



THE INFLUENCE OF HUMAN RESOURCE MANAGEMENT PRACTICES ON EMPLOYEES RETENTION IN KENYA POWER COMPANY LTD

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Abstract

Human Resource practices provide a supportive work environment that affords opportunities to grow and develop. In turn, organizations get profits from quality service provided by employees. Despite the recognition of the turbulent nature of the operating environment of the public corporations in Kenya, there is no study done yet on the influence of human resources management practices on employees' retention in Kenya Power. The main objective was to investigate the influence of human resources management practices on employees' retention in Kenya Power. This research was studied through the use of a descriptive research design. The target respondents included 1000 top, middle and low level staffs drawn from regional offices of Kenya Power. Stratified random sampling technique was used where a sample of 10% (100 respondents) were selected. The study used a survey questionnaire administered individually to all respondents of the study. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. Compensation, leadership, job placement and training influence retention of employees. Better and advanced compensation strategies should be introduced as a way of satisfying employees. The Organization should embrace proper leadership styles that inspire a shared vision, seeking broad input, and encouraging everyone to think of a new and better future. Kenya Power needs to employ various job placement strategies in recruiting staff. Kenya Power should conduct regular staff training to help them further their knowledge and skills and enable employees to perform better after the training.

Keywords: Human resource, retention, compensation, leadership, job placement, staff training and development

Introduction

Organizations today constantly wrestle with revolutionary trends such as accelerating product and technological changes, global competition, deregulation, demographic changes and at the same time, they must strive to implement trends towards a service and information society (Kane 2000). Due to this tumultuous business environment, one of the challenges facing many organizations is the retention of employees. The loss of employee is a disruptive event. Replacing employees may be costly, both in recruiting and training. High level of employee turnover may impede the quality, consistency and stability of services that organizations provide to clients and customers (Trevor and Nyberg, 2008) and in turn increased customer dissatisfaction. As such, organizations have now become knowledge-based where clearly human capital is considered a key resource and indispensable to their survival.

Employee retention is the number of existing employees who keep or stay with their jobs over affixed period of time. Retention policy should focus on retaining the high performers and talented employees or losing the losers and keeping the keepers (Blake, 2009). Employee retention is critical to the long term health and success of your business. Managers readily agree that retaining your best employees ensures customer satisfaction, product sales, satisfied coworkers and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning. Exit interview with departing employees provide valuable information you can use to retain remaining staff.

How to retain core employees is one of the biggest problems that plague companies in the competitive banking industry today. Employees recognize that the traditional psychological contract that existed between employer and employee is now dissolved (Hay and Kearney 2001). High talent personnel see the greatest opportunities by moving from one company to another. Increasingly, organizations will have to compete for the best talent. Consequently, this will have a significant impact on the nature of recruitment and selection, training and development, performance management, retrenchment programs and performance management.

Effective Human Resource practices provide a supportive work environment that affords opportunities to grow and develop. In turn, the organization profits from the service quality provided by competent and loyal employees. These positive outcomes are founded on a philosophy that people are an asset and that investing in them will bring increased benefits for the entire organization. According to Hytter (2007) in many organizations it is desirable to have long tenured employees, although this situation taken to an extreme can also create a problem. Effective management of employee retention is focused primarily on those groups of staff you employ whose resignations are the most problematic from the organization's point of view.

The Kenyan business environment has been undergoing drastic changes. Consequently, Kenya Power just like any other business in Kenya continue to face many challenges in today's dynamic marketplace which include challenges resulting from the accelerated implementation of economic reforms by the government, the liberalization of the economy, discontinuation of price controls, privatization and partial commercialization of the public sector, increased competition, increased customer expectations, rise of globalization and technological advancements, economic crisis and increased

demand for retaining employees and quality services. As such, there is dire need to address these challenges from a strong point.

The Vision 2030, Kenya's blueprint for development aims to transform Kenya into a newly industrializing, middle-income country providing a high quality life to all its citizens by the year 2030. Vision 2030 recognizes the importance of human resources as being the most important assets for the achievement of a middle income country by the year 2030. To achieve this milestone, keen interest on succession planning factors of recruitment and selection, career management, and career commitment and how they impact on employees' retention must be addressed. While it would be preferable for the concerned stakeholders to have greater freedom in the setting of remuneration, it is notable that staff turnover at the Kenya Power has been increasing. This could be attributed to the various human resource practices that affect the employee satisfaction and hence their retention.

