Employee Retention Strategy and Performance of Commercial Banks in Ebonyi State, Nigeria

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ABSTRACT

Employee retention is a very significant concept receiving a lot of attention from various institutions. Organizations have developed several models on how to retain their employees; this is because of the inherent merits in retaining quality labour. The aims of this study include; to find out how employee retention strategy in banking institutions influence quality of service, promote customer satisfaction, and enhance public image. The study adopted a survey research design using both quantitative and qualitative approaches in the investigation. A total of 120 copies of structured questionnaire were distributed to employees of the some selected commercial bank branches in Ebonyi State, Nigeria. The percentage of returned questionnaire is 91.7 %. Analysis of the data was carried out using descriptive statistical methods; simple ratios, percentages, correlations and regression. The hypotheses were tested at 0.05 level of significance. All the null hypotheses were rejected. It was found that developing and retaining employees significantly and positively impact on quality of service, promote customer satisfaction, and enhance public image. These impact positively on the performance of commercial banks, and give institutions a competitive edge. It also creates a good public reputation of the bank. The study therefore recommends that it is not always about recruiting more employees to close the gap left by previous employees; management should develop appropriate strategy to keep employees who has achieved a lot for the institution. This strategy of regular firing and hiring of staffs is not helping the industry in a long run.

Key words: Employee retention. Organizational performance, Customer satisfaction. Public image, employee segmentation

1. Introduction

Retaining performing employees in any organization promotes company performance, customer satisfaction, in terms of quality of service or products, motivated workers, organizational image, proper succession planning, and overall profit. Employee retention is the ability of an organization to reduce the turnover of its employees (Fukofuka, 2014). It is the final component of an overall staffing system. While some loss of employees is both inevitable and desirable, retention management seeks to ensure that the organisation is able to keep enough employees with important knowledge, skill, ability, and other characteristics (ksao) to generate future success (Heneman and Judge, 2009). In every organization the mobility of quality human resource create a vacuum, company is faced with the problem of getting immediate, adequate and deserving successors, who are competent and qualified enough to carry on effectively in the vacated offices. Though this is possible, the disruptions in workflow are not good to the operations in the organization.

Employee retention has always been something for companies to cope with, and in many industries the consequences of losing good workers to competition is dreadful. The contemporary view is that development for all employees is crucial for organisations’ competitive capabilities for future growth and change (Rowley and Jackson, 2011).
Human capital is a major source of competitive advantage in an industry, this is because it is people (employees) who implement the strategic plan and realize the objectives of any organization given a systematic approach adapted to defining where the organization is headed and how it can get there.

Statement of Problem
The overall implication of retaining employees for a long time in banks is still an issue for investigation. Nigerian employees change jobs often, sales and customer base decrease and the company's public image fade gradually. One may be forced to ask, Could this be conventional or is it as the result of other antecedents? Are there facts or strategies of employee retention Nigerian organizations often neglect? What are the likely implications of the development to the employees and to the organizations? Who is the most important culprit in the turnover phenomenon; employees or management? And most importantly, what are the pros and cons of employee retention on organizational performance? These are the main focus of this investigation. It is important to note that organizations that have high employee turnover may have poor quality of service delivery, poor customer satisfaction, poor public image, reduced financial return or profit, poor organizational climate and culture, poor staff - management relationship, ineffective employee career management and development.

Research Objectives
The objectives of this study may include to find out how employee retention; influence banks quality of service, drive customer satisfaction, and promote goodwill (public image).

Research Hypotheses
H01: There is no significant positive relationship between employees’ retention and the banks’ quality of service.
H02: There is no significant positive relationship between employees’ retention and customer satisfaction.
H03: There is no significant positive relationship between employees’ retention and organizational goodwill (public image).

2. Literature Review
Concept of Employee Retention: Employee retention is concerned with keeping or encouraging employees to remain in an organization for a maximum period of time (Kossivi, Xu, and Kalgora (2016). 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 Mathimaran and Kumar (2017). The Workforce Planning for Wisconsin State Government (2015) describes employee retention as a systematic effort to create and foster an environment that encourages employees to remain employed by having policies and practices in place that address their diverse needs. Phillips and Connell, (2012) defines retention as the percentage of employees remaining in the organization. For good job performance, high levels of retention are desired in most work groups.

