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ASSESSMENT OF FACTOR INFLUENCING EMPLOYEE RETENTION AT LUNA EXPORT AND SLAUGHTERHOUSE PLC

By:

Almaz Alemu

A Research Proposal Submitted to Addis Ababa University for the Partial
Fulfillment of the Requirements of Master's Degree in
Human Resource Management

Advisor: Solomon Markos (PHD)

Addis Ababa University
School of Commerce

September, 2021
Addis Ababa, Ethiopia

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STATEMENT OF DECLARATION

I, the undersigned student of Addis Ababa University, declare that this thesis entitled "An assessment of factors influencing employee retention: In LUNA Export and Slaughterhouse Plc is the outcome of my own effort and study. Materials used for the study have been duly referenced and acknowledged. I have produced it independently except for the guidance and suggestion of the research advisor.

Name: Almaz Alemu Signature: _____ Date: _____

Addis Ababa University
School of Graduate Studies

This is to Certify that the thesis prepared by Almaz Alemu, entitled: Assessment of Factors Influencing Employee Retention at LUNA Export and Slaughterhouse PLC, submitted in partial fulfillment of the requirements of the degree of Masters of Arts IN Human Resource Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Date: _____

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ABSTRACT

The general objective of the study was, therefore, to identify the influencing factors of retention at LUNA Export and Slaughterhouse Plc Addis Ababa. More specifically, it was meant to assess factors that influence retention at the company, four variables were proposed to be linked to it namely, Compensation and rewards, performance evaluation, work environment, and training and development. The population of the study was employees of LUNA, which were 285 in size. To analyze the data obtained from the survey questionnaire descriptive statistics (mean) and inferential statistics (Pearson Correlation and linear regressions were used). The inferential analysis was essentially needed so as to establish the relationship between the independent variable and dependent variable (Retention). The data collected from the management through interview method were also analyzed qualitatively in the form of presentation of the narrative accounts. The key findings revealed that: a) the turnover over is as high as 4.3 out of a five-point scale; b) the management of LUNA had no sufficient awareness about the turnover intentions of the Company and the key determinants needed thereof; c) the independent variables (i.e. Compensation and rewards, performance evaluation, work environment, and Training and development) are found to have statistically significant correlation with retention. The regression analysis also revealed that the four independent variables in the group predict 86.7% of the variations in the turnover intentions with particular reference to LUNA although Compensation and Reward have the highest contribution. Therefore, the general conclusion is that Compensation and Reward play a pivotal role in determining employees' turnover intention. Consequently, management should work towards creating a smooth and conducive working environment which may include, among others, forming interpersonal relationships among informal groups, availing facilities needed at the workplace, etc. Furthermore, since the majority of the works done in LUNA is closed to customers and food there must be long-lasting secured safety and hygiene training and programs for employees working in positions closed to food and customers.

Key words: Retention and LUNA

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LIST OF ACRONYMS

HRM: Human Resource Management

HR: Human Resource

PA: Performance Appraisal

SD: Strongly Disagree

D: Disagree

N: Neutral

SA: Strongly Agree

A: Agree

CR/CRM: Compensation and Rewards Management

TG/TAD: Training and Development

WE: Work Environment

Env't Environment

Dep't Development

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CHAPTER ONE

INTRODUCTION

This chapter of the study presents back ground of the study, statement of the problem, research questions, objective of the study, organization of the paper and operational definition.

1.1. Background of the Study

Many scholars and practitioners claim that the big challenge for today's companies is the struggle to acquire talented work force, which implies that companies that can attract and recruit the most talented employees will be considered as successful, but the most successful ones are the ones who retain their experienced and talented employees. A number of controllable and uncontrollable as well as demographic factor can influence staff retention, but the strategies used by an organization to manage its human resources can have a considerable effect on many organizationally relevant outcomes.

As Newstrom (2007) mentioned; costs related to training of new employees(both orientation and skill development instruction; both formal and informal learning experiences);Costs related to Vacancy announcement(temporary help or overtime pay; productivity loss and service disruption); Costs related to placement (attracting, screening, and relocating new hires); consequences or morale effects (loss of friendship, concerns about personal job loss during downsizing) (p.210) will affect the organizations business.

Studies have also indicated that retention is driven by several key factors, which ought to be managed congruently: organizational culture, strategy, communication, pay, and benefits, a flexible schedule and career development systems. (Sinha & Sinha, 2012).

As a masers taken to retain employees the following aspects are suggested by Jyothi and Venkatesh (2006): (i) planning ahead, (ii) clarity in job requirements, (iii) identify a good source of recruitment, (iv) screening and interview, (v) provide challenging work, and (vi) focus on compensation and working conditions (pp. 94-95).

One of the important functions of HRM is employee retention which comprises the activities of (i) rewarding employees for performing their job effectively; (ii) ensuring harmonious working relation between employees and managers; and (iii) maintaining a safe healthy work environment (Cascio, 2006, p.6). fair treatment of employees, open communication, face-to-face resolution of conflict, promotion of teamwork, respect for the dignity of each individual, and pay increases based on merit are essential to retain employees (p.8)

At the present dynamic, highly competitive domestic and global business environment companies were continuously influenced by social developments and economic advancement which consequently passed pressure on the labor market (Burke and Ng 2006). Moreover, the retention of employees is the core task that needs to be addressed in line with recruitment and selection of employees internally from within the organization. Many organizations apply different mechanisms like incentives (financial or non-financial), providing medical and tuition fee covers; housing and transportation allowances, flexible working hours and etc. to retain their employees. However, the issue of employee turnover exists in most of the organizations throughout the world (Tariq et al. 2013).