Research Problem

Markets are increasingly recognizing human capital as a source of valuable resource for firms and shareholders (Cairncross, 2000) as talent is rare, valuable, difficult and hard to substitute and organizations that better attract, select and retain this talent outperform those that do not. The employment relationship is undergoing fundamental changes that have the implication for the attraction, motivation and retention of talented employees. Ineffective management of employees leads to high rate of staff turnover which has a significant economic impact on organizations especially because of the knowledge that is lost with the employees' departure. Human resource management presents significant challenges to Kenya Power in terms of competencies, numbers of staff, mismatches, culture, values, attitudes, behaviours, motivation, staff development, productivity, staff development policies, procedures and practices, and so on. Scholars (Cho et al., 2006; Hinkin and Tracey, 2000) advocate that executives who understand the value of human capital and adopt organizational policies and management practices in pursuit of employee retention will outperform the competition.

Indeed, tenured workforces not only reduce the separation, recruiting, selection and hiring costs associated with the churning of employees, but also become more productive over time, resulting in higher competitiveness and added profitability (Cho et al., 2006). Moreover, financially successful firms have attributed their strong performance to their emphasis on employee retention and development (Hinkin and Tracey, 2000). Public corporations in Kenya, such as Kenya Power, are faced with issues of productivity, competition for customers, efficiency in operation, trade unions and high staff turnover. In modern era of resource constraints, organizations must efficiently manage their activities by procuring and retaining the best employees. Previous studies have not paid enough attention on human resources management in the Kenya Power and the link for this to employee retention. This is despite the recognition of the turbulent nature of the operating environment of the public institutions in Kenya that has led to loss of employees to competitors and other industries in search of greener pastures. To the best of the researcher's knowledge, there was a research gap with regard to the influence of human resources management practices on employees' retention in public institutions in Kenya and Kenya Power in particular.

Research Objectives

The main objective of this study was to investigate the influence of human resources management practices on employees' retention where the focus was on Kenya Power.

The study was guided by the following specific objectives:

- i. To establish the role of compensation on employees' retention in Kenya Power
- ii. To assess the influence of leadership on employees' retention in Kenya Power
- iii. To determine the extent to which job placement affects employees' retention in Kenya Power
- iv. To establish the relationship between staff training and employee recruitment affects employees' retention in Kenya Power

Conceptual Framework

Employees retention practices for this study covers the following independent aspects of compensation, leadership, placement and training. These are among the best employee retention management practices which directly translate to low rates in voluntary labour turnover. High employee turnover is an indicator of poor employee retention practices. This research seeks to identify the factors of human resource management practices that influence the retention of core employees in an electrical energy subsector organization, Kenya Power. From the foregoing, it is evident that employee retention is quite significant for the realization of short and long term goals of such organizations. While there are several studies focusing on the concept of employee retention, none of them has investigated the influence of human resources management practices on employees' retention in the emerging and developing economies like Kenya, hence a research gap. It is against this backdrop that the current aims at filling the existing academic gap by conducting a study on the influence of human resources management practices on employees' retention where Kenya Power was the context of focus. A conceptual framework is a design that identifies the variables and their interactions. Retention management was the study dependent variable. The independent variables predicting the dependent variable are; compensation, leadership, job placement and staff training and development. Figure 1 is the conceptual framework for the study.

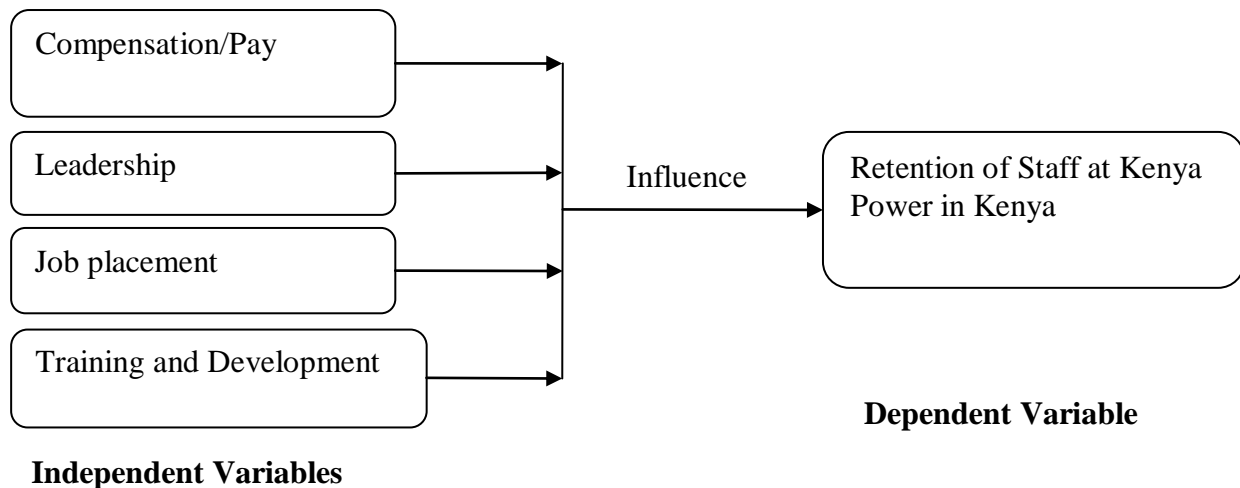


Figure 1: Influence of Human Resources Management Practices on Employees' Retention