Concept of Organizational Performance:
Organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 2003). Salem (2003) provides a concept of performance as the outcomes of work because they provide the strongest linkage to the strategic goals of an organization and that organizational performance aims at improving the results of people's efforts by linking these to the organization's goals and objectives customer satisfaction and economic contributions. An organization can't survive if the employees are not serious about it and are more concerned about their personal interests.

Employee Retention; Benefits and Sustainability:
Mbah and Ikemefuna (2012) makes it clear that an employee leaving a company for whatever reason must have an effect on the organization and other personnel that compose it from a business point of view, and that voluntary quits represent an exodus of human capital investment from organizations and the subsequent replacement process entails manifold costs to the organizations. Harzing and Pinnington (2011) highlight the importance of knowledge retention as employees and pointed that while codified knowledge can be physically stored in databases and reports, tacit competences and knowledge resides in people. When individuals with unique and valuable knowledge walk out the door, the company certainly will be losing some of its competitive advantage. The question here is; what can a firm do to discourage vital employees

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with core tacit knowledge from making an exit? Some recommended retention strategies include; stimulate knowledge sharing (teamwork) among employees and the various organization units; so that the organization will becomes less dependent on a small number of workers. Another important strategy is to make sure that there is an efficient employee’s career development in the firm and paying attention to the individual interests of the employee.

Holbeche, (2009) established an approach to retaining employees for the mutual benefit of the company and the employee known as; “employee segmentation”. Organisations are increasingly attempting to segment their employee base into various categories, such as age, professional groupings and other perimeters so as to be better able to devise the most appropriate employee value propositions to meet their employees' needs.

Rehman (2012) suggests that employee retention could be improved and sustained by many factors like better recruitment effort, selecting right man for the right job, continuous review of job specifications and job descriptions, compensation practices, leadership and supervision, career planning and development, working condition, team building, centralization, organization communication and commitment, counselling leavers, flexible working hours, employee participation, turnover policies and appreciations. However, Covey (2003), states the fact that many external environmental factors worsen the employee turnover issue. Therefore, a continuous external and internal assessment, periodic human resource policy review and total quality management is needed so that the focus is always on improving and sustaining employee retention practices. Armstrong (2014), suggests that organisations should have what he called “employee value proposition” which consists of what the company offers to prospective or existing employees that they will value and that will persuade them to join or remain with the business. It can be developed by analysing everything that the organization has to offer potential employees and then conveying that offer to them on the organization's website or by other internal means. The impact of employees' retention on organizational performance is seen through the following indices; quality of service, customer satisfaction, productivity, organization's public goodwill and profitability.

Quality of Service: Customer (clients) needs and expectations are changing when it comes to banking services and their quality requirements. Service quality has been identified and documented as one of the key driving forces for organizational survival, sustainability and is crucial for the firm's accomplishment (Amanfi, 2012), and having employees who have mastered the job remain the key promoters and drivers of quality service delivery. Employees' role performance and adaptability are considered as major determinants of service delivery effectiveness, because they reflect the most important outcome of the service delivery, which is its ability to satisfy customer needs and create customer value (Kostopoulos, Lodorfos and Kaminakis, 2015). To dispense quality service to valued customers at the right time, form and place, most customer-focused organizations in the 21st century position their employees strategically to anticipate and satisfy customers' needs through employee retention. (Oki, 2014)

Piriyathanalai and Muenjohn (2012) look at quality of service as dependent on employee satisfaction in the organization. Employee satisfaction is the engine that translates changes in the internal environment to the employee individual performance and service quality that lead to the necessary external customer service improvement as well as customer satisfaction level.

Customer Satisfaction: Employees are the interface between the organization and its customers, what they portray are what the customers see and use in their evaluation of the service experience (Oki, 2014). Maliku (2014), retention of key employees is important in that it fosters customer satisfaction, increases sales, promotes working relationships, improves employee-manager relationships and enables valuable succession planning. In such a system, organizational knowledge and learning is successfully preserved and advanced. There is a global competition in banking services and the ever dynamic business environment requires retained and empowered employee who can rapidly respond to customers' strangest demands by not only responding to them, but take the clue on their behalf to ensure efficiency and performance. Oki (2014), customer satisfaction exists in five forms, which
are; contentment, pleasure, relief, novelty, and surprise. It takes retained and job-mastered employees to be responsive in providing customers with top-notch satisfaction they desire according to those prototypes. This dimension is concerned with dealing with customer’s requests, questions and complaints promptly and attentively.

Robinson (2008) posits that a good relationship with the people that a company is dealing with is much more important than exclusive profitability. Therefore, retaining employees who understand the business, the need of customers and the essence of relationships cannot be over-emphasized for organizational performance.

