


**ADDIS ABABA UNIVERSITY SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MANAGEMENT**

# Influence of Sustainable Human Resource Practice and the mediating role of Job satisfaction on Employee Retention: The Case of Bole Lemi Industrial Park

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**June, 2026**

**Addis Ababa, Ethiopia**

# Declaration of Statement

Lidiya Ayalew hereby declares that “The Influence of Sustainable Human Resources practice and the mediating role of Job satisfaction on Employee Retention: The Case of Bole Lemi Industrial Park” is an authentic work created solely by myself. The research study was done under the supervision of my adviser, Meba Tadesse (PhD). All outside sources used in this thesis have been appropriately cited. In addition, it is stated that this thesis has not been presented in whole or in part anywhere for awarding academic degrees from this university or from elsewhere.

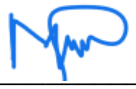
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This statement is to certify that the thesis titled "The Influence of Sustainable Human Resources practice and the mediating role of Job satisfaction on Employee Retention: The Case of Bole Lemi Industrial Park" written by Lidiya Ayalew as a requirement for earning a Master of Business Administration program complies with the rules of the University in terms of being an original piece of research.

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# Acknowledgments

First and foremost, I want to thank the Almighty God for the good health, wisdom, and persistent effort that made this research possible. My gratitude goes to my academic adviser, Meba Tadesse (PhD), who provided me with advice and constructive feedback throughout this research period. I also wish to thank all the managers and staff members working in Bole Lemi Industrial Park; the data collection would not have been possible without their help.

My thanks go to my fellow colleagues and friends for all the support they rendered to me. It should be especially acknowledged to my parents and my brother, Thomas Desta, for the constant support they showed me in completing the research. Their contribution through emotional, moral, and technical assistance was instrumental in bringing the research to conclusion.

Lastly, I thank all the authors, researchers, and institutions whose works have been referred to in the research paper.

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# List of Acronyms

**CEO** –Chief Executive officer

**HR** - Human Resource

**HRM**- Human Resource management

**IDA** - International Development Association

**SHRM** - Sustainable Human Resource Management

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## *Abstract*

*The research focused on the Influence of Sustainable Human Resources practice and the mediating role of job satisfaction in Bole Lemi Industrial Park. The study uses Quantitative research approach where descriptive and explanatory research designs have been used. Data collection through primary method has been done through questionnaire from 11 manufacturing firms and total 400 samples have been taken and overall response rate of 94.5%. Data analysis has been done using Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 4. The findings of the research indicate that all the dimensions of SHRM significantly influence the employee retention positively. Training and development dimension positively affects the employee retention (β = 0.189, p value of 0.000). This shows that the opportunity of learning and development helps the employees retain in their organizations. Similarly, compensation and benefits dimension positively affect the employee retention (β = 0.231, p value of 0.000). The finding indicates that the proper compensation and benefits is important in retaining the employees. In addition, the safe and inclusive working environment is found to be the best dimension in predicting the employee retention (β = 0.283, p value of 0.000). Thus, the workplace safety, inclusion and respect have crucial roles. The employee engagement and participation positively increase the employee retention (β = 0.203, p value of 0.000). The finding suggests that the engaged and committed employees tend to stay in their firms. Moreover, the job satisfaction has significant mediation role between all SHRM practices and the employee retention. Generally, it has been found that the employees who are satisfied by the HR practices of their organization feel better job satisfaction and ultimately their retention is improved.*



***Keywords:*** *Bole Lemi Industrial Park, Employee Retention, Job Satisfaction, Sustainable Human Resource Management*

# CHAPTER ONE

## INTRODUCTION

This chapter defines the introductory frame of this study. In this article, the background of the chosen topic is provided, as well as the statement of the problem. Questions are formulated and the objective and importance of this research is described. The article mentions the limitations of the work as well. The rest of the research is briefly outlined, along with the definition of key terms used.

### 1.1. Background of the Study

As Biswas (2025) pointed out that the global trend toward sustainability development, sustainable practices in Human Resource Management (HRM) have become an important part of business operation. According to Sundari Soekotjo, (2024), Sustainability has become a defining characteristic for many organizations. Its role is significant not only in general organizational practices but also within the sphere of HRM. Organizations that adopt HRM practices based on sustainability demonstrate such benefits as increasing the international competitiveness, improved well-being of workers, and positive effects on the reputation of the company. According to Davidescu,(2020) Sustainability is an important organizational practice as it contributes to creating the work environment in which employees are satisfied with their working conditions and feel the desire to contribute to the success of the organization

As Mobarez, (2020) points out that Sustainable HRM means purposefully shaping or updating human resource strategies and practices to help organizations reach their goals while also protecting their people over the long haul. According to Devi (2024) Sustainable Human Resource Management has to do with putting practices in place that boost the long-term well-being of employees, and push forward the organization's broader sustainability goals, too.

As pointed out by Agata Lulewicz (2022) Sustainable Human Resource Management (SHRM) highlights the respectful treatment of employees along with shaping workplaces that help protect, support, and replenish people's energy and well-being. These approaches aid in

keeping organizations successful over the long haul. Because of this, SHRM is now gaining more ground as a forward-thinking way of handling employees and nurturing positive workplace ties (Progress Choongo P. M., 2023).

As Gorde, (2019) Mentioned that Employee retention is all about an organization's ability to keep its employees over time. Includes a whole set of international efforts meant to encourage people to try to put in to support of the organization's long-term stability.

Today's highly competitive employment environment makes recruiting and retaining valuable employees increasingly difficult. As work environment expectations change and economic conditions remain highly volatile, it is clear that retaining valuable talent is not only important; rather, it is essential for any firm wanting to gain competitive advantages. Many organizations, both around the world and more so within the private sector, experience increasing difficulties with lowering their turnover ratios (SINGH, 2025).

According to Anwar, (2021) whenever employees decide to quit their jobs, this decision normally impacts negatively upon their respective organizations due to the high costs involved. Conversely, the presence of good employee retention practices helps bring about positive consequences in the form of improved productivity, increased profitability, and reduced costs (Andy Soenanta, 2020).

It is stated by Ying Lu (2023) that among others, many sustainable HRM practices have received considerable attention including adequate training and development, reasonable and fair compensation practices, a safe and hospitable work environment, and active participation. Besides all this, job satisfaction becomes extremely important for the purposes of retaining employees. According to Ogbonnaya, (2018) people who are highly satisfied with their work will find it considerably harder to think about quitting their jobs.

According to Sareen D. B., (2018) training and development have always been important and dynamic aspects that play a vital role in job satisfaction. According to Dlamini, (2024) compensation and rewards form key incentives necessary for the long-term retention of high-performing staff. Also, rewarding employees ensures better retention and makes them happier

about the job and committed to the organization. As Subhash C. Kundu, Kusum Lata, (2017) note that it is highly important to maintain high levels of engagement among employees since it helps retain talent within the organization. It follows that the engagement is as a result of dedication to the organization, job satisfaction, and an improvement in the working environment. It is important that continuous learning should be available for employees in preparation for any change. Employees who engage in training activities like sustainability or leadership training often experience a feeling of self-worth. Engagement in training activity, in addition to job satisfaction, has a great influence on organizational performance (Rekhadi, 2024).

Although there has been recognition regarding the need for SHRM in advancing sustainable development, limited studies are available in understanding how SHRM links with important employee attitudes, including retention, engagement, and loyalty. Thus, the current study seeks to provide insights into how practices in SHRM at Bole Lemi Industrial Park influence employee retention in order to enhance their impact.

## 1.2 Statement of the problem

Human Resources play a significant role within an organization and having strong and effective HR management is essential for creating reliable teams. Sustainable HR refers to not only the day-to-day administrative activities but also to the responsibility of taking care of the employees in the long term. Moreover, sustainable HR management is associated with flexibility as it needs to change and adapt itself to the organizational needs, as they emerge in accordance with changing conditions of an organization (Rasyid, 2025).

According to Shatha Abu-Mahfouz, (2023) HRM practices present ongoing opportunities for the staff to apply their competencies, demonstrating the commitment to continuous development. Such practices enable individuals to implement their competencies in practice and engage themselves in the work process which positively affects an organizational effectiveness. As noted by Agata Lulewicz-Sas, (2022) the principal aim of human resource management is to produce specific internal organizational outcomes, such as increased

productivity, enhanced customer satisfaction, and improvement of an organization's financial condition.

SHRM represents a broad and flexible concept involving strategic HR practices. Its main goal is to encourage organizations not only to achieve their financial goals but also to follow social and environmental objectives, ensuring at the same time that their human resource management systems remain sustainable. In addition, SHRM pays attention to minimizing the negative consequences for people as well as for the environment; in other words, it does not focus merely on employees as such but on their environment as well. In order to achieve sustainability targets, the significant contribution of all organizational members needs to be taken into consideration, regardless of their position (Kramar, 2020).

The principle of sustainable human resources management is essentially a balance between three main concepts: ensuring an adequate balance between professional and personal lives, providing employees with autonomy in developing their careers, and ensuring that individuals remain employable (Mazur, 2017). The notion of Sustainable Human Resources represents an entirely new approach to working with people in an organizational environment. One of its main features is the focus on relationships between corporate objectives, social justice, and environmental concerns. Employees are not merely instruments for fulfilling tasks but real participants in organizational life who deserve proper care, development opportunities, and respect (Sustainablity Directory , 2025).

Lu and Yang (2023) state that sustainable approaches in human resources strategies in business companies are widely adopted nowadays, corresponding with sustainable development of the world community. Ethiopia's industrial parks such as Bole Lemi Industrial Park are developing rapidly. They are highly contributing to the country's economic development and have attracted a lot of foreign investments and played an important role in job creation (bank, 2024). However, they keep facing high levels of employee turnover. Employee turnover is disturbing the industrial parks' operation negatively, hindering productivity growth and causing long-lasting negative impacts on industrial development (monitor, 2020).

Currently, employee turnover rates at the manufacturing plants make up 28.6%. It is known that employee turnover rate should not be higher than 10% according to experts (Stafford, 2025). The problem with high employee turnover is particularly topical for Ethiopian enterprises. Studies show that almost half of new hires quit within 12 weeks after their employment (Girum Abebe, 2023). Leaving companies those who had great experience, special qualifications and valuable knowledge usually worsens service delivery in these organizations. Negative consequences of employee turnover for the remaining staff usually entail low morale, increased expenses, and increased workloads for them (BERIE, 2016). It is known that in case of employee turnover in the private sector, the employer needs additional costs of about 25% of the employee's annual salary to replace him/her (Huang, 2021 ).

A number of studies have investigated the impact of certain factors on the issue of employee retention. Thus, for instance, Berhanu, (2018) studied the effect of different rewarding programs on employee retention among the clothing manufacturing company's employees of Bole Lemi industry park Ayalew, (2023) assessed the efficiency of the first-ever public industrial park in Ethiopia Bole Lemi. It was developed using government's efforts with the help of IDA of the World Bank. Nonetheless, little attention has been paid to the impact of sustainable HR practices on employee retention in industrial parks. Singh et al. (2021) and Rana Yaqub (2022) examine the banking and healthcare sectors in Zambia and Pakistan, respectively, demonstrating that sustainable HRM practices such as empowerment and high-performance work systems positively affect employee retention, job performance, and engagement. However, both studies underscore the limited scope of their sector-specific research or it is geographically focused toward other countries. Thus, it was noted that research in Ethiopia is scarce, especially in the manufacturing sector.

In order to fill the gap in literature, the study aimed to investigate the issue using the quantitative approach, taking into account the mediation of job satisfaction.