Methodology

This research problem was studied through the use of a descriptive research design which is concerned with finding out the what, where and how of a phenomenon. The researcher attempted to describe and define a subject by creating a profile of group of problems. The target population composed of the senior, middle and first line management staff currently working in the regional offices of Kenya Power. Stratified random sampling technique was used to select a sample of 10% (100 respondents) from the senior management, middle and first line management staffs. This implied that this population would have diverse socio-economic backgrounds that were relevant to this study. The researcher administered a survey questionnaire to each member of the target population. The researcher administered the questionnaire individually to all employees of the Company who were the target population. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This offered a systematic and qualitative description of the objectives of the study.

Findings

The study found that 57% of the respondents indicated that compensation influence retention of core employees in the organization to a moderate extent. Job satisfaction, monetary benefits such as pay rise, security of tenure, the respect of colleagues and promotion opportunities are used to great extents to influence employee retention in Kenya Power. In addition, motivating leadership techniques aspects of employee compensation and fringe benefits are used to moderate extents. Leadership influences retention of employees in the organization to a moderate extent as indicated by 46% of the respondents. Encouraging creativeness, creating and sharing an organizational goal as well as acting as a role model affects retention of employees at the organization to great extents respectively, while providing support for employees and allowing employee participation in making job-related decisions affects retention of employees at the organization to moderate extents in that order.

According to the results, 53% of the respondents indicated that job placement influences retention of employees in the organization to a great extent; Among the various methods used recruit new employees in the organization are commissioning recruitment agencies for most senior staff, internal advertisements and as well as posting a job advertisement in a newspaper or magazine is used to moderate extent.

Training influences retention of employees in the organization to a very great extent as indicated by 39% of the respondents. Staff training focuses quality and quantity of work to a great extent; skills necessary to efficiently and productively carry out assigned tasks to a great extent; attitudes towards other co-workers, the supervisors and the organization to a great extent and knowledge necessary to fully understand how employee role fits in the achievement of an organization overall objective to a great extent respectively, however the organization focuses on boosting the morale of employees to a moderate extent, utilization of equipment to a great extent and reducing cost to a great extent.

Regression analysis was used to determine the relationship between human resource management practices and employee retention in the Kenya Power. The results are shown in Table 1.

Table 1: Multiple Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.224	0.3120		4.3580	0.0000
Compensation	0.299	0.0715	0.2350	2.7936	0.0440
Leadership	0.217	0.1440	0.1850	0.7760	0.0387
Job placement	0.118	0.0847	0.0230	0.4069	0.0460
Staff training and development	0.272	0.1264	0.0890	0.8490	0.0380

Dependent Variable: Employee Retention; **Independent Variables:** compensation, leadership, job placement and staff training and development

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$ becomes

$$Y = 1.224 + 0.2176 X_1 + 0.1187 X_2 + 0.2994 X_3 + 0.2725 X_4$$

Whereby Y = Employee Retention; and X₁, X₂, X₃ and X₄ are compensation, leadership, job placement and staff training and development independent variables in that order.

Table 1 shows the taking all factors (compensation, leadership, job placement and staff training and development) constant at zero, the employee retention realized would be 1.224. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in leadership lead to a 0.217 increase in completion of construction projects. A unit increase in staff training and development will lead to a 0.272 increase in employee retention; a unit increase in compensation will lead to a 0.299 increase in employee retention, whereas a unit increase in job placement will lead to a 0.118 increase in employee retention. These results infer that increased compensation contributes more to employee retention, followed by staff training and development and leadership, while job placement contributes the least to employee retention.

Discussion

From the study, 57% of the respondents indicated that compensation influence retention of employees in the organization to a moderate extent. The results imply that in general there is a moderate influence of compensation on retention of employees in the organization. Compensation "is the most critical issue when it comes to attracting and keeping talent". A fair wage is the cornerstone of the contractual and implied agreements between employees' employers, the underlying assumption being that money can influence behaviour (Parker and Wright 2001). Companies often provide pay packages superior to the market for critical talent. These include special pay premiums, stock options, or bonuses. Base package reflects fair pay; supplemental programs reflect individual, team or organizational performance and success.

From the study, 46% of the respondents rated that leadership influences retention of employees in the organization to a moderate extent. This is a clear implication that leadership is a major HR factor that influences employee retention. Excellent leadership motivates employees in an organization. Effective leaders have good interpersonal skills and are able to guide, coach and mentor employee. Because each organization is unique the challenge is to identify and develop leaders who meet the organization's specific production needs while addressing more general needs of employees. The challenge for any organization is to develop and maintain leadership and thereby keep qualified employees. According to Jolliffe (2000) employers are not often aware of the extent to which their line managers are contributing directly to their organization's rates of turnover because the line managers are responsible for recording and reporting the reasons people leave.