Organization's Public Image: Lievens (2007) describe organizational image as people’s global impressions of an organization. Organizational image represents the cognitive reactions and associations of customers, investors, employees, and applicants to an organization's name. It serves as a model to categorize, store, and recall organization-related information. An organization's image appears to affect people's attraction to an organization as a place to work. The Nigerian banks are known by higher turnover rate which has created a conventional belief that working in a bank is not a promising career path, but should be undertaken just to avoid joblessness. However, Lievens (2017) reiterates that if one holds the company in low regard, one has lower job satisfaction and a higher probability of leaving the organization. On the other hand, if the company is held in high repute by employees, job satisfaction is higher and turnover intention is lower. In this case, an employee also wants to be associated with the positive image of the organization and feels proud to belong to that organization.

Study reveals that investors, competitors and other potential stakeholders often undertake a resource-based view (RBV) of a firm which means analysing a firm based on its tangible and intangible assets. An asset or resources that are valuable and rare can lead to the creation of competitive advantage. Retaining highly skilled employees is strength in a firm's SWOT analysis for strategic planning. Organizations can preserve this advantage by protecting itself against resource transfer or substitution (employee turnover). The idea of conscious and tacit development of distinctive bundles of resources and competences which provide competitive advantage is one of the products of RBV. Retaining employees is a profitable decision, and it establishes positive and more stable shared perceptions of how the general public feels about the organization (Lievens (2017)).

Theoretical Framework: The study will hang on William Ouchi’s Theory Z (1981). This is a participative model that establishes that employee involvement is crucial to increased productivity of the company because employees are innately self-motivated to not only do their work, but also are loyal towards the company for a long time. However, they have a high need to be supported by the company, with relatedness being regarded as equally important as the work itself. This type of workers has a very well developed sense of order, discipline, and moral obligation to work hard, and maintains cohesion with their colleagues and the corporate goals. It is assumed that employees can be trusted to do their jobs to their utmost ability, so long as management can be trusted to support them and look out for their well-being (Aydin, 2012). Theory Z employees are motivated by a strong sense of commitment to be a part of something worthwhile (Braden, 2000). Regarding their attitude towards work, employees will not only seek out opportunities for responsibility rather, they crave opportunities to advance and learn more about the company. Theory Z management expects employees to learn the business through the various departments, come up through the ranks slowly without specializing to a particular work area.

William Ouchi recommends his Theory Z to American organizations and by globalization, Nigerian organizations. Therefore, this study is based on testing the implications of William Ouchi’s Theory Z on Nigerian banks as profit-oriented organizations.

Empirical Framework: Empirical facts suggest that organizations need employees to survive. However, employee turnover is bound to occur, but management should be proactive to avoid gaps that affect performance (Mabindisa, 2013). Studies also find that compensation, reward and recognition play a key role in employees’ motivations which cause employees to stay. Saifullah (2014), whose regression analysis in his study shows the impact of training and compensation on employee retention.
It was seen that compensation had a significant effect on employee retention, whereas training did not. Ramlall (2003) acknowledged that location of the company and its compensation package were the most common factors for employees to remain with the company, while compensation and lack of challenge and opportunity were the most common factors in contemplating leaving the organization. Sundar and Kasinathan (2015), state that employee retention strategy is high and the lengthy process must be evaluated and redefined. There is need to have certain techniques that help them change the behaviour of employees. One such technique is reward, particularly money. Mathimaran and Kumar (2017) acknowledged, it is only a comprehensive blend of intrinsic and extrinsic motivational variables that can enhance retention and reduce the high rate of employee turnover in our various organizations.

Most available literatures focus mainly on the essence of preventing employee turnover and looks at how the organization can, and should satisfy employees in areas of compensation, reward and recognition. Not enough work is done on why organizations especially banks institutions always chose to retrench employees even when the observed indices on the staffs' performance are positive. Banks are the most frequent player in the job market even before Nigeria want into recession. Why do banking institutions in Nigeria prefer new comers in their staff list instead of maintaining their trained employees ignoring such indices as quality of service, the organization's public image, and customer satisfaction? This study intends to bridge a gap in literature concerning perceived indicators of organizational performance as effects of retaining employees for a long time and it aims at investigating same in the banking sector in the Nigerian context to find out if the result will tally with the findings of previous researchers.

3. Methodology: The study adopted a survey research design. The study applied both quantitative and qualitative approaches in investigation.