## 1.3 Objectives of the study

### 1.3.1 General Objective

The main objective of this study is to determine the Influence of Sustainable Human Resources practice and the mediating effect of Job satisfaction on Employee Retention in Bole Lemi Industrial Park

### 1.3.2 Specific Objective

1. To determine the effect of training and development on employee retention
2. To look the effect of compensation and benefits on keeping employee in an organization
3. To investigate how a safe and inclusive working environment affects staff retention
4. To analyze the effect of employee engagement and involvement on retention
5. To determine the mediating effect of job satisfaction on the effect of sustainable human resource practices on employee retention

## 1.4 Research Questions

The following questions are addressed in this research:

1. What would be the effect of training and development on the retention of employee in the company?
2. How does the fair compensation and benefits influence retention of employee?
3. What does the role of creating a safe and inclusive working environment play in regard to Employee retention?
4. What is the effect of engagement and involvement of Employee on Retention?
5. How does job satisfaction mediate between sustainable HR practices and employee retention?

## 1.5 Significance of the study

It is imperative that organizations retain their employees so as to remain productive and competitive in today's business environment. Industries such as garment and apparel require employees to be highly dedicated and committed to ensure that they remain effective. One organization that has been able to contribute significantly towards Ethiopia's economic development as well as provide employment opportunities to many people is the Bole Lemi Industrial Park.

In this study, an empirical analysis will be conducted in order to show how SHRM influences employee retention within the Bole Lemi Industrial Park. The study will therefore fill in some gaps of knowledge that have been established in previous studies. The results of this study can prove invaluable for HR professionals working within the industrial park to improve their retention practices. The study results can also serve as guidelines for policy makers such as for EIC, IPDC and other government bodies when formulating better labor laws and future research as an input.

## 1.6 Scope of the study

The current research focused on 11 firms located in Bole Lemi Industrial Park, which had 27,725 full time employees in total. The scope of research was confined to the territory of Bole Lemi, concentrating on firms working in Garment manufacturing in supervisors and operators position. The study mainly focuses on four SHRM practices such as training and development, fair compensation and benefit, provision of safe and inclusive environment, as well as increase in workers engagement and participation. Moreover, job satisfaction was considered as a potential mediator affecting workers Retention and the quantitative Research approach used.

## 1.7 Limitations of the study

The current research focuses solely on the case of the Bole Lemi Industrial Park; therefore, its findings cannot be generalized for other similar settings in Ethiopia. Information gathering was reliant on the cooperation and accuracy of respondents' answers, which could potentially lead to response bias. Despite this, it is still expected that the research will offer relevant insight into the subject under analysis.

## 1.8 The study paper's structure

This study has been structured in five well-defined chapters. In the introduction chapter, the background information about the topic will be presented along with the problem statement and research objectives as well as scope and limitations of the study. Chapter Two will include an in-depth literature review on previous work done regarding the relationship between sustainable human resources practices and employee retention, discussing relevant theories and highlighting gaps in the existing literature. Chapter Three will focus on the methods employed in conducting the research. It will present information on the research approach and describe the process of gathering and analyzing the data collected. Chapter Four will cover the presentation and analysis of the findings. Chapter Five ties everything together, summing up the findings and outlining recommendations based on those results.

## 1.9 Operational definition of terms

**Production Line Supervisors** – Personnel who are in charge of managing and coordinating the processes of production that take place on the manufacturing line to ensure that production goals are met, quality standards are observed, safety is followed, and operational protocols are adhered to effectively

**Operators** – Personnel who are involved in doing the production processes on the manufacturing line through sewing, cutting, assembly, packaging, or machine operation. They are tasked with performing their assigned production processes according to the standards set by the organization

# CHAPTER TWO

# REVIEW OF RELATED LITERATURE

## Introduction

This chapter contains a thorough review of all major theoretical and empirical studies conducted on the topic of SHRM strategies, job satisfaction, and employee retention. This chapter formulates the theoretical basis for the current research, as well as reviews previous studies in order to formulate areas of inquiry in the field. The analysis presented in this chapter thoroughly discusses key theories related to the study area. In doing so, it focuses on discussing major theoretical concepts associated with sustainable HR management, job satisfaction, and employee retention. Further, this chapter also reviews practical data in order to discuss connections between the above constructs and their integration through job satisfaction.

### 2.1 Conceptual Definition of Key Terms

#### 2.1.1 Sustainable HRM

Sustainable development has become a critical issue due to the rapid decline in the number of natural resources, increased attention to socioeconomic disparity in society, and social responsibilities of firms (Genari, 2021). Alongside economic development and globalization, there is a significant increase in human rights violations, environmental pollution, and financial inequality. As a result, issues such as poverty, gender inequality, and starvation remain vital for the social environment and sustainability of the world's population (Hu, 2023).

Sustainable Human Resources Management (SHRM) is an innovative way of managing human resources which understands that corporate activities have much in common with social responsibility and environmental sustainability. First of all, people who work at firms should be considered more as stakeholders rather than means for profit. Development, prosperity, and adequate treatment of employees are necessary for the organization's development and overall benefits for society (Sustainablity Directory , 2025).

The concept of Sustainable HRM requires applying human resource management strategies aimed at creating social and human capital in an organization. Recent academic studies report that HRM is increasingly understood not as a set of policies limited to organizational activities but something that impacts the environment, society, and general human welfare (Mazur, 2017). The key aim of SHRM is to create a favorable working environment and develop productivity and job satisfaction of employees. In the long run, SHRM needs to foster positive organizational culture that would ensure the firm's continuous success (V Shripria , 2024).

#### 2.1.1.1 Training and Development

Training and development plays a vital role in improving the performance of the employees. Training is meant to increase skills of the employees hence improve their productivity and make operations effective resulting in success for the organization (Mutarubukwa, 2024). Within human resource management, training and development form an important element within the larger scope of human resource development. The process of training helps in developing skills and competencies and thus helps organizations achieve set goals through having knowledgeable employees (Karunaratne R. S., 2023).

According to MMDR, (2016) some of the advantages of training for the workers include improved skills in decision making and problem solving. Besides, training encourages personal development which results in the development of self-confidence. Employees feel empowered to cope with pressure, tensions, frustrations, and conflicts at work. Additionally, training makes one feel valued and appreciated thus resulting in job satisfaction. Training helps people to attain personal goals and improves their social skills in the work environment.

Indeed, training and development become highly valuable tools for handling the problem of knowledge deficiency. With the focus on this issue, companies will be able to create a loyal and competent team of employees, thus increasing the chances for reaching the goals set (Karunaratne I. , 2023).

#### 2.1.1.2 Compensation and Benefits

Compensation forms an important aspect of human resource management since it acts as one of the most significant motivational factors. However, the degree to which both compensation and benefits affect job performance and organizational effectiveness depends on how the specific compensation and performance management systems are developed in the organization (Reddy, 2020).

As Salisu, Chinyio, & Suresh, (2016) pointed out that Compensation is a very important consideration in terms of ensuring that the employees remain loyal to the firm. It becomes clear that the development of the compensation system in the organization significantly increases satisfaction and helps motivate the workers to deliver quality performance (Pertiwi, 2021).

The purpose of the compensation system is to reward employees for their efforts and motivate them to improve productivity through more effective actions. Effective systems encourage the workforce to make further efforts in order to increase their effectiveness at work. Increased employee satisfaction with pay raises willingness to come to work, improves their effectiveness in general, and promotes organizational commitment. Thus, good firms need to focus on the acquisition of better performers and rewarding them for contributions (Ayza, Ayalew, and Addis Ababa, 2018). It is important to remember that compensation and benefits are of high importance for workers and expected as they play a great role in meeting the financial goals of employees. Compensation goes far beyond the money paid by employers and affects job performance through creating financial stability (Abdul, 2022).

It is important for any HRM to have a good, effective compensation and benefit plan as part of its HR package. The compensation plan helps the organization to attract and keep high-performing employees, whose output conforms to organizational goals and objectives. On the other hand, an ineffective, poorly defined, or mismatched reward scheme may limit organizational performance, job satisfaction, and productivity of employees (Demissie).

#### 2.1.1.3 A safe and inclusive working Environment

There are several physical elements that define the working environment such as sound levels in the background, quality of equipment, quality of air, and temperature. As noted by (Saad Salman, (2016) workers tend to stay in organizations where there is stability and positivity in the working environment. As pointed out by Palwasha Bibi A. A., (2018) the working environment is crucial for fostering commitment and retention in the workforce. Where workers feel safe and supported while at work, it influences engagement, loyalty, and retention in the organization. A good environment promotes job performance, while a bad one affects it negatively.

The positive work environment creates psychological well-being among employees from the very beginning and gives employees motivation which keeps them productive during their entire day at work (David Mwakidimi Msengeti, 2015). In addition, the safe work environment results in improved job satisfaction levels and allows organizations to maintain their employees for a longer period. However, an unsafe work environment manifests itself through the use of outdated and low-quality furniture or equipment that makes employees dissatisfied with their work and increases employee turnover (Mathewos).

Motivated and healthy employees are crucial in ensuring that productivity and economic growth take place within the garment manufacturing firms. Motivated employees who have task commitment and clear instructions from the management tend to demand recognition in case they succeed. With improvement in the work environment, such workers become more demanding with respect to safety and security within their workplaces (Kamaljit Singh Rana, 2021).

According to Zongjun, (2019) workers usually stick around in jobs where they see the working environment as being right. As the efforts of employees receive appreciation and have value to them, they will tend to stay with the firm. It follows that management must put efforts into creating an effective work environment so that it can maximize production and create value.

It is quite important that workplace safety should be emphasized as it plays an important role in the relationship between the firm and the worker. It goes beyond preventing accidents because when the work environment is viewed as safe by the employees, then they get a good feeling and become very satisfied. Their job satisfaction makes them more loyal to the employer (Attia Aman-Ullah, 2022) .

#### 2.1.1.4 Employee Engagement

Employee engagement, as per Saxena S. B., (2023) refers to a human resources approach whose importance lies in showing the degree of the energy, excitement, and passion employees display at work in the execution of daily tasks.

Employee engagement is often considered an important measure of how willing the employees are to work hard towards achieving organizational goals. Employee engagement is a very important factor that determines the organizational performance, influencing both profitability and the way organizations conduct their day-to-day activities (Choongo, 2023).

Employee engagement refers to measuring the level of employee commitment to his or her job and to striving to achieve the highest possible level of performance. In cases where employees are truly engaged, they tend to work harder and be loyal to the organization and make a significant contribution to its success (Abdul, 2022). They are not simply completing their jobs but caring about their jobs and taking their obligations seriously. The high level of employee engagement can be linked to a variety of benefits that include better service offered to customers, better efficiency, higher profitability, lower turnover rate, and greater employee loyalty. In some cases, employee engagement might even be responsible for the overall job satisfaction (Ashraf, T., & Siddiqui, D. A., 2020).

### 2.1.2 Employee retention

Retaining employees is considered one of the main goals of Human Resource management. This not only relates to retaining highly qualified workers but also concerns developing them in the long term, anticipating future needs, and identifying high potentials for the future. As (Karunaratne S. S., 2023), keeping quality employees is becoming increasingly difficult in

the current context, especially considering that the modern corporate world has become highly competitive and complex.

According to Gorde, (2019) employee retention represents the ability of an organization to retain its employees. In essence, it refers to the actions taken by an organization to ensure that its employees feel motivated and stay with the organization for as long as possible. Likewise, according to Hassan, (2011) employee retention ensures that the right people are in the right place in an organization. Consistent with this, Sandhya, (2011) defines employee retention as finding ways to convince the organization's employees to stay for as long as possible or, at least, until a crucial project is completed.