A research work by Howard and et al. (2007) reveals reasons of turnover as “lack of growth opportunities, better career opportunity elsewhere, insufficient compensation, did not find work interesting, insufficient rewards/recognition, did not feel efforts where appreciated, job was not

what was expected, poor fit with the organizational culture, external factors, job left too little time for personal life, skills/abilities not a good match for the job, felt unfairly treated/discriminated against, job changed focus or scope overtime, poor relationship with the manager, the economy changed, making a move people, and poor relationship with co-workers”

As inferred by Newstrom (2007), excessive employee turnover can have several negative effects on an organization. They include, Separation costs (exit interview time, separation pay, unemployment tax increase); Training costs for few new employees (both orientation and skill development instruction; both formal and informal learning experiences); Vacancy costs (temporary help or overtime pay, productivity loss and service disruption); Placement costs (attracting, screening, and relocating new hires); Moral effects (loss of friendship, concerns about personal job loss during downsizing) (p.120).

In the past many researches were conducted in the field of Human Resource Management and more cited aspects on the studies were recruitment, reward and compensation, performance appraisal, training and development, career development, health and safety and supervisor support (Osemeke, 2012; Hong, et al., 2012; Okeudo & Cmilt, 2012; Omolo, et al., 2013; Fauzi, et al., 2013; Malik, et al., 2011; Rubel & Hung, 2013).

Those research works show that there is a strong correlation between Human Resources Practices and Employee retention. This is because by following appropriate human resource management practices the employees are felt appreciated, satisfied, motivated, more engaged with training which will improve the performance and encourage the employee to retain (Amin, 2013; Hoekstra, 2011).

Furthermore, according to Friedman m, et al (2006) studies exhibited unstable workforce, increase in HR costs and organizational ineffectiveness are the results of excessive turnover. This implies that employee retention has become a concern for many organizations.

The company under the study, with its products and services will serve in average 142,979 of consumers a day in different location in Addis Ababa. (<https://lunafarmexport.com/>).

Due to the high demand for its products & service the company has many customers with diversified demands. In order to satisfy the needs & wants of its customers, the company should maintain an adequate number of skilled & competent employees with appropriate qualifications & experience to serve the customers as per the standards set by the company. The company records success within this period of its establishment which puts it in a strategic position. The reason behind its success is not only producing and exporting the products, it is also by using its manpower strategically. But recent records of the company show that it faces a big challenge of registering a law retention every year. The organization takes preventive measures like reviewing staff salaries and availing transportation services for staff member who reside far locations, but the problem still persists.

1.2. Statement of the Problem

As proposed by Boxall and Purcell, (2011) organizations would have invested heavily in to developing employees who hold critical knowledge and skill. Furthermore, human capital is neither widely accessible nor easily initiated.

As per the study conducted by Wesongs, Alice, Noah, and Makworo (2011), significant costs are involved in hiring, training & retailing new employees. Hence, it will be necessary to find a way

to retain employees in an organization to avoid costs related to turnover (recruitment, selection and training).

The Human Resource practices are the vital factors affecting the retention of competent employees in organizations. Tangthong (2014) confirms that, a large number of empirical studies verify a positive relationship between human resource management practices on organizational performance mainly in relation to employee retention. Managing retention of promising employees' is considered as fundamental means of achieving competitive advantage amongst organizations (walker, 2001). Few companies are successful and sustained a long-term competitive advantage through employee retention. As Ssekamwa, (1999) inferred in countless cases, it has become a challenge to retain well-experienced staff that are fittingly qualified to work professionally. Retention and turnover rates are challenges in organizations. The quality of the organization's performance is highly affected by employee turnover.

Recent study by Aemiro Tilahun (2018) indicates that, Employee turnover can result in interruptions, increased replacement and recruitment costs, loss of efficiency, incomplete projects, customer dissatisfaction, scheduling difficulties and the depletion of the company's intellectual capital. Research indicate that employees will leave companies in search of better payments package, better career and development opportunities and job satisfaction among other factors.

Concerning the company under the study, the actual turnover rate of employees for the fiscal years 2017,2018,2019 and 2020 were 13% (thirteen percent),14% (fourteen percent), 16% (sixteen percent) and 23% (twenty-three percent) respectively. This rate is increasing from time to time & reflects that the turnover is affecting the company gradually, (Data obtained from the Company's

HR record and analyzed by the researcher). Even if there have been efforts to maintain employees with core competencies, retention has remained as a challenge specially in lower level employees which are assigned in all 10 sales outlets. It is also obvious that employees who stay longer time tend to know more about the job, have good relationship with clients contribute effectively. But replacing staffs like them is very expensive.

According to the data obtained from the HR records 223 employees were left from the organization in different positions (levels). The reason why LUNA unable to retain this number of employees had been not clear.

In fact, imperative investigation and recognition of factors that cause employee turnover is vital entry point to manage turnover at any level (Tuzan, 2007). Therefore, the purpose of this research is to assess the factors that affect employee retention in the company and to suggest remedial actions to address the situation.

1.3. Research Questions

In order to find out what affects the retention, assessing the critical factor was vital. Due to that, the research intends to answer the following questions in order to alleviate turn over in the company under the study:

- ❖ How do employees perceive the company's practices and strategy of employee retention?
- ❖ Is there a relationship between compensation and rewards and employee retention?
- ❖ To what extent performance evaluation practices affect employee retention?
- ❖ How does training and development affect employee retention?
- ❖ To what extent and work environment contribute to employee retention?

1.4. Research Objectives

The reason that pushes the well-experienced employees not to retain is not known and the researcher intends to assess the factors that influence retention and recommend remedial alternatives to avert the problem.

The specific objectives are: -

- ❖ To assess the employee retention practice of the LUNA Export and Slaughterhouse Plc;
- ❖ To examine the effect of compensation and rewards on employee retention;
- ❖ To assess the effect of training and development on employee retention;
- ❖ To examine the influence of performance appraisal on employee retention;
- ❖ To determine the effect of work environment on employee retention;

1.5. Significance of the Study

Managers must focus on retention strategies to thrive in this competitive business environment (Shekhawat & Sandhu, 2016).