Cronbach's Alpha is used to assess the internal consistency reliability of the research instrument. The instrument indicates that the items form a scale that has reasonable internal consistency reliability.

Data were collected through questionnaire. A total of one hundred and twenty (120) copies of structured questionnaire were distributed to employees of some selected commercial bank branches in Ebonyi State, Nigeria. The percentage of returned questionnaire is 91.7 %.( i.e. 110 copies of questionnaire). Analysis of the data was carried out using descriptive statistical methods; simple ratios, percentages, correlations and regression. Statistical package for Social Science (SPSS) software package version 21 for Windows was used as tool for the analysis.

4. Data Analysis and Results

<table>
<thead>
<tr>
<th>Table 1: Age Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td>18-30 years</td>
</tr>
<tr>
<td>31-40 years</td>
</tr>
<tr>
<td>41-50 years</td>
</tr>
<tr>
<td>51yrs&amp; above</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Fieldwork

The results in table 1 show that 53.6% of respondents fell within the age group of 18–30. This was followed by those in age group 31-40; they constituted 28.2% of the respondents. Those in the age category of 41-50 followed with 13.6%. The age group of 51-above represented 4.5% of the total sample. The youthfulness of the majority of the respondents is affirmed by the fact majority of the labour market in Nigeria is made up of the young adults. Result indicates that the employees of the banks cut across all age groups. This age group according to Nigeria's demographic characteristics is the active working group.

<table>
<thead>
<tr>
<th>Table 2: Gender of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Fieldwork

Gender distribution is 52.7% for male respondents and 47.3% is female. The gap between the sexes is not too pronounced. This is the fact in many banking halls. There is no significant gender imbalance.

<table>
<thead>
<tr>
<th>Table 3: Length of Service of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

Source: Fieldwork

The results produced are used to analyze the results.
As illustrated in table 3; 47.3% of the respondents that participated in this study are less than 5 years of service, 34.5% of the respondents were between 6-10 years of service, 10% of the respondents were between 11-15 years of service, while 8.2% of the respondents were between 16 and above years of service.

### Table 4: Descriptive Statistics Variables

<table>
<thead>
<tr>
<th>Items</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Service</td>
<td>110</td>
<td>2.00</td>
<td>4.00</td>
<td>3.0018</td>
<td>0.82551</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>110</td>
<td>2.00</td>
<td>4.00</td>
<td>3.0382</td>
<td>0.82994</td>
</tr>
<tr>
<td>Public image</td>
<td>110</td>
<td>1.80</td>
<td>3.60</td>
<td>2.8055</td>
<td>0.64422</td>
</tr>
<tr>
<td>Employee Retention</td>
<td>110</td>
<td>1.80</td>
<td>4.00</td>
<td>2.7600</td>
<td>0.67880</td>
</tr>
</tbody>
</table>

Source: Fieldwork

The result of the correlation in table 5 indicates that there is a strong positive linear relationship between the variables. Though, there is a positive sign of the coefficient between employee retention and quality of service, it strongly implies that as employee retention increases, the quality of service increases too. Following this finding, the study concludes that there is a relationship between employee retention and banks' quality of service. We therefore reject the null hypothesis. This is in agreement with Phillips and Connell (2012) that one of the most visible payoffs of employee retention occurs in the operations areas and with the frontline staff. Lower turnover translates into fewer operational problems, fewer delays, increased customer service, smoother flow of work, and improved quality of transactions.

### Hypothesis 1:

**H0:** There is no significant relationship between employee retention and the banks' quality of service.

<table>
<thead>
<tr>
<th>Employee Retention</th>
<th>Quality of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.961</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).**

**Hypotheses Test** Pearson Correlation coefficient was performed to test the hypotheses using the Statistical Package for Social Sciences (SPSS) software version 21 for Windows. Correlation coefficient was carried to determine whether there is a statistically significant relationship between the variables. The discussions below indicate the results of the hypotheses tested.

### Hypothesis 2:

**H0:** There is no significant positive relationship between employees' retention and customer satisfaction.

<table>
<thead>
<tr>
<th>Employee Retention</th>
<th>Customer Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.900</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).**

As illustrated in table 3; 47.3% of the respondents that participated in this study are less than 5 years of service, 34.5% of the respondents were between 6-10 years of service, 10% of the respondents were between 11-15 years of service, while 8.2% of the respondents were between 16 and above years of service.