Employee retention is still a tough challenge for today's organizations and their management. Losing valuable employees racks up sizeable costs for a company not just in money, but also in lost know-how. There's the added price of investing time, capital and effort to recruit and integrate fresh talent on top of that (Khan, 2020). On top of these issues, organizational performance describes how well a firm can use its human resources efficiently and effectively to hit the targets and goals it has set for itself (Nwadukwe, 2012).

As noted by Sorn, (2023) the retention of competent and skilled workers is important for organizations since it ensures productivity, efficiency, and performance in terms of reduced staff turnover. Some of the measures used to retain talent include competitive compensation, provision for career growth, establishing a positive work culture, and recognition of contributions. However, retaining skilled talent is increasingly becoming difficult in the modern environment. Some experts believe that organizations should prioritize acquiring new talent and developing employees and neglecting the retention aspect. This implies that all efforts invested in talent acquisition would be futile as the employees would end up quitting before the organization reaps from its investments (Edwin, 2019).

Firms that apply human resource management (HRM) through sustainability approach demonstrate higher employee retention rates because of the positive attitude towards their jobs that employees possess (Cachón-Rodríguez G. B.-G.-R.-C.-F., 2022). The reason behind

that is the presence of three essential HRM dimensions such as appreciation, recognition, and respect which lead to empowerment and increased efforts to provide quality performance (Andari, 2021).

According to Igbinoba, (2022) external and internal environmental factors play a critical role in determining whether employees will choose to stay or leave the organization. External reasons can include things like improvements in working conditions for professionals in similar jobs in other organizations or increased demand for products within a particular sector, among others. At the same time, the general cultural and social environment corresponding to the organization matters. In terms of internal environment, structures and incentive management make a difference.

Efficient employee turnover management calls for meeting the needs of staff through creating appropriate and positive working environments along with providing all necessary means for employees to do a good job. This implies offering career development and personal growth opportunities, showing trust, and giving employees room for exercising their independence and making decisions (Samašonok, 2024).

### 2.1.3 Mediating Role of Job Satisfaction

Job satisfaction can be viewed as a key component of the workplace (Herminingsih, 2020). According to Sypniewska, B., Baran, M., & Kłos, M. , (2023) job satisfaction involves having a positive attitude towards one's work because of a person's assessment of their job and all the experiences they have had while fulfilling it. This includes assessing not only the employee's job itself but also all the duties they perform and their general environment at work. Thus, job satisfaction is very important since it ensures the continued involvement in working processes and prevents voluntary resignation (Mumin, 2022).

As Wojtczuk, (2019) explains that job satisfaction relies on several determinants that change depending on the changing environment within the organization. The major determinants come from the inherent features and requirements of the job itself as well as certain management approaches used in the company. Hence, job satisfaction may be defined as a

situation when individuals' expectations match with the realities in terms of job-related benefits (Hulu, 2025). Workers who feel satisfied and fulfilled in their jobs display positive and optimistic attitudes towards their jobs as a result, job satisfaction tends to increase worker productivity and leads to better company results (Dlamini, 2021).

The lack of job satisfaction has been found to lead to growing absenteeism and high turnover rates in many companies. Job satisfaction has not received enough attention among firms; therefore, it has not been put on the list of company priorities (Sareen D. B., 2018).

Job satisfaction helps attract and retain workers, which depends on whether workers receive proper physical and psychological care. Certain determinants of job satisfaction have a significant impact on employee loyalty and influence such phenomena as turnover, tardiness, absenteeism, accidents, and grievances. Absenteeism is higher among dis-satisfied employees (Htun, 2022).

## 2.2 Theoretical Framework

### 2.2.1 Social Exchange Theory

Social Exchange Theory (SET), as per Davlembayeva, (2023, provides the actual components of social relations, focusing on how important it is for such relations to have involvement from other people. This theory has contributed significantly to understanding the logic of decisions made during the assessment process when it comes to personal interactions.

The theory is widely used to analyze the dynamics in relation to employers and workers. It helps organizations understand worker behavior, thus assisting in formulating their human resource policies and establishing unique social exchange relations. As Wei Xuecheng, (2022) asserts that those who receive favors from other people feel obliged to return favors and exhibit loyalty towards them.

According to Thomas, (2021), set offers an impetus for organizations and their managers to increase employee accountability as well as develop a conducive working environment. The

theory is based on reciprocity, where organizations take the first step by offering good treatment or behavior towards employees and expecting similar behavior from the latter.

### 2.2.2 Resource-Based View Theory (RBV)

The Resource-Based View is a fundamental concept in the field of strategic management that emphasizes the significant impact of the internal resources of a firm on achieving and maintaining competitive advantages. In this context, the resources and capabilities of a firm become the key determinants of sustainable competitive advantage over other firms (Wartini, S., Prananta, W., Febriatmoko, B., & Putri, P. I, 2024).

According to Lubis, (2022), the RBV perspective investigates the tangible and intangible assets of a firm that contribute to its strategic advantage. The RBV is based on examining the specific strengths of a firm through its resources and capabilities. Since the RBV perspective focuses on internal aspects of the business environment, it offers an inside-out approach for analyzing performance and identifying key determinants of success or poor performance.

The theory of RBV provides a thorough framework for discussing the vital roles played by tangible and intangible resources in achieving and sustaining competitive advantage. According to this perspective, the strengths and capabilities of a firm become valuable resources that give it a competitive edge over its rivals. This approach has developed significantly with the contribution of different theorists (Mailani, 2024).

According to the Resource Based View theory, firms gain competitive advantage through valuable, rare, inimitable and non-substitutable resources (VRIN). In this regard, one of the most important organizational resources according to the RBV theory is people, whose knowledge, skills and experience are difficult to imitate by competitors (Barney, 1991).

The Resource-Based View (RBV), which argues that employees represent valuable organizational resources capable of generating sustainable competitive advantage when effectively managed. By investing in sustainable HRM practices, organizations develop and retain knowledgeable, skilled, and committed employees who contribute to long-term organizational performance.

## 2.3 Empirical Review and Research Gap

Academic research on SHRM highlights its critical importance not only as an element of business performance but also as a means of ensuring workers' well-being and sustainability. There is empirical evidence that sustainable human resource management embraces environmental, social, and economic aspects of such primary HR functions as recruitment, training, evaluation, and motivation. Thus, SHRM acts as a stimulus to develop responsibility and sustainability. For example, in their study Macke, Genise Genari and Janaina, (2022) found out that sustainable HR practices have a certain impact on organizational commitment and, in particular, the highest one regarding affective commitment because of social exchange theory. This result means that sustainability-focused HR policies help to build loyalty among employees and promote sustainability in the corporate environment in Brazil. Similarly, Raveenther,(2020) found that sustainability-focused HR management contributes to the performance and sustainability of banks in Sri Lanka. Overall, the results discussed above create strong arguments in favor of developing sustainable HR practices.

Many researchers rely on a general theoretical framework, which can be either Social Exchange Theory by Yaqub and Rana Mumahhad Shahid, (2022) or Organizational Culture Theory. Some papers lack theoretical assumptions based on existing theories, which negatively impacts on connecting the empirical results within the same theoretical context and makes it difficult to make sense of obtained empirical evidence (Raveenther, 2020). A major weakness shared among most studies is the reliance on cross-sectional studies and secondary sources that limits causal inference and longitudinal analysis. For example, Priyanka Verma's study (2017) was heavily based on secondary data and conceptual models leaving the possibility for analysis and observation of changes limited. A significant amount of studies has used rather small samples as in the case of Rana Mumahhad Shahid's paper (2022) that uses the sample of 330 participants. Moreover, there is no enough longitudinal and experimental research that would help to establish causality between SHRM practices and sustainability. It is also true that some studies were conducted on highly specialized industries making their applicability limited.

from diverse settings like hospitals in Pakistan (Yaqub, Rana Mumahhad Shahid. 2022) energy companies in India (Anuradha Rekhadi And Uma Devi M ,2024), plus firms from manufacturing all indicate that supporting employee well-being and using eco-friendly practices really does influence people at work. More folk report higher job satisfaction, feel more motivated, and are less likely to leave their jobs when these measures are in place. Looking through the research, it's clear that the impact goes even deeper: leadership and company culture really do make a difference when embedding sustainability in HR strategies.

Many studies carried out in different settings have found that the promotion of employee wellbeing and use of environmentally sustainable practices have a positive effect on the behavior in organizations. Increased job satisfaction, motivation, and decreased turnover intentions are observed where such practices are implemented. A general overview of the literature shows that such factors as leadership and organizational culture become critical for embedding sustainability issues into human resources management strategies. Stakeholder theory and social exchange theory are often mentioned when authors attempt to illustrate these processes (Goyal, 2018).

For example, in their study on the impact of sustainable human resource management practices on organizational resilience and employee retention in Medan, Indonesia (Rasyid, 2025) demonstrates that high priority given to employee wellbeing, continuous training, and consistent career development lead to both organizational resilience and employee retention. Similarly, in his research on Sustainable Human Resource Management Strategies' Impact on Employee Retention, Engagement, and Loyalty in Banking Sector of Zambia, (Choongo, 2023) finds that the appropriate implementation of sustainable HRM strategies leads to an increase in all mentioned variables and improves organizational performance. Moreover, according to the research conducted by Denise Genari, (2021, Anuja, (2020), Verma, (2017) Verma, (2017) sustainable human resource management also positively influences organizational commitment and sustainability, employee wellbeing and overall organizational performance.

For example, Singh R. J. (2021) focuses solely on the banking industry within Zambia. This makes it hard to make the results of the research applicable to other industries or businesses.

In effect, the research is likely to give a relatively narrow view of the problem under consideration and the issues surrounding SHRM generally. Regardless, significant gaps continue to exist in terms of the geographical coverage and focus on sectors of research conducted today. The bulk of existing literature focuses mainly on the Asian continent, with more attention being devoted to Sri Lanka, Pakistan, and India. Other continents like Africa and Latin America, as well as some less researched countries like Ethiopia, have been left out. For example, a study like the one conducted by Poonam Likhitkar and Priyanka Verma (2017), based on Sri Lanka, cannot easily be generalized to apply elsewhere owing to the major differences in cultures and legislation across countries. There is a huge dearth of information about the situation in Africa, especially Ethiopia, where there is relative scarcity. As a result, it is quite hard to determine if the findings that have been established in Asia will also be applicable elsewhere.

As Sareen B.,(2018) explores how Sustainable Human Resource Management (SHRM) practices like recruitment, training and development, performance appraisal, and reward systems connect with employee job satisfaction. The study highlights that applying solid HR strategy which truly line up with the company's goals leads to higher employee satisfaction and, as a result, boosts how well the organization performs overall. Drawing on previous research, Sareen brings together a conceptual framework designed to help us better grasp these connections. The biggest research gap comes down to a lack of real-world studies that look straight at how specific SHRM practices affect job satisfaction, especially when comparing different types of organizations. On top of that, the paper points out that more work is needed on figuring out the mediating factors that might affect this link, and deeply investigating the inner workings by which HR strategies actually influence the way employees feel and perform and how they shape broader organizational results.

Saxena B. a., (2023) assess how training and development are associated with engagement and retention in organizations. Namely, well-thought-out and structured training programs are effective at developing the necessary skills in employees and changing their behaviors in a way that boosts performance. All these contribute to increased employee engagement and lower staff retention rates. As per the findings of this paper, companies that invest in

employee training reap many benefits including higher performance rates, improved corporate image, and higher profits. Training helps boost employee engagement, which makes them more willing to stay in the company, thus promoting organizational growth. Innovative training and development programs together with good leadership development efforts have been shown to be vital for retention of talented employees, which in turn leads to success. However, some weak points have also been identified such as a lack of visual presentation about the costs of poor retention and advantages of high engagement, failure to address individual needs when developing training sessions, etc. Thus, more primary data should be collected through interviews and surveys and a wider geographical area considered.