The findings of the research work will have far reaching implications to the *stake holders* by enhancing knowledge and understanding of the root causes of the turnover and which will be essential on prompting further study on the subject for both public and private sector organizations.

The study also mainly serves as a source of reference and base for further research work for other *researchers and academicians* in the field of Human Resource Management specially to sustain employee retention.

Moreover, this study is conducted on *LUNA Export and Slaughterhouse PLC*, which is highly benefited from the finding, in terms of formulating strategies, assessing employees' level of satisfaction and enhancing the current level of retention which intends to sustainable business return or competitive advantage.

1.6. Scope of the Study

Even though, there are many problems which needs to be researched, the researcher was focus on the assessment of factors influencing employee retention at LUNA Export and Slaughterhouse PLC. The sample considered for the study was 225 nonprofessionals, 60 professional employees, which sums up to be 285 employees. Time wise the research work might take 8 weeks' time. In terms of topics to be discusses, the area of the research addresses the HR practices like trainings and development, rewards and benefits, performance appraisal, and work environment. The geographical area the study covers was limited to Addis Ababa, Office only.

Among the factors that determine employee retention, Training and development, work environment, compensation and rewards and performance evaluation, the study also analyzed factors like age, gender level of education and years of experience.

1.7. Organization of the Study

In order to give the road map for readers of this research work the paper was organized as follows, chapter one covered Introduction, Back ground, Problem statement, Research questions, Objectives and significance of the study, and Organization of the paper. Chapter two was about review of related literature, Conceptual Frame works and Research Hypothesis. Chapter three deals about Methodologies of the research while chapter for covers Data Analysis and

Interpretation. Chapter five was about Findings, Interpretation, recommendation and Conclusions. There was also an annex attached (Questionnaire and references) at the end of last chapter.

1.8. Operational Definition of Terms

Retention: - Retention is the ability to hold on to employees. Where an organization finds that it is losing valuable staff. (Exford Reference)

Turnover: - is the number of employees who leave an employing organization in a given period, expressed as a percentage of total employment (Exford Reference)

Compensation and Rewards: - is the total of all rewards provided to employees in return for their services. It is the process of providing adequate, equitable and fair remuneration to the employees. It includes job evaluation, wage and salary administration, incentives, bonus, fringe benefits, social security measures etc (AAU course material)

Performance Evaluation: - is a “continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization” (Aguinis, 2009, p. 3).

Training and Development: - it is one of the HR activity which intends to capacitate and develop employees of the organization in order to make them fit to the system and increase the efficiency

Work Environment: - is the overall environment of the organization it includes, people, culture, facility, policy and procedure and etc

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

The purpose of a literature review is to provide justification for a research question and to help the researcher's choice of subsequent research design Bryman & Bell, (2011). The primary objective of this chapter was to enrich the understanding about the factors that affect employee retention. The chapter consists of different topics related to the study by referring different books, journals, publication and researches written for academic as well as other purposes. It also defines and discuss retention, its components, the causes and effects of turnover to provide theoretical understanding of the topic under this research. In order to develop a method that can be employed in this study reviewing those studies were important. For the purpose the study the components selected were the *Employee turnover, training and development, performance appraisal, Compensation and Reward, and work environment*.

2.2. Employee Retention

Employee retention is a challenge that leaders face with new and existing employees (Aruna & Anitha, 2015). Employee retention can be defined as the ability of holding the talented and valuable employees in the organization from leaving from their job for a longer period of time than the competitors. Whether it is a long- or short-term project, retention is vital to maintain stable business environment as well as stop the migration of competent work force.

Organizations who acquire skilled human resource gain competitive advantage. As confirmed by Pfeffer (1994,2010), the acquisition, development and retention of talent form the basis for developing competitive advantage in many industries and countries. Retention occurs when

organizational leaders develop and implement strategic actions that encourage employees to stay with the organization (Darkwa, Newman, Kawkab, & Chowdhury, 2015). According to Johnson (2000), In order to get this skilled manpower, organizations invest significant amount of money for developing its employees. Such investment is lost when employee leaves (Mello, 2010). The retention plan of the organization always suffers from the turnover intention of the employees unless the organization gives emphasis for the two counter parts. As defined by Massachusetts (2002), retention is the converse of turn over (turnover being the sum of voluntary and involuntary separations between an employee and his or her employer or a company). Turnover may cost organizations in series of events. As inferred by Grobler et al., (2002) staff turnover costs may be estimated to include separation, replacement, recruitment and training. Managing and minimizing the frequency of turnover is a way of minimizing the costs related to its management.

As stated by Irshad (2009) cited on Denknesh, one of the ongoing vital practice of HRM is employee retention, the effort of improving retention starts with empowering the process of recruitment and training and continue on the provision of challenging, interesting, cooperative environment and comparable compensation program. Mello (2011) also stated that the challenge faced by employers to wards retaining significant work force is that employees desire to stay in the organization is derived by their motivational factor. According to Cappelli (1997) the strategy of retention drives that results from labor market realities and values differences between employees are new compensation plans like redesigning a customization of the job, strengthening social ties and hiring the stable ones.

2.3. Turnover

Chruden & Sherman (1972), define staff turnover as the amount of movement of employees in and out of an organization. Armstrong (2006) infers that employee turnover is the rate at which an employer gains and losses employee, how long the staff tend to leave and join the organization. Bewketu (2017), Employee turnover is a gradual process. Employees move from one organization to the other and from one industry to the other for different reasons. Sometimes it is the attraction of a new job or the prospect of a period outside the workforce which “pulls’ them like higher salary or better benefits: on other occasions they are ‘pushed’ due to dissatisfaction in their present jobs to seek alternative employment.