Majority (53%) of the respondents indicated that job placement influences retention of employees in the organization to a great extent. Involving employers in retention and advancement efforts can result in decreased costs for **recruitment** as a result of fewer individuals returning reusing job placement resources. Low-wage workers often do not take advantage of training opportunities after job placement, due to both the challenges of balancing work with family obligations as well as eagerness to cease relying on public resources associated with welfare (Poppe, Strawn, and Martinson, 2003).

The study results show that, majority (39%) of the respondents stated that training influences retention of employees in the organization to a very great extent. This indicates that training in the organizations influences retention of core employees in the organization to a great extent. According to Simons and Hinkin (2001) having selected the most suitable personnel for various activities in the organization, the management should make necessary arrangements for their training and development because the efficiency of the organization depends directly on how capable its personnel are and the capabilities of personnel depends on their ability to work and the type of training they receive. Level of employee turnover and training are expected to be inversely related: the higher the level of turnover, the lower the amount of training.

Conclusion

From the study, modes of compensation such as salaries paid to employees, pay rise, security of tenure, the respect of colleagues and promotion opportunities influence the retention of employees in the organization. Remuneration techniques aspects of employee compensation and fringe benefits also influence employee retention in organizations. These aspects of compensation determine the employees favoring to work in an organization.

Leadership influences retention of employees in the organization where leaders play a role of encouraging creativeness, creating and sharing an organizational goal as well as acting as a role model, providing support for employees and allowing employee participation in making job-related decisions. Managers play a major role in employees' decision to leave the organization or not, charismatic leadership styles "result in a high-level of follower motivation and commitment as well as well-above-average organizational performance.

Job placement influences retention of employees in the organization and the organization carries assessment of employees during recruitment with an aim of cultivating a high performance workforce. The organization does recruitment through consultancy agencies, referrals, internal advertisements to attract staff who are developing themselves through personal initiatives and as well as posting a job advertisement in a newspaper or magazine. This use of assessments, results in extraordinary increases in productivity while reducing employee relations problems, employee turnover, stress, tension, conflict and overall human resources expenses.

Training influences retention of employees in the organization. The staff training carried out in the organization focuses on bridging the gaps in both technical and managerial skills to a great extent; skills necessary to efficiently and

productively carry out assigned tasks to a great extent; attitudes towards other co-workers, the supervisors and the organization to a great extent and knowledge necessary to fully understand how employee role fits in the achievement of an organization overall objective. It is important that cost benefit analysis of training program is carried out to establish the extent to which they benefit employees.

Recommendations

From the study, employee retention is of critical importance for organizations. Employee retention is one aspect of determining the competitiveness of an organization in any given sector. As such, based on the findings and conclusions of this study, the following recommendations were made:

Compensation: Better and advanced compensation strategies should be introduced as a way of satisfying the employees in the Organization. This should include enhanced salaries/wages based on performance, periodic increments and bonuses. The study also recommends that the institution should also adopt non-monetary forms of compensation such as recognition of personal efforts, giving employees an opportunity to pursue new challenges, rewarding performing employees and proper remuneration for work well done. In addition, there should be consultation between the staff and supervisors on appraisal processes. This would boost the employees' morale and motivate them to work harder when they realize that they are part of the process.

Leadership Style: The Organization should embrace appropriate modern leadership styles that inspire a shared vision, seeking broad input, and encouraging everyone to think of a new and better future. This needs to be cast in ideological rather than just economic terms. The management should achieve this by involving all staff creativity in the shaping and reshaping of the leadership and participatory forums on a regular basis. The leaders should therefore attempt to develop trust and create harmony through the use of continuous positive feedback. Kenya Power should continue on regular basis survey their staff to establish their wants and needs to ensure that they are satisfied and focused toward improving employee retention and hence organizational performance.

Job Placement: The Organization need to employ various job placement strategies in recruiting staff such as use of commissioning procurement agencies. This is essential as it leads to improved choice, advice and better employee management information. This will ensure attracting and retaining talent, hiring individuals who truly fit to succeed in the position for hire; this will dramatically increase the chances of that employee being satisfied with his or her work and the organizations will promote retention of core employees for longer.

Staff Training: For the Organization to realize the best from its temporary employees, proper training must be provided to enhance productivity/performance. Further the organization should continue to conduct regular staff training to help them further their knowledge and skills and enable employees to perform better after the training. There should also be formal coaching program since such training programme will improve the employees performance as this will give them one best way of doing their work.

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