### 2.4 Conceptual Framework of the Study

The current research paper presents a conceptual framework that seeks to investigate the influence of sustainable Human Resource practices and mediating role of Job satisfaction on employee retention. Four important areas under SHRM will be considered as follows: Training and Development; Compensation and Benefits; Safety and Inclusiveness in the Workplace; and Employee Participation and Engagement.

The main mediating factor here is job satisfaction that involves such important determinants as motivation, recognition, and overall positive affect towards the job. As a result, the more satisfied employees are with their jobs, the higher the probability that they will stay with the company despite the existence of better job opportunities elsewhere. Therefore, not only do SHRM practices have direct effects on employee retention, they also indirectly influence retention through improving employees' well-being and increasing their satisfaction.

Finally, employee retention is an important dependent variable because it reveals the ability of the company to keep its employees, thus ensuring organizational stability and decreasing related costs. Together, all of these variables provide a basis for understanding the role that sustainable HRM practices combined with high job satisfaction can play in ensuring the emergence of committed staff in manufacturing companies of the Bole Lemi Industrial Park.

Figure 2.1 1 Conceptual framework




Source (REKHADI, 2024), (Palwasha Bibi A. A., 2018), (Andari, Nafiudin, Ratih Purnamasari, 2021), (Sareen B. , 2018)

## 2.5 Research Hypothesis

Using the conceptual framework as a roadmap, this research maps out several hypotheses to explore the links between Sustainable Human Resource Management (SHRM) practices, job satisfaction, and employee retention within Bole Lemi Industrial Park's manufacturing sector. The hypotheses are designed to look at both the direct and indirect effects SHRM practices might have on keeping employees within the organization.

**H1:** Training & development positively influences employee retention

Training and Development (T&D) is expected to boost employee retention by giving people vital skills, information and chances for movement in their careers. When employees take part in useful training, they're more likely to feel like important pieces of the organization

which tends to increase their motivation and sense of loyalty. So, this study hypothesises that Training and Development has a positive impact on Employee Retention.

**H2:** Fair compensation & benefits positively influence employee retention

Compensation and benefits, including things like fair salaries, bonuses, promotions, and recognition programs, are generally thought to play a positive role in keeping employees around. If staffers feel their pay and perks are fair and give them motivation, they're more likely to stick with the company. So, this study argues that compensation and benefits encourage higher employee retention.

**H3:** A safe & inclusive work environment positively influences employee retention

A Safety and Inclusive Working Environment (SIE) is expected to boost employee retention because it emphasises safety, respect, and inclusion throughout the workplace. When people feel supported and secure on the job, they tend to feel more satisfied and less likely to think about leaving. In light of this, the study hypothesises that fostering a Safety and Inclusive Working Environment can have a beneficial impact on Employee Retention.

**H4:** Employee engagement and participation positively influences employee retention

It's believed that Employee Engagement and Participation (EE) have a positive impact on employee retention. When people are actively involved in making decisions, solving problems, and taking part in company initiatives, they tend to feel a stronger sense of ownership and commitment to the organization. This makes them more likely to stay. Based on that, this study puts forward the hypothesis that Employee Engagement and Participation positively affect Employee Retention.

**Mediation Effects**

Job satisfaction acts as a mediating link between sustainable human resource management (SHRM) practices and employee retention. When employees feel their job is satisfying, they're more likely to stick with their current organization. This means that SHRM practices

not only have a direct impact on retention but also support it indirectly by boosting job satisfaction.

**H5:** Job satisfaction mediates the relationship between training & development and employee retention

**H6:** Job satisfaction mediates the relationship between fair compensation & benefits and employee retention

**H7:** Job satisfaction mediates the relationship between safe & inclusive work environment and employee retention

**H8:** Job satisfaction mediates the relationship between employee engagement/participation and employee retention

# CHAPTER THREE

# RESEARCH METHODOLOGY

## Introduction

This chapter elaborates on the methods and approaches that have been used to achieve the objectives of the research outlined in the previous sections. It offers an insight into the research design and its type, discusses the methods of data collection, mentions the target population and the sample selection technique, outlines the data collecting instruments employed in the research, and provides information about analytical techniques used to analyze the collected data.

## 3.1 Research Approach

The research makes use of a quantitative approach in order to determine whether there is any connection between sustainable human resource management practices (SHRM), job satisfaction, and employee retention, and also to explore the effect of SHRM practices on employee retention at Bole Lemi Industrial Park. In this regard, the study focuses on analyzing the connections between variables involved, which might be of clarificatory, predictive or controlling nature. As Kandel, (2020) notes that quantitative research makes use of a set of procedures to systematically collect and analyze numerical data in order to discuss certain issues and relationships between them.

## 3.2 Research Design

The study makes use of both descriptive and explanatory research designs, which are relevant to analyzing current SHRM practices and the connections between SHRM, job satisfaction, and employee retention. According to Creswell (2005), descriptive research pays close attention to characteristics of individuals or phenomena analyzed, while explanatory research uncovers the purpose of the inquiry by revealing the causal relationship between the variables.

In this case, the part of the research that can be referred to as explanatory explores the causal connections between several factors and focuses on the direct and indirect effects of SHRM on employee retention through job satisfaction mediation. Combining these two approaches helps develop a better understanding of the issue in question. Descriptive data helped to discover some facts related to current HR practices, and the exploratory part of the study will establish that there is indeed some causality between the variables. Therefore, these methods make a good base for making managerial decisions with the view to improving employee retention especially at manufacturing companies located at Bole Lemi Industrial Park.

### 3.3 Target Population of the Study

Population refers to the total number of units or objects being studied. This consists of all members selected from which a smaller sample is derived for study purposes (Kisasilla Cosmas Kisasilla, 2024).

The target population of this study comprised 27,752 permanent employees working in 11 manufacturing organizations operating within Bole Lemi Industrial Park. These included workers involved in production as well as the line supervisors who utilize SHRM strategies in their operations. Participants were limited to only those who have passed their probation period since they were conversant with organizational policies and HR practices. Inclusion of such participants would help examine the effects of SHRM practices on job satisfaction and intention to retain their jobs within the organization. Diverse opinions of participants from different organizational levels would be used to give an elaborate analysis of the interactions among the variables.

### 3.4 Sampling Technique

Probability sampling technique was employed to make sure that the information collected from participants represented the whole population. Stratified sampling was applied in the quantitative research approach. Stratification was done on basis of individual firm, and each job title in each of these organizations namely; sewing, cutting, packaging, folding, quality control, and line supervisors. The most applicable probability technique in such a case as per Etikan, I., & Bala, K., (2017) is stratified sampling because the population is heterogeneous

and the obtained sample will represent all population members better. The population of 27,752 was divided into strata based on firms and job titles. Sample size used in the survey was calculated using Yamane (1967) formula.

### 3.5 Sample Size Determination

Given the finite target population of employees at Bole Lemi Industrial Park (N = 25,725), the sample size for the survey determined using Yamane's (1967) simplified formula for proportions, which is suitable for organizational surveys with a known population size and an acceptable single overall margin of error. This formula takes into account a margin of error of 5% (or 0.05) and confidence level of 95%). The formula is

$$n = \frac{N}{1+N(e^2)},$$

Where n = sample size

N = population size = 25,725

e= error (0.05) reliability level 95%

Or; e= level of precision always set the value of 0.05

n= 25,725/1+25,725*$(0.05)^2$

**n=394** so, the quantitative sample includes roughly 400 employees

**Proportional Allocation of Sample Size per Company**

To ensure that each of the 11 companies is fairly represented, a sample size is distributed based on the number of employees in each company.

Table 3.5 1 presents the proportional sample allocation:

| Sr No | Company Name | Number of Employees | Sample Size (n=400) |
|---|---|---|---|
| 1 | Shints ETP Garment plc | 7310 | 114 |
| 2 | Jay Jay Grament plc | 10808 | 168 |
| 3 | Ashten Apparel Manufacturing plc | 1667 | 26 |
| 4 | LR Ethiopia Medical Manufacturing | 362 | 6 |
| 5 | Top New Apparel Manufacturing plc | 1112 | 17 |
| 6 | Shangtex Eth Textile plc | 2003 | 31 |
| 7 | Vestis Garment Production plc | 609 | 9 |
| 8 | Lyu Shoutato Factory plc | 576 | 9 |
| 9 | Evertop Sportswear plc. | 560 | 9 |
| 10 | Maxxen Wearing Apparel MFG PLC | 608 | 9 |
| 11 | Souflet | 110 | 2 |
| **Total** | | **25725** | 400 |

**Source: -** October 2025 Data

### 3.6 Data Collection

The data collection method of this research involved a questionnaire with closed-ended questions specifically adapted and designed for the study. The closed-ended questionnaire developed based on summative scales (also known as Likert-type scales) with five response options: "strongly agree," "agree," "neutral," "disagree," and "strongly disagree." This questionnaire includes a series of statements to which respondents can express their feeling. The use of a Likert scale is appropriate because it effectively measures attitudes, which are essential for this study.

### 3.7 Data Collection Method

To gather relevant data, a primary source of information was considered. According to Victor Oluwatosin Ajayi, (2023) Primary data refers to data collected for the first time. Structured questionnaires were used to directly obtain primary data from employees. In order to get quantitative data on SHRM practices, work happiness, and employee retention, 400 employees from 11 different firms were given these questionnaires.

### 3.8 Method of Data Analysis

Descriptive statistical analysis was employed in the investigation, following Dibekulu, (2020) Statistical analysis actually includes both descriptive and inferential methods. Descriptive statistics provide insight into the central tendency of the dataset by analyzing the mean, median, and mode of the data set. Descriptive statistics can also show the dispersion present in the data through range and standard deviation measures. However, inferential statistics involve making decisions on the characteristics of the larger population based on the information gathered from the selected sample in an effort to study the relationship between the independent and dependent variables. Data analysis has been done using Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 4.

### 3.9 Reliability and Validity

According to Mira Anderson, Kofi Bateng, (2024) reliability and validity are important aspects of scientific research. The notion of validity speaks to how well a tool actually measures what it intends to measure whereas reliability denotes the consistency of the measurement. The more consistent a measurement is, the more reliable it is considered. Cronbach's alpha method is used to determine the consistency of the measure based on its internal consistency.

Table 3.9 1 Cronbach's Alpha Internal Consistency

| Cronbach's alpha level | Cronbach's alpha result |
|---|---|
| $\alpha > 0.9$ | Excellent (High-Stakes testing) |
| $0.7 < 0.9$ | Good |
| $0.6 < 0.7$ | Acceptable |
| $0.5 < 0.6$ | Poor |
| $\alpha < 0.5$ | Unacceptable |

Source: (Mulud, 2017)

As pointed out by Bujang, M. A., Omar, E. D., & Baharum, N. A. , (2018) Cronbach's alpha evaluates internal consistency or reliability using diverse items, scales, or tests. In simple terms, the coefficient measures how dependable the response is on different questionnaire items or a particular section within such a questionnaire. It measures the reliability and consistency of measuring tools over a certain period of time.

All measurement items were highly reliable since Cronbach's alpha coefficient exceeded the usual value of 0.70. Before the actual study was started, the instrument underwent a pilot test that helped in assessing its validity and reliability. Constructs of Training and Development, Compensation and Benefits, Safe and Inclusive Work Environments, Employee Participation (Engagement), Job Satisfaction, and Employee Retention achieved high values of Cronbach's

alpha that were over 0.70, meaning that all scales were reliable. It is important to point out that Job Satisfaction and Employee Retention received "excellent" level of internal consistency. However, other scales were identified as "good." Altogether, all used measuring scales demonstrated internal reliability and validity.