Employees intend to leave their organization due to internal and external factors. Among them dissatisfaction in their current role in the organization, different HR practices like Benefit packages, training and development opportunities, compensation packages, promotion, relationship with supervisor and colleagues are classified under internal factors. Fanaye sharew (2017) confirms that work-related factors can be poor reward system and other reasons. On the other hand, new job (new challenge), better and attractive salary and benefits offered by organization in similar industries are considered to be external factors. Mathis & Jackson (1994) discussed external factor as the attractiveness and availability of alternatives, it can be job alternative, personal characteristics including high education level age and etc.

2.4. Factors related to turnover that affects Employee Retention

2.4.1. Voluntary and Involuntary Turnover

Voluntary Turnover

Voluntary turnovers are those turnovers causes by the interest of the employee (ex. Job offer from other organizations). Gomez-Mejia et al (1997) defined voluntary turnover as a separation that

occurs when an employee decides for personal reasons to end the relationship with the employer. The reason for such decision could be based on the employee obtaining a better job, changing career, or wanting more time for family or the present job is unattractive because of poor working conditions, low pay or benefits, and bad relationship with supervisor. In most cases the decision to leave is a combination of having attractive alternative opportunities and being unhappy with aspects of the current job. Sims (2007) explained that voluntary turnover occurs when an employee initiates the termination of their employment of their own free will.

Quitting is a type of voluntary turnover. Grobler et al (2002) defined quitting is occurring when an employee leaves the organization without giving the normal period of notice (e.g. one month) Usually it is a sudden decision made by the employee. Thus, managers should aware of that quits may occur at any time and mostly when the organization least expects it, which impacts the organization's total performance and productivity.

Involuntary Turnover

Involuntary turnover is one type of turnover that occurs when an employee is terminated from a position. It is managements' (employers) decision to fire employee from his job (ex. Dismissal for inappropriate behavior). All turnover initiated by the employer are considered as involuntary turnovers. According to Ferguson and Ferguson (1985: 43-44), involuntary turnover includes retirement, death and dismissal. Involuntary turnover includes reasons over which the employee has no control (ex. resigning to take care of severely ill family member or accompanying spouse to another area). As discussed by Cappelli (1992: 203-217), involuntary turnover includes the need to cut costs restructure or downsize due to reasons which are independent of the affected employee(s).

2.4.2. Avoidable and Unavoidable

Avoidable Turnover

A turnover that can be prevented by organizations using effective Human Resource practices like selection, hiring, evaluating and motivating employees. It is a situation where organizations have control and manage to improve the reasons that force employees to leave and tries to improve the working environment in order to retain the staffs.

Unavoidable Turnover

A turnover that the organization has no control over it or has minimal impact in retaining employees is called unavoidable turnover. In this situation the intention to leave might not be something related to the problem arising from the malfunction of the organization or dissatisfaction. It might be employees' personal commitments that are beyond the control of the organization.

2.4.3. Functional and Dysfunctional

Functional Turnover

According to Loquercio (2006) to differentiate the harm and encourage benefits of turnover HR Managers should focus on what intines the turnover and the gravity of the harm it causes to the organization.

If the leavers are the once who perform below the standard the loss of their talents doesn't prevent the work from getting done effectively. The organization can replace them with best performers so as to improve the outcome of the job.

Dysfunctional Turnover

A turnover in which good performers or best employees resign from their duties for various reasons. Dysfunctional turnover is disruptive and costly to organizations (Dalton, Todor, & Krackhardt, 1982).

2.5. Causes and Effects of Turnover

High employee turnover affects firm performance negatively. The experienced and skills workers left the organization and productivity become low. Employee turnover is **expensive** because voluntary resignation of experienced staff and its subsequent replacement process are costly for the organization. The result in loss of experienced employees' affects in knowledge transfer and succession planning and the growth and sustainability may suffer from the consequences of high turnover rate. It also affects productivity of the firm which is reflected in a negative way on the performance of the organization. Employees who stay for long in the organization knows the goals and policies of the organization which help them to success in their individual roles that leads to meeting the organizational objectives.

Moreover, profitability of organization also affected by the loss of skilled and experienced employees. Settlement (severance pay, gratuity payment and others) of costs related to turnover and litigations following resignations ultimately affect the profit of the firm (costs are reflected in terms of time, money and personnel sometimes reputation too).

Causes of Turnover

In addition to the discussion made above, Denknesh (2019) also inferred employees leaving an organization may wish not to disclose the real reason for leaving as they are dependent on the organization reference in their future endeavor, which will prohibit to get the real reason behind their decision of turnover.

Effects of Turnover

The effect of turnover is displayed through losing profits, low performance of the firm which costs to lose competitive advantage. Incurring settlement costs (payments related to benefits), hiring costs (recruitment training and placement).

Organization use higher salary and designation to retain employees, but they are not the only strategies other factors also play pivotal role to sustain employees.

2.6. Empirical Literature review

Scott (2006), Employees stay in the organization until some internal or external factors forced them to leave.

Similar studies were conducted on different organizations (public or private) by various researchers on the topic of retention and turnover: Bewketu Kebede (2017) studies the professional employees turnover and employee retention practices at Ethiopian Revenues and Customs Authority, Eastern Addis Ababa Branch Office, Aemro Tilahun(2018) Study factors affecting employee retention in G-Global Gas & Chemical Plc., Yohannes Melaku(2014) Study factors affecting employee turnover and its impact on Ethiopian Evangelical church of Mekan Eyesus, Beruk Wallelegn (2013) study on professional employees turnover at Bank of Abyssinia, Yezina Tsega (2014) study on the impact of employee turnover on TVET institution.

Even if the studies were carried out in different periods and by different people, analysis was conducted using the combination of different variables the outcomes were similar.

The most crucial target for the organization in their HRM activities is retaining employees. Because retention is more significant than incurring costs related to hiring. In addition to that when

organizations are losing their employees, they also lose their customers and clients who were loyal to the employee, and the skills that were used in different ways to boost the production, handling the ongoing project, relationship with stakeholders, competitors, and past history of the organization.