Table 4 result shows the number of valid observations for the main variables. Organization's public image and employee retention both have the lowest minimum value at 1.80, while quality of Service, customer satisfaction, employee retention have the largest maximum value at 4.00. The mean scores of the variables show that all the variables are more than the average. On a maximum value of 5.00, 2.50 represent the centre of the data. The standard deviation indicates a greater spread in the data as about 78% of the values fall within one standard deviation of the mean. Though the standard deviations are significantly different, however, on a 3.00 mean quality of service there is a standard deviation of 0.83 from a random sample of 110. The standard deviation of customer satisfaction is shown to be 0.83 on a mean score of 3.4. Organization's public image has an average value of 2.81 with a 0.64 standard deviation. On a mean score of 2.76 of employee retention, the spread of the retention stands at 0.68.

**Software version 21 for Windows. Correlation coefficient was carried to determine whether the variables.**
Table 6 reveals that the results reflect a strong positive linear relationship between employee retention and customer satisfaction. Correlation test showed a positive significance (p<0.000) which implies that as employee retention increases, customer satisfaction also increases. Following this finding, the study concludes that there is a relationship between employee retention and customer satisfaction. Therefore null hypothesis was rejected. The result is in line with Gillespie, Denison, Haaland, Smerek and Neale (2007) Customer satisfaction is a key component of a successful and prosperous organization. It has been linked to higher profit margins and greater employee job satisfaction, customer retention, and repeat purchases. Customer satisfaction is born out of relationship of retained employees with patronisers at the front desk on daily basis and employees feel fulfilled when a customer is satisfied and retained. Thus, employee retention begets customer retention. Hypothesis 3:

H0: There is no significant relationship between employee retention and organization's Public Image.

<table>
<thead>
<tr>
<th></th>
<th>Employee Retention</th>
<th>Organization's Public Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.891</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

The result of the statistical finding in table 7 shows there is a strong positive linear relationship between employee retention and organization's public image with a coefficient of .891. The test showed a positive significance (p<0.000) which implies that as employee retention increases, organization's public image also increases. The study concludes that there is a relationship between employee retention and organization's public image; therefore null hypothesis was rejected. The finding is in accord with Kitchen and Watson (2010), reputation was, is, and always will be of immense importance to organisations, whether commercial, governmental or non-profit institutions. To reach their goals, stay competitive and prosper, good reputation paves the organisational path to acceptance and approval by stakeholders. The public image of an organization gains credence even in the international business environment when the organization retains employees, especially from different ethnic backgrounds like in Nigeria.

5. Conclusion and Recommendations

Conclusion: Employees like the mirror of an organization are the interface between the organization and the customer, what they depict is what the stakeholders see and use in their evaluation of the service experience. This study was aimed at ascertaining impact of employee retention strategy on performance of some selected commercial banks in Abakaliki, Ebonyi State, Nigeria. Result of the hypotheses revealed that there is a positive significant relationship between employee retention and; quality of service, customer satisfaction, and public image, in Nigerian banks.

On the benefits of employee development, Kyndt, Dochy, Michielsen, and Moeyaert (2009) preach that the contemporary global economic environment has changed drastically and continues to do so, hence, social developments such as continuing globalisation, technological innovation, and growing global competition place pressure on companies and emphasise their need to maintain their competitive edge, at least in part through maintaining the skills of their employees. However, employee turnover is bound to occur, but management should be proactive to avoid gaps that affect performance (Mabindisa, 2013). The idea of Nigeria banks ignoring the vast gain inherent in long term service because of ‘cheap labour’ may be gainful in short-run but detrimental in long-run.

Recommendations: Based on the findings, the study hereby advances the following recommendations:

i. Bank institutions should not disengage from participating in downstream sectors in some business endeavours. Again, the institution should develop speedily their strategic integrations; backward, forward and horizontal integrations in diverse areas. Some of these passages could help to engage banks trained staffs during recession.

ii. As the competitive environment becomes increasingly fierce, the most important aim for industry players is no longer to provide quality
products or services, but also to keep loyal customers who will contribute to their long-term growth and profitability. Management should focus on building relationships with customers through their retaining employees that represent their values and distinctive competencies.

iii. The decision to reduce the workforce during an economic recession helps the bank to perform better temporarily. When the national economy recovers, banks that lay off a large number of their staff will struggle to gain new market share through their business strategies. Therefore, instead of outright termination of employment, management can decide to cut salaries and bonuses for all ranks till when the economy gets better. Banking Institutions should have human face when dealing with their staffs.

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