### 3.10 Ethical Consideration

The study maintained strict ethics throughout all stages including preparation, data collection, analysis, and reporting. The participants were properly informed about the study and the process involved in it. They provided their consent to participate in the study verbally or in written form. Participation was voluntary, and withdrawal was also possible anytime during the study. Participant/organization identification data was protected and all personal data was coded in reports. Also, data was stored safely and kept secret from anyone but the researcher.

# CHAPTER FOUR

# DATA PRESENTATION, DISCUSSION, AND ANALYSIS

## Introduction

The following chapter highlights the major results of the impact of SHRM practices on employees' retention in the case of Bole Lemi Industrial Park. First of all, there will be discussed briefly the survey response rate as well as the basic demographic features of respondents. Next, there will be performed descriptive analysis of the most important variables, after which there will be conducted a deeper analysis using some statistical inference techniques, paying special attention to the analysis that has been carried out via SEM methodology. The structure of the chapter follows a sequence from the assessment of the reliability and validity of the measurement scales to the testing hypotheses set forth in Chapter Two.

## 4.2 Response rate

Table 4.2 1 Response rate from each company

| Sr No | Company Name | Questionnaire | | |
|---|---|---|---|---|
| | | Total | Returned | Not Returned |
| 1 | Shints ETP Garment plc | 114 | 107 | 7 |
| 2 | Jay Jay Grament plc | 168 | 164 | 4 |
| 3 | Ashten Apparel Manufacturing plc | 26 | 23 | 3 |
| 4 | LR Ethipia Medical Manufacturing | 6 | 6 | 0 |
| 5 | Top New Apparel Manufacturing plc | 17 | 15 | 2 |
| 6 | Shangtex Eth Textile plc | 31 | 29 | 2 |
| 7 | Vestis Garment Production plc | 9 | 7 | 2 |
| 8 | Lyu Shoutato Factory plc | 9 | 9 | 0 |

| | | | | |
|---|---|---|---|---|
| 9 | Evertop Sportswear plc. | 9 | 9 | 1 |
| 10 | Maxxen Wearing Apparel MFG PLC | 9 | 7 | 1 |
| 11 | Souflet | 2 | 2 | 0 |
| **Total** | | **400** | **378** | **22** |
| **Total Response Rate** | | **94.5 %** | | |

**Source:** Own Survey, 2025

400 questionnaires were given out to employees across all 11 companies in Bole Lemi Industrial Park. Of these, 378 questionnaires were filled in and retrieved correctly to be used for analysis. On the other hand, 22 questionnaires were either missing or improperly filled and hence were unusable. The response rate for the survey was 94.5%. This is an acceptable response rate for the study to have high validity. According to Bobbie (1998), any survey with a response rate of 70% and above is classified as having an excellent response rate.

### 4.3 Respondents Demographic Characteristics

The demographics of the respondent represent the current composition of the Bole Lemi Industrial Park and create a context to assess the application of SHRM strategies in relation to employee retention.

Table 4.3 1 Demographic Characteristics of Respondents

| Variable | Category | Frequency (N=378) | Percentage (%) |
|---|---|---|---|
| Gender | Male | 42 | 10.8 |
| | Female | 337 | 89.2 |
| Age | 18-25 | 327 | 86.5 |
| | 26-35 | 49 | 13 |
| | 36-45 | 2 | 0.5 |
| Marital status | Single | 232 | 61.4 |

| | | | |
|---|---|---|---|
| | Married | 144 | 38.1 |
| | Divorced | 2 | 0.5 |
| Education Level | Diploma | 326 | 86.2 |
| | Bachelor's | 52 | 13.8 |
| Job Position | Operator | 346 | 91.5 |
| | Supervisor | 32 | 8.5 |
| Years of Experience | 1–3 | 98 | 25.9 |
| | 4-6 | 124 | 32.8 |
| | 6+ | 156 | 41.3 |

Source: own Survey, 2025

The demographic composition of the 378 respondents provides insight into the characteristics of workers at the Bole Lemi Industrial Park. Relevant demographic variables comprise gender, age, and marital status, level of education, job title, and years of experience. Results show that about 89.2% of the work force comprises women. The average age of the group is relatively young, as almost all of them (86.5%) fall within the range of 18 to 25 years old. In terms of marital status, 61.4% of the respondents are singles, while 86.2% have attained a diploma. About 91.5% of the sample work as operators, thus making it the most common job title of workers. Interestingly, around 41.3% of the respondents have stayed in their positions for more than six years. The demographic profile discussed here is highly relevant in analyzing SHRM practices and retention in the following section.

### 4.4. Independent variables descriptive statistics

For each independent variable, descriptive statistics are calculated to provide insight into central tendency and dispersion of responses. A five-point Likert scale ranging from strongly disagree (1) to strongly agree (5) was used. Table 4.4.1 summarizes the results of these calculations based on the indicators for the main constructs.

Table 4.4 1 The Study's Descriptive Statistics

Table 4.4.1 Descriptive statistics of the independent variables (Training & Development)

| **Independent variable (Training & Development)** | N | Mean | SD |
|---|---|---|---|
| My institution offers formal development training to make sure new staff members have the skills they need to do their jobs well | 378 | 3.185 | 0.688 |
| My organization is committed to investing in its employees' education | 378 | 3.362 | 0.733 |
| At my company, regular training programs are provided to help people improve their job-related skills | 378 | 2.95 | 0.735 |
| Training opportunities are available to everyone in a fair way | 378 | 3.18 | 0.701 |

Source: own Survey, 2025

"My institution offers formal development training to ensure that new employees have the skills to do their work efficiently" statement received an average score of 3.185 with the standard deviation of 0.688. It implies the average level of respondents' agreement with the provision of formal training in order to equip new staff members with necessary skills. Additionally, "My organization is committed to invest in its employees' education" statement resulted in the average score of 3.362 with the standard deviation of 0.733. These values indicate the moderate to slightly high level of organizational commitment in terms of employees' education, meaning that employees acknowledge management's efforts to invest into their development. "Regular training programs are offered in my company to enable people to enhance their job skills" statement produced the lowest average score 2.95 with the standard deviation of 0.735. It means that regular training programs are not always provided by organizations in question; therefore, there may be some problems concerning continuous skill development. Also, "Training opportunities are accessible to everyone equally" statement received the average score of 3.18 with the standard deviation of 0.701. It means that despite the fact that training opportunities do exist; there is room for improvement in terms of equal access. In summary, the average scores of the training and development

statements vary from 2.95 to 3.362. They signify that training and development programs are practiced on the moderate level in the organizations surveyed.

Table 4.4.2 Descriptive statistics of the independent variables (Compensation & Benefits)

| **Compensation & Benefits** | **N** | **Mean** | **standard deviation** |
|---|---|---|---|
| I'm happy enough with my base salary considering the amount of work I do | 378 | 2.958 | 0.792 |
| The company gives fair bonuses plus incentives | 378 | 3.212 | 0.744 |
| Non-financial benefits, such as transportation, meals, and health support, contribute to my desire to remain with the company | 378 | 2.91 | 0.782 |
| At my company, compensation is handled in a clear and consistent way | 378 | 3.111 | 0.696 |
| My company has compensation plus benefits practices that help attract and keep employees | 378 | 3.183 | 0.75 |

Source: own Survey, 2025

Concerning the statement "I'm happy enough with my base salary considering the amount of work I do", a mean was obtained which equals to 2.958, with a standard deviation of 0.792. It can be stated that the obtained mean falls into the lower end of the moderate scale, and, thus, the employees have only a moderate level of satisfaction with their base salary. Relatively high standard deviation shows that there is variation in employees' perceptions about the adequacy of their salary. The mean of the statement "The Company gives fair bonuses plus incentives" equals to 3.212 and has a standard deviation of 0.744. It shows that employees perceive company's bonus and incentive practices moderately. In its turn, the mean of the statement "Non-financial benefits, like transportation, meals, health care, etc. make me want to stay in this company" is 2.91 with a standard deviation of 0.782. The last one is the smallest among all other means and, therefore, shows that non-financial benefits are perceived as rather weak factors, which influence the retention decision making of employees. Moreover, the statement "Compensation in my company is managed in a proper and clear

manner” has a mean equal to 3.111 and a standard deviation of 0.696. In this case, it shows that the compensation management is perceived as a moderate factor. Lastly, the statement “The Company has compensation and benefits practices that help attract and retain employees” has a mean of 3.183 and a standard deviation of 0.75. This means that the employees believe that compensation and benefits practices help to attract and retain employees, but improvements are still required. Thus, it can be concluded that the mean values of all statements concerning compensation and benefits practices range between 2.91 and 3.212, showing that they are moderately perceived, although not very strong. All standard deviations are less than 1.0.

Table 4.4.3 Descriptive statistics of the independent variables (Safe and Inclusive working Environment)

| **Safe and Inclusive working Environment** | **N** | **Mean** | **SD** |
|---|---|---|---|
| I always feel safe working at my company in this environment | 378 | 3.146 | 0.754 |
| In my company, I have a good working relationship with my supervisor | 378 | 3.029 | 0.91 |
| My company creates initiatives that support reducing and preventing stress | 378 | 2.96 | 0.784 |
| At my company, I feel safe in my physical work environment | 378 | 3.188 | 0.752 |
| The company offers suitable, comfortable working conditions this includes a good working space, proper seating, and decent ventilation or air conditioning. | 378 | 3.032 | 0.809 |

Source: own Survey, 2025

"I always feel safe working at my company in this environment" resulted in a mean score of 3.146 (SD = 0.754). It is evident that employees moderately believe that their company ensures safety in the work environment. Thus, it can be assumed that workplace safety is average. Regarding interpersonal relations in the company, the statement "In my company, I have a good working relationship with my supervisor" received a mean of 3.029 (SD = 0.910). Though the mean shows moderate agreement of employees, a somewhat high standard deviation suggests a high degree of variations in interactions between the employees and their

supervisors. Consequently, it means that supervisory relationships vary depending on the department. "My company creates initiatives that support reducing and preventing stress" received the lowest mean score of 2.960 (SD = 0.784), which means that employees are neither satisfied nor unsatisfied with these stress prevention programs and need to be improved. "The company ensures safety of the physical environment I work in" received the highest mean score of 3.188 (SD = 0.752). Hence, it means that employees are satisfied with the physical safety of their workplace. Lastly, the statement "The company offers suitable and comfortable working conditions, including good working space, proper seating, and decent ventilation or air conditioning" scored a mean of 3.032 (SD = 0.809). Thus, the mean score shows moderate satisfaction with the physical conditions at the workplace. It noted that the standard deviations are rather low (below 1.0) for all questions. So, the results prove that the safe and inclusive environment in companies under consideration is moderate with the weakness in stress prevention programs and supervisory relations.