2.7. Factors affecting retention

It is recognized that the role played by HRM with regards to retention of employees through compensation and rewards, training and development, work environment, and performance appraisal strategies will help the organization to reduce absenteeism and turnover of employees and ensures a better quality of work. (Mayer and Allen, 1991; Solomon, 1992; Snell and Dean, 1992; Arthur, 1994; Snell and Youndt, 1995; MacDuffie 1995; Delaney and Huselid, 1996; Ichniowski, Shaw and Prennushi, 1997).

2.7.1. Work Environment

Zeytinoglu & Denton (2005), one of the most important factors in employee retention is Work Environment. The characteristics of the work environment with regard to the service sector and production sector are different. In the service sector employees directly deal with customers /clients. These interactions between employees and customers grow through time and become important for the client as well as for the organization. It is important to understand the needs and wants of employees and providing a good work environment to have a committed employee who always treats the customer with comfort and ease. Among the factor that leads employee turnover work environment is critical and needs to be taken care of.

According to Ramlall, (2003) employees would like to stay in the organizations where they feel valued and make difference, those employees are the ones working in a team to make a difference in putting the organization in its competitive position.

2.7.2. Compensation and Rewards

Companies invest huge amounts of money on those employees who displayed outstanding performance coupled with exceptional skills. Researchers argue that from the factors that affect employee retention, the compensation package is the one that builds strong commitment between the organization and employees. Lawler (1990), more applicants are attracted to the organizations that offer good compensation and this lowers the rate of turnover and creates a culture of excellence. Other retention strategies are also a significant effect on the retention of employees. As stated by Pfeffer (1998), without offering high compensation organizations implement a good employee retention strategy. Walkert (2001), Non-monetary forms of acknowledging worker's efforts like recognition from supervisors, team members, coworkers, and customers are important in increasing the employees' loyalty.

2.7.3. Performance Appraisal

Some researchers suggested performance appraisal as the most important part of the HRM activities in the organizations Lawrie (1990) while others contradict as performance appraisal is flawed and making it worthless Derven (1990). But the reasons why organizations need to implemented performance evaluation is that it will inspire employees to display positive performance and behavior, serves as a way of nourishing employees' interest in how well they accomplish their job, serves as a tool to develop employees, and also provide use full information to make pay raises, promotion, and legal disciplinary actions. It will help the organization in the decision-making process regarding voluntary as well as involuntary turnovers.

2.7.4. Training and Development

As training enhances the skills of the employee, the other important strategy that organizations are using in retaining an employee is to invest in the training and development of employees.

As stated by Gomez et.al, (1995) training provides techniques and skill to the employee and also help to rectify deficiencies in employee performance, while development provides the skills and abilities to the employee which will be needed by the organization in future. Messmer (2000), also mentioned that organizations invest in the training and development of workers from whom it expects a return and give output on its investment.

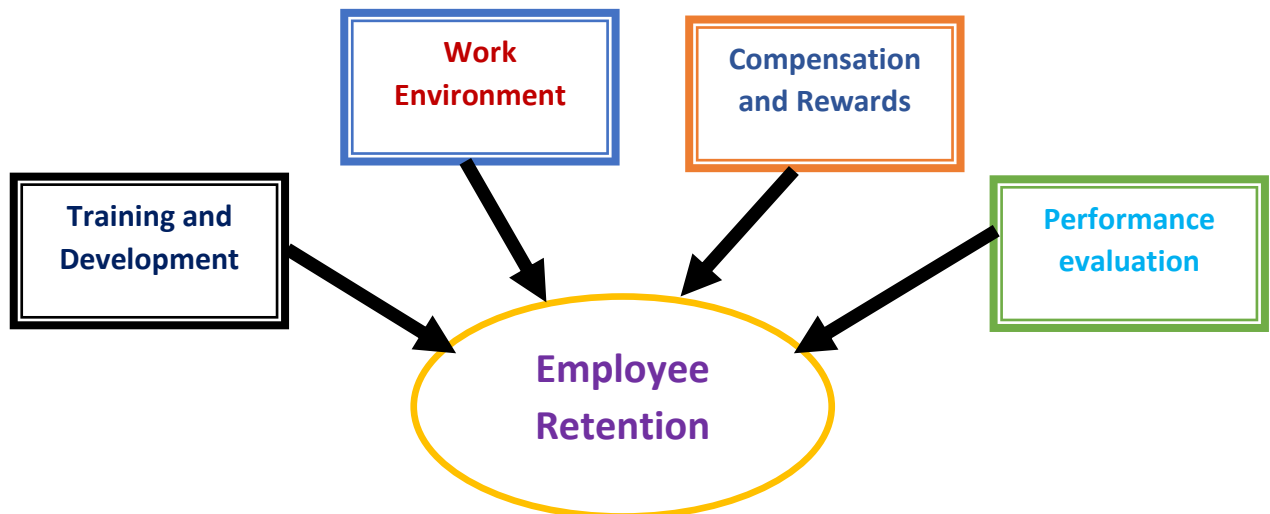
Research studies found that organizations often delay employees' training programs to determine that worker's personal value good matches with organization culture or otherwise, therefore checking out the employee turnover intention (Lauri, Benson, and Cheney, 1996).

The strategies of organizations intention of value-adding rather than cost lowering is a sign of its commitment to the employee through the provision of training and development. Training likely enhances productivity if it consists of skills related to the organization. This intern increases the profitability of the organization and organizations intend to increases the wages of the employees which leads to the retention of an employee.

2.8. Conceptual Frame work

This conceptual framework illustrates what the researcher intends to find out by conducting this research work and shows how the relevant variables might relate to each other.

Fig 2.1. Conceptual frame work



Developed by researcher based on literature

2.9. Research Hypothesis

- Work Environment has a positive and significant effect on employee Retention.
- Training and Development has a positive and significant relationship with employee Retention.
- Compensation and Reward has a positive and significant relationship with employee Retention.
- Performance Evaluation has a positive and significant relationship with employee Retention.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design and Description of the Study Area

The objective of the research was described clearly and specifically. The intention of the researcher was to assess the turnover and retention practices of LUNA and also to recommend a solution that minimizes the existing problem.

