at 5% significant level. Structured questionnaires were used to collect data from the respondents. To ascertain reliability, test retest method was used whereby a sample of ten questionnaires was issued out at random to respondents in a similar institution and the results were analyzed. A retest was done to the same group and the results were compared using the Pearson’s product moment of correlation. The pilot study attained a reliability coefficient of 0.76 hence the instruments were judged as reliable.

After collecting data responses from the questionnaire, the researcher analyzed the quantitative data using descriptive statistics by applying the statistical Package for Social Science (SPSS V.21.0) and presented through percentages, means and frequencies. In addition, the researcher conducted a multiple regression analysis so as to determine the effects of each of the four variables on employee retention. The regression equation was: 

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon \]

IV. Findings

Regression Analysis

<table>
<thead>
<tr>
<th>Table 1: Model Summary</th>
</tr>
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<tbody>
<tr>
<td>Model</td>
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<tr>
<td>1</td>
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</tbody>
</table>
Table 1 is a model fit which establish how fit the model equation fits the data. The adjusted R² was used to establish the predictive power of the study model and it was found to be 0.609 implying that 60.9% of the variations in employee retention at MUST are explained by training and development, performance appraisal, welfare benefits and career growth leaving 39.1% percent unexplained. Therefore, further studies should be done to establish the other factors (39.1%) affecting employee retention at MUST.

Table 2: ANOVA results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.041</td>
<td>4</td>
<td>0.608</td>
<td>14.409</td>
<td>6.356E-08</td>
</tr>
<tr>
<td>Residual</td>
<td>1.604</td>
<td>78</td>
<td>0.042</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.645</td>
<td>82</td>
<td></td>
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</tr>
</tbody>
</table>

The probability value of 6.356E-08 indicates that the regression relationship was highly significant in predicting how training and development, performance appraisal, welfare benefits and career growth affected employee retention at MUST. The F calculated at 5 percent level of significance was 14.409 since F calculated is greater than the F critical (value = 2.4495), this shows that the overall model was significant.

Table 3: Coefficients of Determination

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.351</td>
<td>0.432</td>
<td>3.127</td>
<td>3.38E-03</td>
</tr>
<tr>
<td>Training and development</td>
<td>0.722</td>
<td>0.196</td>
<td>0.146</td>
<td>3.684</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>0.663</td>
<td>0.113</td>
<td>0.126</td>
<td>5.867</td>
</tr>
<tr>
<td>Welfare benefits</td>
<td>0.873</td>
<td>0.148</td>
<td>0.045</td>
<td>5.899</td>
</tr>
<tr>
<td>Career growth</td>
<td>0.751</td>
<td>0.162</td>
<td>0.142</td>
<td>3.154</td>
</tr>
</tbody>
</table>

The established model for the study was:

\[ Y = 1.351 + 0.722 X_1 + 0.663 X_2 + 0.873 X_3 + 0.751 X_4 + 0.432 \]

The regression equation above has established that taking all factors into account (training and development, performance appraisal, welfare benefits and career growth) constant at zero employee retention was 1.351. The findings presented also show that taking all other independent variables at zero, a unit increase in the training and development would lead to a 0.722 increase in the scores of employee retention at MUST and a unit increase in the scores of Performance appraisal would lead to a 0.663 increase in the scores of employee retention at MUST. Further, the findings shows that a unit increases in the scores of Welfare benefits would lead to a 0.873 increase in the scores of employee retention at MUST. The study also found that a unit increase in the scores of Career growth would lead to a 0.751 increase in the scores of employee retention at MUST. Overall, welfare benefits had the greatest effect on the employee retention, followed by career growth, then training and development while performance appraisal had the least effect to the employee retention at MUST. All the variables were significant (p<0.05).

V. Conclusion

The study concludes that training, performance appraisal, job mobility and welfare benefits all influenced in some way the employees’ retention at MUST. Training on organisation commitment made employee remain in the organisation however lack of professional training in their areas of operations made them to exit.

With regard to performance appraisal, the employees’ targets were provided and each individual knew what is expected of them and that there was enough time allowed before the review of the performance which formed positive retention aspect. However the fact that the performance rating was entirely left in the hands of the line managers and employees were not adequately engaged made them de-motivated and not willing to remain in the institution.

The welfare benefits are available at MUST but are adequately put in place. For instance the employees have room to save money for retirement since they feel that it is very necessary to save for retirement. However on the other hand they feel that the pension scheme embraced by the institution is not attractive. The institution probably does not encourage the employees to save and thus they feel the scheme is not attractive enough. Leave administration policy is attractive and acts as a retention factor at MUST. On the other hand the medical scheme is not attractive and to some extent contributed to employees exit.

Career growth at MUST is a major retention factor where by the employees are coached and mentored in their line of career growth but the criterion used for promotion has some challenges whereby the employees
feel that it is not done with fairness. Coaching and training someone for growth is initially very encouraging to the employees but the moment they feel they are ready to take the next step in their career growth and are not given the opportunity to do so, can lead to very negative effect and this can push the employees out of the organisation to other places where they feel their newly acquired skills and knowledge is being made use of.

VI. Recommendations

The study recommends the management of the institution to incorporate professional training support in their staff training agenda so as to stop employees from exiting in search for professional training opportunities. The institution can have arrangements whereby the employees are rewarded for undertaking a professional training or are sponsored or better still promoted after the professional training. This will encourage them to remain and undertake the professional studies. The employees also need to be allowed time and given the moral encouragement to undertake the professional trainings.

With regard to performance appraisal, the study recommends the management to incorporate the employees in the rating process and allow them to explain their performance while providing them with feedback on areas of improvement and the necessary support. The welfare benefits need to be expanded to adequately take care of the medical needs of the employees. The pension scheme should also be made to be more attractive whereby for instance the employer doubles or tops up the employees savings at a certain rate since this will encourage the employees to save more as they feel that saving for retirement is necessary.

Training and mentoring of employees should be continued since it is one of the reasons they have remained in the institution. In addition, the employees need to be placed and promoted in line with the skills and experience gained during coaching and mentorship sessions. This will ensure that they do not feel too qualified for the current job they are doing or feeling misplaced in the organisation and thus the level of retention will be increased. Also the process of promotion should be done with fairness and transparency to avoid employees feeling dissatisfied.

References

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