Table 4.4.4 Descriptive statistics of the independent variables (Employee Engagement & Participation)

| **Employee Engagement and participation** | **N** | **Mean** | **SD** |
|---|---|---|---|
| I am encouraged to participate in Decision making | 378 | 2.876 | 0.758 |
| In my company, my suggestions and feedback actually feel considered and valued | 378 | 2.952 | 0.677 |
| I really do feel actively involved in the organization's activities | 378 | 3.063 | 0.746 |
| My organization encourages collaboration between teams | 378 | 3.243 | 0.766 |
| Engagement initiatives have actually helped me feel more connected to the organization. | 378 | 3.034 | 0.767 |

**Source:** own Survey, 2025

The results show a moderate level of involvement and participation of the employees in the organization, having means between 2.876 and 3.243. The best result is received by the

question "My organization encourages team work between departments" (M = 3.243, SD = 0.766). It can be said that the employees agree about the encouragement of team work and collaboration within the organization. The question "I really do feel actively involved in the activities of the organization" gave the mean of 3.063 (SD = 0.746), which means the moderate involvement of the employees into the activities. Moreover, the engagement programs to increase the connection with the organization provided the mean of 3.034 (SD = 0.767). The question "In my company my suggestions and feedback are really taken into account" got the mean of 2.952 (SD = 0.677), which means that the employees feel rather neutral about being heard and listened to. The least mean has been reached by the question "I am encouraged to participate in decision making process" (M = 2.876, SD = 0.758), which means that the employees do not feel themselves being involved in making the decisions in the organization.

Table 4.4.5 Descriptive statistics of the independent variables (Job Satisfaction**)**

| **Job Satisfaction** | **N** | **Mean** | **SD** |
|---|---|---|---|
| I am satisfied with my current job role | 378 | 3.183 | 0.743 |
| My current job gives me a real sense of accomplishment and purpose | 378 | 3.185 | 0.74 |
| I'm happy with the support I get from my supervisor | 378 | 3.106 | 0.759 |
| My workload feels manageable and fair | 378 | 3.304 | 0.716 |
| I actually feel valued by the company | 378 | 3.315 | 0.727 |

Source: own Survey, 2025

"I am satisfied with my current job role" resulted in 3.183 (SD=0.743), which shows that respondents somewhat agree with this statement. Such value indicates an appropriate level of satisfaction with assigned job roles; however, there is still room for improvement. In addition, the value of the item "My current job gives me a real sense of accomplishment and purpose" was 3.185 (SD=0.740); therefore, the employees somewhat agree with such statements and think that the work they do is satisfying. Also, the average value of the item "I'm happy with

the support I get from my supervisor" was 3.106 (SD=0.759). Such a value is the smallest one among all job satisfaction items. It shows that employees perceive the support from their supervisors quite positively but not so much as compared with other aspects of job satisfaction. The value of the item "My workload feels manageable and fair" was 3.304 (SD=0.716), and it means that employees agree with the idea that they have an acceptable load. The employees' perception of workload distribution is rather positive. Furthermore, the highest average value was found to be 3.315 (SD=0.727) for the item "I actually feel valued by the company". Employees agree with the idea that they are valued and appreciated by the companies where they work. It is important to note that all standard deviations are lower than 1.0, and it means low variability of employees' responses. In general, the above analysis shows that employees of Bole Lemi Industrial Park are moderately satisfied with their jobs.

Table 4.4.6 Descriptive statistics of the dependent variables (Employee retention**)**

| **Employees Retention** | **N** | **Mean** | **SD** |
|---|---|---|---|
| I plan to keep working at this company for the next few years | 378 | 3.214 | 0.752 |
| I feel satisfied with the work I'm doing here in this company | 378 | 3.164 | 0.712 |
| If I wanted to go after another job or role, I would start by checking out what options are available within this company | 378 | 3.204 | 0.733 |
| The work I am doing at this company means a lot to me | 378 | 3.135 | 0.76 |
| I am grateful for the opportunity to work and remain committed to contributing wherever my skills are needed | 378 | 2.934 | 0.782 |

Source: own Survey, 2025

The mean values show that there is moderate retention of employees, which lies between 2.934 and 3.214. The highest value is represented by the item "I intend to continue working for this company in the next few years" (M = 3.214, SD = 0.752), which shows that employees have some intentions to remain within the company. In addition, there is the item "If I wanted to seek new positions, I would begin by investigating my chances inside this company" (M = 3.204, SD = 0.733) and it reveals the desire of workers to develop internally

rather than externally. Employees reveal moderate job satisfaction (M = 3.164, SD = 0.712), thus, they have quite good job satisfaction. Moreover, the obtained mean score of the item "The work that I am doing in this company means a lot to me" is 3.135 (SD = 0.760). Finally, the lowest mean score is reached in the item "I appreciate the chance to work and I remain committed to working wherever I can apply my skills" (M = 2.934, SD = 0.782). Standard deviations are less than 1.0 for all items and it means that there is relative consistency of the answers. Thus, in general, employees have the moderate intention to be retained in the company, and it is supported by job satisfaction and development within the company. However, more efforts should be put into building stronger organizational commitment and loyalty.

**Table 4.4.7 Summary of Descriptive Statistics**

| Construct | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Job Satisfaction | 378 | 1 | 5 | 3.219 | 0.737 |
| Training and Development | 378 | 1 | 5 | 3.171 | 0.714 |
| Employee Retention | 378 | 1 | 5 | 3.13 | 0.748 |
| Compensation and Benefits | 378 | 1 | 5 | 3.075 | 0.753 |
| Safe and Inclusive Working Environment | 378 | 1 | 5 | 3.071 | 0.802 |
| Employee Engagement/participation | 378 | 1 | 5 | 3.034 | 0.743 |

Source: own Survey, 2025

As per descriptive statistics, the employees have moderate perceptions about sustainable HRM practices as well as employee retention. The mean values lie between 3.034 and 3.219. Job satisfaction is found to be the aspect having maximum mean value (M = 3.219), followed by training and development (M = 3.171) and employee retention (M = 3.130). It implies that there exists moderate satisfaction among the employees, which reflects moderate opportunities for them for career advancement and remaining in the organization. On the

other hand, the compensation and benefits (M = 3.075), provision of a safe environment (M = 3.071) and participation of the employees in work activities (M = 3.034) are some of those aspects, which have comparatively low mean scores. As such, these are the important aspects which need improvement. It appears that there exists some gap among the sustainable HRM practices that have not been used effectively, and hence have led to lack of employee retention.

### 4.5 Inferential Analysis: Measurement Model Assessment

This study used PLS-SEM via SmartPLS 4 to analyze the hypotheses posited. The first step in the analysis process entailed an evaluation of the measurement model in line with accepted standards of reliability and validity.

#### 4.5.1 Reliability and Convergent Validity

Cronbach's Alpha and composite reliability (rho_c) were used as indicators of internal consistency for the instrument. According to Table 4.5.1, the Cronbach's Alphas and composite reliabilities for all constructs ranged between 0.859 and 0.935; that is, above the conventional level of 0.70. This implies high reliability for the instrument in that participants responded to the instrument consistently.

According to Rana M. (2020) Convergent validity refers to the level of similarity among theoretically related indicators of a construct. For convergent validity, the Average Variance Extracted (AVE) needs greater than 0.50. In this case, the AVE levels for all constructs were found between 0.640 and 0.793, all of which exceeded the standard level of 0.50. Hence, each of the constructs explains more than half of the variance in the associated indicators, implying a good indicator of the measured employee attitudes.

Table 4.5 1 Construct Reliability and Validity

| Construct | Cronbach's alpha | Composite reliability (rho_c) | Average variance extracted (AVE) |
|---|---|---|---|
| Compensation and Benefits | 0.859 | 0.899 | 0.640 |
| Employee Engagement and Participation | 0.880 | 0.913 | 0.676 |
| Employee Retention | 0.919 | 0.939 | 0.756 |
| Job Satisfaction | 0.935 | 0.950 | 0.793 |
| Safe and inclusive working Environment | 0.866 | 0.903 | 0.651 |
| Training and Development | 0.863 | 0.907 | 0.709 |

Source: Smartpls 4

### 4.5.2. Discriminant Validity

As Joseph F. Hair., 2013; Jorg Henseler, (2009) pointed out that discriminant validity refers to how unrelated two or more constructs are that measure different constructs. It can be seen from Table 4.5.2 that the discriminant validity has been demonstrated. The correlation values which are marked in bold in the diagonal are larger than any other correlation values in their own row and column, implying that the six constructs differ statistically from one another. From a practical point of view, the survey takers can make a clear distinction between concepts like “Safe and Inclusive Environment,” “Employee Engagement,” “Training and Development,” and “Compensation.” Hence, each variable is considered to be a distinct factor for Bole Lemi Industrial Park employees.

Table 4.5.2 1 **Fornell-Larcker Criterion**

| | Compensation and Benefits | Employee Engagement and Participation | Employee Retention | Job Satisfaction | Safe and inclusive working Environment | Training and Development |
|---|---|---|---|---|---|---|
| Compensation and Benefits | **0.800** | | | | | |
| Employee Engagement and Participation | 0.607 | **0.822** | | | | |
| Employee Retention | 0.660 | 0.724 | **0.869** | | | |
| Job Satisfaction | 0.682 | 0.691 | 0.849 | **0.890** | | |
| Safe and inclusive working Environment | 0.378 | 0.425 | 0.634 | 0.677 | **0.807** | |
| Training and Development | 0.627 | 0.655 | 0.719 | 0.759 | 0.630 | **0.842** |

As can be seen from Table 4.5.3, the ratios calculated by means of HTMT approach mostly fall under the critical 0.85 level, especially in relation to exogenous SHRM indicators. However, there is one case when the HTMT ratio crosses the critical line: the ratio between Job Satisfaction and Employee Retention equals 0.916, pointing out that there is a considerable conceptual similarity between the two constructs. However, the four HR predictors are still distinct enough to allow estimating their unique impact on each other independently, thus avoiding any multicollinearity problems. Despite the fact that the HTMT ratio for Job Satisfaction and Employee Retention does not satisfy the commonly accepted criteria, namely that the critical HTMT level is equal to 0.85, 0.916 can be considered an acceptable value for behavioral studies due to considerable conceptual similarity between emotion (satisfaction) and behavior (retention).

Table 4.5.3 1**Heterotrait-Monotrait Ratio (HTMT)**

| | Compensation and Benefits | Employee Engagement and Participation | Employee Retention | Job Satisf action | Safe and inclusive working Environme nt | Training and Develop ment |
|---|---|---|---|---|---|---|
| Compensation and Benefits | | | | | | |
| Employee Engagement and Participation | 0.694 | | | | | |
| Employee Retention | 0.742 | 0.805 | | | | |
| Job Satisfaction | 0.759 | 0.762 | 0.916 | | | |
| Safe and inclusive working Environment | 0.436 | 0.486 | 0.711 | 0.752 | | |
| Training and Development | 0.726 | 0.752 | 0.807 | 0.845 | 0.729 | |

### 4.6. Structural Model Analysis and Hypothesis Testing

After ensuring the reliability of the measurement model, we then proceeded to assess the hypotheses based on the structural model. In this case, we needed to carefully examine the path coefficients (β), check the statistical significance of the coefficients (by examining p-values) as well as the level of prediction achieved in terms of $R^2$.

#### 4.6.1. Coefficient of Determination (R-squared)

According to Anuja, R. (2020), the coefficient of determination ($R^2$) value of the model helps determine the fit of the research model to the data and the extent to which the variability of the dependent variable is explained by the independent variable.. The model is able to explain 74.5% of the variance of job satisfaction as depicted in Table 4.6.1 below. This is usually viewed as an indicator of the ability of the model to offer significant explanations. It also means that 25.5% of the variance is determined by other things other than those in the model thus the complexity involved in job satisfaction apart from human resources practices. This shows the substantial explanatory power possessed by the selected sustainable human

resource management (SHRM) practices and their significance as determinants of job satisfaction in Bole Lemi Industrial Park. Additionally, 72.2% of variance of Employee Retention is also explained by the model.