The researcher uses a mixed research approach for gathering relevant information to grasp the required amount of data on the current status of the retention and turnover in the company. The major characteristic of mixed-methods research is that it combines quantitative and qualitative approaches by including both quantitative and qualitative data in a single research study (Gay, Mills, & Airasian, 2009). The research design is explanatory that will help to discuss and describe the variables under the study and provide insights to understand the problem. Thus, by using both qualitative and quantitative types of research, the strengths of each approach can make up for the weaknesses of the other.

3.2. Target Population and Sample Design

The target population of this research was employees of the LUNA Exports and Slaughterhouse PLC, Addis Ababa. The population constitutes, existing professional and non-professional employees.

3.2.1. Sample size:

The total number of employees of the company under the study is 970. The total sample size 285. To reach to this figure the researcher uses Taro Yamane's method.

$$n = \frac{N}{1 + N * (e)^2} = \frac{970/1 + 970(0.05)^2}{283.216 + 1} = 285$$

Where:

- N+ Population Size
- n= Sample size
- e= Margin of error

*(legal advisor of the firm working outside the office but employed for long period)

The sample size became 225 for nonprofessional staff and the researcher includes all (60) professional staff members using purposive sampling technique. In order to give the population a chance of being selected and to make results more likely to accurately reflect the entire population.

3.3. Data Sources and Method of Data Collection

The researcher was conceded both primary and secondary data sources, and Questionnaires, documents review, and interviews were used as instruments to collect the data. A questionnaire is an easy and flexible format to be used as an instrument to collect data and information from respondents. (*Questionnaire Copied from Aemro(2018) with minor modifications to fit the purpose*). The design of the questionnaires will be demographic, 5-point Likert scales, and an open-ended question to give room for respondent's opinions. The researcher uses an interview to get more accurate information and clear the responses collected using questionnaires, but that might have gray areas.

3.4. Data Analysis Interpretation and Presentation

The Basis for any research h which uses primary data is to have an appropriate sample size. In order to make the sample reliable the researcher used the Taro Yamane method. The analysis of demographic data was conducted by calculating the mean, frequency distribution, percentages.

The information gathered through questionnaires was analyzed using statistical software (SPSS). Data will be presented in form of tables, charts, and narrations.

3.5. Reliability and Validity

To measure the consistency of the questionnaires, the reliability analysis was using Cronbach's Alpha (α), the most common measure of scale reliability test. The reliability test depicts the consistency degree of the data collects. The Cronbach α coefficient is a measure of the inner consistency. Based on Kothari (2004), validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure

Table 1: Reliability Statistics test result

Variables	N of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
Compensation and reward	5	.753	.728
Training & development	6	.858	.839
Work environment	5	.881	.830
Performance appraisal	8	.943	.892
Employee retention	6	.864	.803

Source: Survey data, 2021

The above table depicts inter-item reliability coefficient result for each variable. The values of Cronbach's Alpha showed that all of the results are more than acceptable, which fall in the range between 0.753 and 0.943. The resulting range is considered high as the result ensures the reliability of each field of the questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable. According to Yin (2014), Reliability minimizes the risk of errors in research. As

confirmed by Pocock (2015), Reliability is crucial in determining the stability and quality of the collected data.

3.6.Ethical Consideration

The researcher informed the targeted population under the study that research was being carried out; that the purpose of the research was strictly academic, and the fact that confidentiality was fully respected. And also, their participation and withdrawal will not have any consequences.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

Introduction

This chapter presents the descriptive and inferential analysis results. The data gathered from 244 respondents from LUNA Export and Slaughterhouse Plc. were analyzed using SPSS version 24. The results are analyzed and separated into numerous fragments such as descriptive analysis, Pearson Correlation Analysis and Multiple Regression Analysis.

The Questionnaires are distributed to 285 respondents. According to research practices response rate of 50% is adequate for analysis and reporting; response rate of 50% is considered as good and response rate of 70% and above is considered as very good. Accordingly, from 285 respondents 244 questionnaires are returned fully completed that means 85.61%, calculated using the formula

Where:-

$$R = \frac{n}{N} \times 100$$

R= Response rate

n= Number of Completed survey requests

N= Total number of survey respondents

4.1. Respondents' Characteristics

The personal information of respondents obtained from returned questionnaires is summarized and described as follows.

Table 2: Demographic characteristics of respondents

		Frequency	Percent
Age	Less than 24	59	24.2
	25-34	44	18.0
	35-44	59	24.2
	45-54	51	20.9
	greater than 55	31	12.7
Gender	Female	145	59.4
	Male	99	40.6
Educational status	Grade 8-12	54	22.1
	Diploma	49	20.1
	BA degree	61	25.0
	MA degree	63	25.8
	Above MA	17	7.0
Marital status	Married	147	60.2
	Unmarried	97	39.7
Work experience	0-10	58	23.8
	11-25	45	18.4
	26-35	56	23.0
	36-45	50	20.5
	Above 46	35	14.3
Salary	Up to birr 2500	53	21.7
	2501-5000	44	18.0
	5001-10000	58	23.8
	10001-20000	64	26.2
	Above 20000	25	10.2
	Total	244	100.0

Source: Survey data, 2021

As it was seen in table 1, respondents who are in the age range of 18-24 and 35-44 covered one fourth (24.2%) of the sample respondents each. Respondents who has covered one fifth of the total respondents (20.9%) were aged between 45 and 54 years followed by 18% of the respondents aged between 25 and 34 years. The proportion of respondents aged greater than 55 years was 12.7%. The study findings show that employees at LUNA Export and Slaughterhouse Plc. are of different

ages from youth, middle aged to old persons. The frequency of male and female who participate in the questionnaire was also analyzed. Out of the total respondents, 145 respondents or 59.4% are female and 99 respondents or 40.6% are male. The study findings show that the information collected on factors that influence employee retention at LUNA Export and Slaughterhouse Plc. reflected perspectives from both genders.