Table 4.6.1 1 **R-squared Values**

| | **R-square** | **R-square adjusted** |
|---|---|---|
| **Employee Retention** | 0.722 | 0.721 |
| **Job Satisfaction** | 0.745 | 0.742 |

### 4.6.2. Hypothesis Testing: Direct and Mediating Effects

Significance levels for the path coefficients were used to conduct the hypothesis tests for the main hypotheses formulated in this research. Data from the path analysis have been shown in Table 4.6.2. Values for t-statistic and p-values were calculated using the bootstrapping technique. Significance of the results was considered at the level where p-value (less than 0.05) predefined level.

Table 4.6.2 1 Hypothesised Direct and Indirect Relationships

| **Hypothesis** | **Path** | **Path Coeff (β)** | **T-Values** | **P-values** | **Decision** |
|---|---|---|---|---|---|
| **H1** | Training & Development -> Employee Retention | 0.189 | 4.983 | 0.000 | Significant |
| **H2** | Compensation & Benefits -> Employee Retention | 0.231 | 6.988 | 0.000 | Significant |
| **H3** | Safe & Inclusive Environment -> Employee Retention | 0.283 | 10.091 | 0.000 | Significant |
| **H4** | Employee Engagement -> Employee Retention | 0.203 | 6.422 | 0.000 | Significant |
| **Mediation Paths (Direct to Mediator)** | | | | | |
| | Training & Development -> Job Satisfaction | 0.222 | 5.013 | 0.000 | Significant |
| | Compensation & Benefits -> Job Satisfaction | 0.272 | 7.009 | 0.000 | Significant |
| | Safe & Inclusive Environment -> Job Satisfaction | 0.333 | 10.159 | 0.000 | Significant |
| | Employee Engagement -> Job Satisfaction | 0.239 | 6.513 | 0.000 | Significant |
| **Mediation Path (Mediator to Dependent)** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | Job Satisfaction -> Employee Retention | 0.849 | 58.331 | 0.000 | Significant |
| **Indirect (Mediation) Effects** | | | | | |
| **H5** | T&D -> JS -> ER | 0.189 | 4.983 | 0.000 | Significant |
| **H6** | C&B -> JS -> ER | 0.231 | 6.988 | 0.000 | Significant |
| **H7** | SIE -> JS -> ER | 0.283 | 10.091 | 0.000 | Significant |
| **H8** | EE -> JS -> ER | 0.203 | 6.422 | 0.000 | Significant |

**Interpretation of Path Coefficients:**

The inferential analysis of the structural model provides strong statistical evidence for the relationship between SHRM practices, job satisfaction, and employee retention. The path coefficients reveal that each dimension of SHRM practice has an evident effect on employee retention. The dimensions include engaging employees, providing training and development programs, rewarding employees through compensation and benefits, and fostering a conducive environment where employees can operate.

**Detailed Interpretation of Research Hypotheses**

**Direct Influence on Employee Retention**

**Hypothesis 1 (H1):** Training and Development -> Employee Retention

From the statistical results, Training & Development has a significantly positive impact on Employee Retention, as seen from the value of β which is 0.189. This impact is also statistically significant as the value of T-statistic is 4.983 while the P-value is 0.000. Therefore, the first hypothesis holds true since employees' chances of retaining in their jobs are high when there is an increased chance to improve their skills.

**Hypothesis 2 (H2):** Compensation and Benefits -> Employee Retention

It is evident from the above statistical analysis that Compensation and Benefits significantly improve Employee Retention. The path coefficient (β) value for this case is 0.231. On the

other hand, the T-statistic and P-values are 6.988 and 0.000 respectively. Therefore, hypothesis 2 is accepted because financial compensation helps in employee retention.

**Hypothesis 3 (H3):** Safe and Inclusive Working Environment -> Employee Retention

From the results shown above, it can be clearly seen that there is a high and statistically reliable impact of Safe and Inclusive Working Environment on Employee Retention. The path coefficient (β) is 0.283, while the T-statistic and P-value are 10.091 and 0.000 respectively. Thus, Hypothesis 3 is verified due to the importance of safety and inclusiveness in retaining employees.

**Hypothesis 4 (H4):** Employee Engagement and Participation -> Employee Retention

It can clearly be seen from the above results that Employee Engagement and Participation have a significant impact on the reduction of Employee Retention. Specifically, the path coefficient (β) value is 0.203, while the T-statistic and P-value are 6.422 and 0.000 respectively. Therefore, Hypothesis 4 is verified based on its implications for reducing turnover intentions.

**Indirect (Mediation) Influence via Job Satisfaction**

**Hypothesis 5 (H5):** Training and Development -> Job Satisfaction -> Employee Retention

The indirect relationship between Training and Development and Employee Retention through the mediator, Job Satisfaction, shows an increase that is statistically significant. The path coefficient in this case is 0.189. It is justified by the T-statistics of 4.983 and P-value of 0.000. Thus, Hypothesis 5 is proven true. According to the obtained statistics, training programs are beneficial for retaining employees because of their ability to increase job satisfaction

**Hypothesis 6 (H6):** Compensation and Benefits -> Job Satisfaction -> Employee Retention

Compensation and benefits positively affect Employee Retention through the mediator of Job Satisfaction in a significant way (the coefficient is 0.231). This relationship is evident from the T-statistics of 6.988 and a P-value of 0.000. Thus, Hypothesis 6 is proved. The findings confirm that high salaries and benefits have a strong impact on job satisfaction leading to retaining employees.

**Hypothesis 7 (H7):** Safe and Inclusive Working Environment -> Job Satisfaction -> Employee Retention

A safe and inclusive workplace creates a certain effect on Employee Retention through increasing Job Satisfaction (the path coefficient is 0.283). As seen from T-statistics of 10.091 and a P-value of 0.000, the relationship between Safe Workplace and Employee Retention is statistically significant. In general, Hypothesis 7 is proven since creating a safe workplace allows increasing employee job satisfaction leading to their commitment and retention.

**Hypothesis 8 (H8):** Employee Engagement and Participation -> Job Satisfaction -> Employee Retention

According to the analysis results, there is a positive indirect impact of Employee Engagement and Participation on Employee Retention (the coefficient is 0.203). It is explained by the mediation of Job Satisfaction. Statistical significance can be seen in T-statistics of 6.422 and a P-value of 0.000. Thus, the hypothesis is proven true. Engaging employees helps retain them because it affects job satisfaction positively.

Table 4.6.3 1 Determine the Effect sizes $f^2$

| | f-square |
|---|---|
| Compensation and Benefits -> Job Satisfaction | 0.156 |
| Employee Engagement and participation -> Job Satisfaction | 0.114 |
| Job Satisfaction -> Employee Retention | 2.591 |
| Safe and inclusive working Environment -> Job Satisfaction | 0.262 |
| Training and Development -> Job Satisfaction | 0.071 |

**Interpretation of Effect Sizes ($f^2$)**

Evaluation of effect sizes ($f^2$) is key to understanding the extent of the influence brought about by the exogenous constructs on their respective endogenous constructs. According to Cohen (1988), effect sizes can be classified into three main groups namely; small effect size ($f^2$=0.02), medium effect size ($f^2$=0.15) and large effect size ($f^2$=0.35).

From the findings, it is clear that Job Satisfaction has a very large effect on Employee Retention ($f^2$=2.591). Thus, Job Satisfaction can be referred to as one of the most important factors that determine whether the employees stay within the organization or not. That means that for the organization to increase their rate of employee retention, efforts should be made towards creating job satisfaction among workers.

Safe and Inclusive Working Environment variable showed a large effect size ($f^2$ =0.262). Another factor that had a large effect size was Compensation and Benefits ($f^2$=0.156). From this, it is evident that having a secure working environment and paying your employees fairly are crucial in enhancing their job satisfaction. On the other hand, Employee Engagement and Participation ($f^2$=0.114) had a small to moderate effect on Job Satisfaction.

Training and development showed the weakest correlation with job satisfaction ($f^2$ = 0.071), suggesting that although it is beneficial for companies to offer their staff members chances to gain new competencies, they would not be enough to significantly increase the level of job satisfaction in comparison with other predictors.

In conclusion, it should be highlighted that the findings of the study show the importance of knowing what aspects of HR strategies are the most critical ones, since focusing on those aspects that contribute to job satisfaction will lead to better rates of retention among employees.

Table 4.6.4 1 Model Fit

| | Saturated model | Estimated model |
|---|---|---|
| SRMR | 0.038 | 0.049 |
| d_ULS | 0.642 | 1.057 |
| d_G | 0.312 | 0.350 |
| Chi-square | 670.923 | 726.411 |
| NFI | 0.917 | 0.910 |

As per Salisu, J. B., Chinyio, E., & Suresh, S. (2016), the goodness of fit indices (model fit) measures the degree to which the proposed model is able to predict the covariance matrix. For determining the quality of the structural model's fit, we used two common indicators, namely, the Standardized Root Mean Square Residual (SRMR) and Normed Fit Index (NFI). The value of SRMR was found equal to 0.038, well below the usual cutoff point of 0.08, implying a satisfactory level of model fit. On its part, NFI reached the value of 0.917, above the average of 0.90, again denoting a satisfactory fit. Therefore, on the whole, these measures clearly indicate that the model is closely associated with the empirical data under investigation. Accordingly, it may be said that the results obtained lend credibility to the model.

# CHAPTER FIVE

# CONCLUSION AND RECOMMENDATION

## Introduction

In essence, this research intends to investigate the link between SHRM practices and employee retention with reference to Bole Lemi Industrial Park. The mediator in this relationship is the level of job satisfaction among employees. The main conclusions of this research will be made in this last chapter of the paper, where the findings will be stated briefly. Based on the conclusions that can be drawn from this structural equation modeling analysis, recommendations are offered here for addressing the problem of staff turnover.

## 5.2 Summary of Findings

The current research aims to analyze the influence of sustainable human resource management (SHRM) practices and mediating role of Job satisfaction on employee retention in Bole Lemi Industrial Park. Both descriptive statistics and SmartPLS-SEM analysis have indicated that SHRM practices make a considerable contribution to the mentioned variables. According to the results of descriptive analysis, SHRM practices and employee retention were seen at a moderate level by the respondents. From all studied variables, job satisfaction showed the highest mean value (M = 3.219). It was followed by training and development (M = 3.171) and employee retention (M = 3.130). Safe and inclusive working environment (M = 3.071), compensation and benefits (M = 3.075), and employee engagement and participation (M = 3.034) also received moderate ratings. Thus, SHRM practices are present in organizations, but there is still a place for improvement.

The study stated that training and development had a positive and significant influence on employee retention ($\beta = 0.189$, $p = 0.000$). Moreover, the mentioned practice positively and significantly affected job satisfaction ($\beta = 0.222$, $p = 0.000$).The influence of compensation and benefits on employee retention had a significant positive effect ($\beta = 0.231$, $p = 0.000$). Thus, a proper compensation system contributes to the satisfaction of employees. A safe and inclusive working environment is the most effective dimension of SHRM as far as employee

retention is concerned. Path coefficient analysis revealed a positive and significant influence of a safe and inclusive working environment on employee retention (β = 0.283, p =0.000). Furthermore, this factor had the strongest impact on job satisfaction (β = 0.333, p =0.000). Also the relationship between employee engagement and participation and other constructs. The results showed that employee engagement and participation play an important role in employee retention (β = 0.203, p =0.000) and job satisfaction (β = 0.239, p = 0.000). While inter-team collaboration had the highest mean rating (M = 3.243), employee participation in organizational decision-making had the lowest mean rating (M = 2.876). This suggests that the organizations should work to increase the degree of employee participation in decision processes. As far as the fifth research objective is concerned, the results confirmed the mediating role of job satisfaction. The variable had a highly positive effect on employee retention (β = 0.849, p= 0.000) and served as the most influential variable in the structural model. Additionally, the mediation analysis has shown that job satisfaction had a significant mediating effect on the associations between SHRM and employee retention, which means that SHRM practices influence employee retention both directly and indirectly due to increased satisfaction of employees.

In addition the Measurement model assessment has shown that the study instruments were reliable and valid. All Cronbach's Alpha coefficients varied between 0.859 and 0.935, all Composite Reliability values were between 0.899 and 0.950, and AVE values were between 0.640 and 0.793. This exceeded the suggested criteria and indicated satisfactory reliability and convergent validity. Discriminant validity was proved using both Fornell-Larcker Criterion and HTMT tests.

The structural model turned out to be powerful. It explained 74.5% of variance in job satisfaction ($R^2$ = 0.745) and 72.2% of variance in employee retention ($R^2$ = 0.722), and therefore SHRM practices can be viewed as good predictors of those variables. Effect size analysis showed that job satisfaction had a very large effect on employee retention ($f^2$ = 2.591), whereas a safe and inclusive working environment had the largest effect among SHRM dimensions.

Generally, all proposed relationships were supported. The findings suggest that SHRM practices have a great influence on employee retention by increasing job satisfaction. As for

the SHRM dimensions, a safe and inclusive working environment became the most influential one, followed by compensation and benefits, employee engagement and participation, and training and development. These findings are in line with the concepts of Resource-Based View (RBV) of organizational management, which views the employees as organizational resources, and Social Exchange Theory (SET).

### 5.3 Conclusions

This study confirms that the SHRM practices such training and development, compensation and benefits, safe and inclusive working environments, and employee engagement and participation are important determinants of employee retention Among these aspects, a safe and inclusive work environment is the strongest predictor of employee retention, highlighting the significance of employee well-being, workplace safety, and supportive conditions in manufacturing settings. These results align with earlier studies that stressed the essential role of employee-focused HR practices in enhancing organizational commitment, job satisfaction, and retention.

The findings indicate that the employees who perceive fair compensation, opportunities for learning and development, inclusive work environments, and safe working conditions are more satisfied with their jobs and more likely able to remain with their organizations. This conclusion actually supports earlier empirical studies which mentioned that the sustainable HRM practices create positive employee attitudes and behaviors, ultimately minimize workers turnover intentions and maximize the organizational stability.

The results also reinforce the argument in the literature that organizations investing in employee well-being and long-term development are better positioned to retain talented and experienced employees. Also, the study confirmed the significant mediating role of job satisfaction in the relationship between SHRM practices and employee retention. This finding suggests that SHRM practices do not influence retention solely through direct organizational benefits; rather, they enhance employees' satisfaction with their work, which in turn strengthens their intention to stay with the organization.

Overall, the study argues that Sustainable Human Resource Management practices are essential for minimizing the retention of workers in an organization. The findings provide empirical evidence that organizations seeking to reduce employee turnover and maintain a stable workforce should give priority on employee development, fair compensation systems, safe and inclusive workplaces, and good employee participation. By fostering job satisfaction through these sustainable HRM practices, organizations can strengthen employee retention and enhance long-term organizational sustainability and competitiveness.

### 5.4 Recommendations

- **Create a culture of safety that goes beyond compliance:** Ensuring a safe work environment serves as an indirect way of lowering staff turnover. Rather than limiting themselves to minimum standards, such as providing personal protective equipment (PPE), companies need to consider investing in supervisory training programs in order to create psychologically safe environments. Research shows that psychological safety leads to fewer incidents of verbal harassment and discrimination at work.

- **Strategic Compensation Realignment:** Since there is moderate f2 = 0.156 effect size with regard to employee satisfaction, then it is necessary for management to go further and look beyond mere compensation adjustment. Perhaps it would be better if the company introduces some non-remuneration benefits such as daycare services, medical insurances, and housing allowances as these could help reduce the actual cost-of-living expenses that their employees are facing at Bole Lemi.

- **Job Satisfaction Monitoring**: Because of the fact that job satisfaction acts a mediator and has a strong relationship with employee retention (Path coefficient = 0.849, T = 58.331), HR personnel must not depend on conducting exit interviews alone as this is not enough. Conducting periodic Pulse Surveys each month could help monitor their sentiments in real time to prevent possible turnover in the workplace.

- **Employee Engagement via Participatory Management**: Even if employee engagement only has moderate effect size f2 = 0.114, this factor is statistically significant still. It

would be better if managers initiate Worker–Management Committees to give floor-level employees an avenue through which they could share difficulties and process improvement suggestions at work.

### 5.5 Study Limitations and Future Research directions

While this study creates a solid base to build on, there are several issues that merit further investigation in future scholarly endeavors:

- **Longitudinal Study Design:** The current survey provides only a snapshot at a point in time of how employees perceive their present status. A follow-up study of the same sample over a period of two to three years would provide insight into changes in the nature of Training and Development positions as employees go beyond their survivalist approach to long-term career thinking.
- **Qualitative Insights by Combining Quantitative and Qualitative Approaches:** Future research may include qualitative methods, like interviews and focus group discussions, to uncover the reasons behind the apparently high proportion of employees who have chosen Safety as opposed to Training in the present survey.
- **Generalization through Replication in Other Parks:** Future researchers may consider repeating this experiment in other industrial parks, like Hawassa, Adama, Bahir Dar, and others, in order to identify if the results found were peculiar to the labor market in Addis Ababa, or if they can be generalized to the entire country's manufacturing industry.
- **The Introduction of Moderators**: Factors like Employee Resilience and Availability of Other Job Options may be considered when modeling SHRM and Employee Retention.

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**Appendix Questionnaire**

**College of Business and Economics**

**Department of Management**

Operators & Supervisors: Questionnaire distributed to the employees of Bole Lemi Industrial Park

Dear participants,

My name is Lidiya Ayalew. I am a Master of Business Administration student at Addis Ababa University. I am currently conducting research on the ‘‘influence of Sustainable Human Resource Practices on Employee Retention: The cause of Bole Lemi Industrial Park.’’

The aim of this survey is to investigate the impact of SHRM practices on the employee retention of Bole Lemi Industrial Park. Because of the importance of Sustainable Human Resource Management (SHRM) practice which is the subject of my research, I kindly request that you contribute your views on this issue. I assure you that any response made in this survey will remain confidential and will be only used for research purposes. Do not hesitate to give a candid answer; there is neither a right nor wrong answer. If you do not find the correct choice in any of the answers, pick the option nearest to your point. Completing the questionnaire will take approximately 20 to 25 minutes. I encourage you to answer all questions as truthfully and objectively as possible and to return the completed questionnaire at your earliest convenience.

If you have any questions or require clarification, please feel free to reach out to me at (bezlidu321@gmail.com/+251 929326823**).**

Thank you for your participation

**Part A: Demographic Information**

Please put a tick mark "√" in front of the following items and indicate your choice of those items that have alternative responses

**Gender:** ☐ Male ☐ Female

**Age:** ☐ 18–24 ☐ 25–34 ☐ 35–44 ☐ 45+

**Marital Status**: ☐ Single ☐ married ☐ divorced ☐ Widow

**Education:** ☐ High school ☐ Diploma ☐ Bachelor's ☐ Postgraduate

**Years of Service in this current organization:** ☐ <1 year ☐ 1–3 ☐ 4–6 ☐ >6

**Your current Position:** ☐ Operator ☐ Supervisor

**Your company ----------**

**Closed-end questions**

**Part B: Independent variables questionnaire**

The sets of statements are aimed at assessing your feelings or perceptions at your organization. You are requested to rate yourself against each statement to indicate your level of agreement with what the statement is suggesting.

1. **Sustainable HRM Practices**

**Instructions:** Please indicate your level of agreement with the following statements regarding sustainable HRM practices in your organization.

**1.1 Training & Development** adopted from (Denise Genari, 2021) , (Palwasha Bibi A. A., 2018)

A 5-point Likert scale for responses, where you indicate your level of agreement (**1** = Strongly Disagree, **2** = Disagree, **3** = Neutral, **4** = Agree, **5** = Strongly Agree)

| **Independent variable (Training & Development)** | 5 Strongly Agree | 4 Agree | 3 Neutral | 2 Disagree | 1 Strongly Disagree |
|---|---|---|---|---|---|
| My institution offers formal development training | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| to make sure new staff members have the skills they need to do their jobs well | | | | | |
| My organization is committed to investing in its employees' education | | | | | |
| At my company, regular training programs are provided to help people improve their job-related skills | | | | | |
| Training opportunities are available to everyone in a fair way | | | | | |
| **1.2 Compensation & Benefits** adopted from (PhD Dilek ESEN, 2020) (David Mwakidimi Msengeti, 2015) | | | | | |
| **Compensation & Benefits** | 5 Strongly Agree | 4 Agree | 3 Neutral | 2 Disagree | 1 Strongly Disagree |
| I'm happy enough with my base salary considering the amount of work I do | | | | | |
| The company gives fair bonuses plus incentives fairly | | | | | |
| Non-financial benefits, such as transportation, meals, and health support, contribute to my desire to remain with the company | | | | | |
| At my company, compensation is handled in a clear and consistent way | | | | | |
| My company has compensation plus benefits practices that help attract and keep employees | | | | | |
| **1.3 Safe and Inclusive working Environment Adopted from** (Palwasha Bibi A. A., 2018), (Subhash C. Kundu, 2017) | | | | | |
| **Safe and Inclusive working Environment** | 5 Strongly Agree | 4 Agree | 3 Neutral | 2 Disagree | 1 Strongly Disagree |
| I always feel safe working at my company in this environment | | | | | |
| In my company, I have a good working relationship with my supervisor | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| My company creates initiatives that support reducing and preventing stress | | | | | |
| At my company, I feel safe in my physical work environment | | | | | |
| The company offers suitable, comfortable working conditions this includes a good working space, proper seating, and decent ventilation or air conditioning. | | | | | |
| **1.4 Employee Engagement & Participation** (Progress Choongo P. M., 2023)**,** (Siddiqui, 2020)**,** (PhD Dilek ESEN, 2020) | | | | | |
| **Employee Engagement & Participation** | 5 Strongly Agree | 4 Agree | 3 Neutral | 2 Disagree | 1 Strongly Disagree |
| I am encouraged to participate in Decision making | | | | | |
| In my company, my suggestions and feedback actually feel considered and valued | | | | | |
| I really do feel actively involved in the organization's activities | | | | | |
| My organization encourages collaboration between teams | | | | | |
| Engagement initiatives have actually helped me feel more connected to the organization. | | | | | |
| **1.5 Job Satisfaction adopted from** (Siddiqui, 2020) | | | | | |
| **Job Satisfaction** | 5 Extremely satisfied | 4 Satisfied | 3 Neutral | 2 Dissatisfied | 1 Extremely Dissatisfied |
| I am satisfied with my current job role | | | | | |
| My current job gives me a real sense of accomplishment and purpose | | | | | |
| I'm happy with the support I get from my supervisor | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| My workload feels manageable and fair | | | | | |
| I actually feel valued by the company | | | | | |
| **Part c: Dependent variable questionnaire**<br>**Employee Retention** Adopted from (Palwasha Bibi A. A., 2018), (Subhash C. Kundu, 2017), (Siddiqui, 2020) | | | | | |
| **Employees Retention** | 5<br>Strongly Agree | 4<br>Agree | 3<br>Neutral | 2<br>Disagree | 1<br>Strongly Disagree |
| I plan to keep working at this company for the next few years | | | | | |
| I feel satisfied with the work I'm doing here in this company | | | | | |
| If I wanted to go after another job or role, I would start by checking out what options are available within this company | | | | | |
| The work I am doing at this company means a lot to me | | | | | |
| I am grateful for the opportunity to work and remain committed to contributing wherever my skills are needed | | | | | |