Regarding the educational status of respondents, the master's degree and bachelor degree holder respondents covered 25.8% and 25% of the respondents respectively which is half of the total sample. Respondents who have completed grade 8 to 12 constituted 22.1% and diploma holders covered 20.1% of the sample. The remaining 7% have above master's degree. This finding indicates that majority of the employees at LUNA Export and Slaughterhouse Plc. have attained tertiary education and are therefore knowledgeable enough to provide information on factors that influence employee retention.

Out of the total respondents, 147 or 60.2% of respondents are married and the remaining 97 (39.8%) are unmarried. Regarding work experience of respondents, it was found that 23.8% of the respondents had work experience of 0-10 years, 23% of the respondents had served for 26-35 years, 20.5% had worked for 36-45 years, and 18.4% had worked for 11-25 years while 14.3% had worked for above 46 years. This implied that these respondents had worked in LUNA Export and Slaughterhouse Plc. for a duration long enough to be conversant with the operations hence they were in position to give reliable information on the factors influencing employee retention in the state corporations.

The table also presented the proportion of the respondents in terms of their monthly salary. Out of the total respondents, 64 of respondents (26.2%) have a monthly salary between 10001-20000, 58

of respondents (23.8%) have a monthly salary between 5001-10000, 53 of the respondents (21.7%) have a monthly salary of up to 2500 birr, and 44 (18%) earns 2501-5000, birr. Only 25 (10.2%) of them have a monthly salary of above 20000.

4.2. Level of Employee Retention

Prior to determination of the effect of Compensation and reward, training and development, work environment and performance appraisal on employee retention, the study explored respondents perception on retention of their employment at the LUNA Export and Slaughterhouse Plc.

Table 3: Level of employee retention

/Employee Retention			SD	D	N	A	SA	Mean	SD
			1	2	3	4	5		
1	I see a future for myself within this company	F	55	36	51	57	45	3	1.42
		%	22.5	14.8	20.9	23.4	18.4		
2	If I could start over again, I would choose to work for another company	F	51	34	68	39	52	3.03	1.41
		%	20.9	13.9	27.9	16	21.3		
3	If I received an attractive job offer from another company, I would take the offer.	F	44	46	51	53	50	3.08	1.39
		%	18	18.9	20.9	21.7	20.5		
4	If it were up to me, I will definitely be working for this company for the next five years	F	66	43	54	40	41	2.78	1.43
		%	27	17.6	22.1	16.4	16.8		
5	I have a sense of belongingness and loyal to this company	F	48	46	53	50	47	3.01	1.4
		%	19.7	18.9	21.7	20.5	19.3		
6	I love working for this company	F	62	32	60	52	38	2.89	1.4
		%	25.4	13.1	24.6	21.3	15.6		
Aggregate mean								2.96	

Source: Survey data, 2021

Responses to the statements in Table 2 were rated on a five-point Likert scale on which 1=strongly disagree, 2=disagree, 3= not sure, 4=agree and 5=strongly agree. Frequency, percentile, mean and standard deviation were computed using SPSS and the results shown in Table 2.

The study findings were interpreted by regarding responses with mean close to 1 as strongly disagree, 2 as disagree, 3 as not sure, 4 as agree and 5 as strongly agree. As shown in table 2, 41.8% of the respondents agreed and 37.3% disagreed that they see see a future for their self within this company with a mean score of 3. Similarly, 37.3% agreed on the statement 'I could start over again, I would choose to work for another company' while 34.8% of the respondents disagreed with a mean score of 3.03.

The proportion of respondents who agreed and disagreed for the rest of the statements is also balanced. The study finding in Table 2 show that majority of the respondents was of moderate opinion regarding whether they would take the offer if they received an attractive job offer from another company as indicated by mean of 3.08.

Relatively higher number of respondents (44.6%) disagreed on the statement 'If it were up to me, I will definitely be working for this company for the next five years' compared to respondents who agreed (33.2%) indicated by a mean of 2.78. 'I have a sense of belongingness and loyal to this company' indicated by a mean of 3.01 and 'I love working for this company' indicated by a mean of 2.89 were all rated as neutral. The aggregate mean also found to be 2.96 which can be labelled as neutral.

The study findings indicate that majority of employees are of moderate opinion on their intention to retain their jobs at LUNA Export and Slaughterhouse Plc. This was evident in the fact that the respondents were torn between the decisions to leave their jobs or search for new jobs.

Additionally, to determine the prevalence of retention the scores in the retention were transformed in to categories. To categorize the groups, the agreement levels were used as strongly agree and agree to high undecided to moderate and strongly disagree and disagree to low retention. As shown in figure 2 below, majority of the respondents (58.6%) have moderate retention rate or they are neutral to whether they want to stay or not in LUNA Export and Slaughterhouse Plc. The prevalence of turnover intention in the company is 24.59% while intention for retention rate is found to be 16.8%.

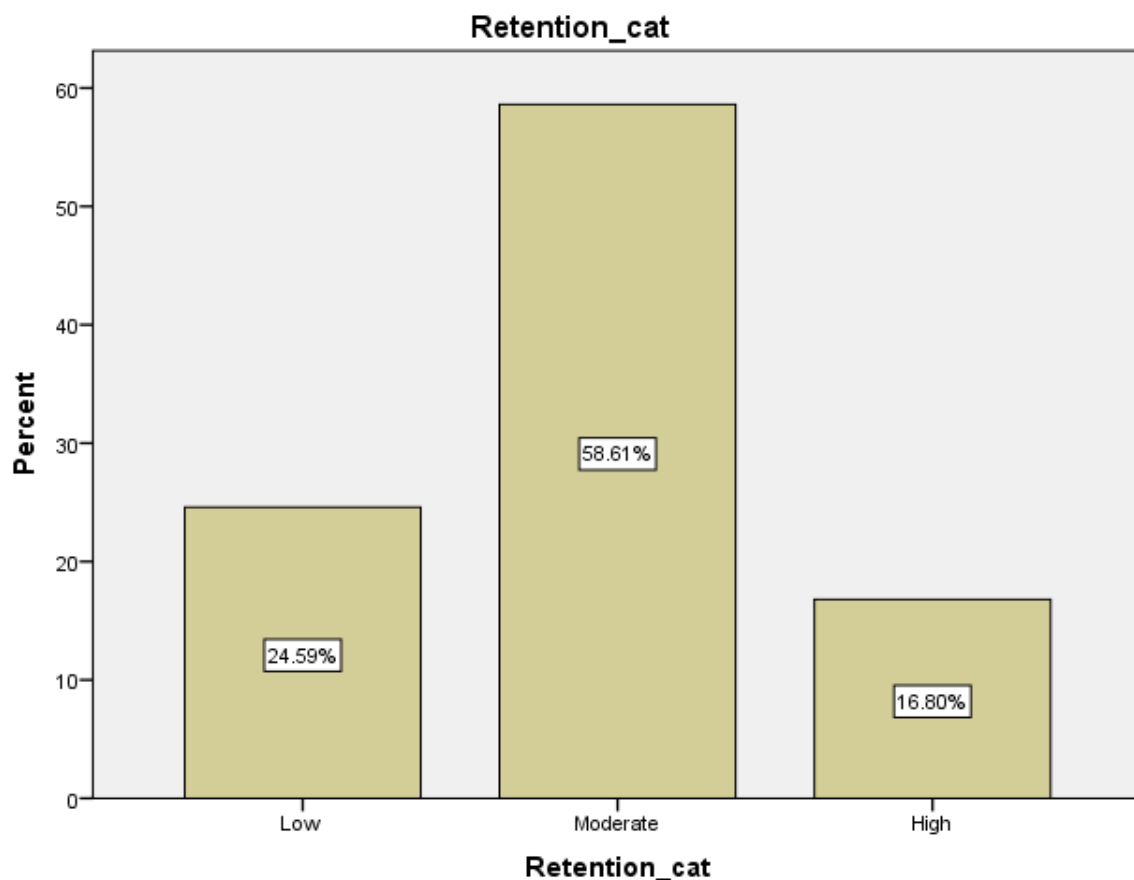


Figure 2: Employee retention rate

4.3. Employees perception towards the practice of employee retention strategies

One of the objectives of the study was to establish the extent to which different strategy of employee retention was practiced. The study finding is presented in the following sections.

4.3.1. Compensation and Reward

Table 4: Compensation & Rewards

No	Compensation & Rewards		SD	D	N	A	SA	Mean	SD
			1	2	3	4	5		
1	I have received the right appreciation /recognition letter for my good performance	F	68	30	60	44	42	2.84	1.44
		%	27.87	12.30	24.59	18.03	17.21		
2	I have received the chance of promotion in the company for better position	F	64	47	65	30	38	2.72	1.38
		%	26.23	19.26	26.64	12.30	15.57		
3	The salary I am getting is fair compared to other companies	F	55	36	51	57	45	3	1.42
		%	22.54	14.75	20.9	23.36	18.44		
4	I am getting the payment based on my performance	F	51	34	68	39	52	3.03	1.41
		%	20.90	13.93	27.87	15.98	21.31		
5	I am satisfied with the company's benefits package	F	44	46	51	53	50	3.08	1.39
		%	18	18.9	20.9	21.7	20.5		
Aggregate Mean								2.93	

Source: Survey data, 2021

From the results presented in table 3 above, the respondents showed moderate disagreement with the statement that 'I have received the right appreciation /recognition letter for my good performance' as indicated by mean of 2.84. As to whether the respondents have received the chance of promotion in the company for better position, the respondents disagreed moderately as

indicated by mean of 2.72. Asked if the salary they are getting is fair compared to other companies, the respondents were slightly agreed as shown by mean of 3.

Respondents were agreed moderately on the statement that they are getting the payment based on my performance as indicated by mean of 3.03 and when further asked whether they were satisfied with the company's benefits package provided by the organization, the respondents agreed moderately as indicated by mean of 3.08. The aggregate mean agreement score of respondents on the implementation of compensation and reward shows 2.93 it implies that the strategy is implemented moderately.

4.3.2. Training and Development

The result on the practice of training and development in the company is presented in table 4.

Table 5: Training and Development

Training & Development			SD	D	N	A	SA	Mean	SD
			1	2	3	4	5		
1	The company has skill gap identification procedure & policy for training	F	66	44	53	40	41	2.78	1.43
		%	27.05	18.03	21.72	16.39	16.80		
2	I have received all the necessary on/off the job trainings that are important to do my job well	F	48	46	53	50	47	3.01	1.4
		%	19.67	18.85	21.72	20.49	19.26		
3	There is an opportunity of training & development for all employees	F	61	32	60	52	39	2.89	1.4
		%	25.00	13.11	24.59	21.31	15.98		
4	I have received adequate problem-solving skill after the training/development	F	62	35	54	46	47	2.92	1.45
		%	25.41	14.34	22.13	18.85	19.26		

Training & Development			SD	D	N	A	SA	Mean	SD
5	Management supports my talent by training	F	58	36	55	49	46	2.95	1.43
		%	23.77	14.75	22.54	20.08	18.85		
6	The training I received provides special technique and skill in performing my job	F	62	30	60	40	52	2.96	1.47
		%	25.41	12.3	24.59	16.39	21.31		
		Aggregate mean						2.91	

Source: Survey data, 2021

From the study findings, respondents disagreed moderately that the company has skill gap identification procedure & policy for training as indicated by mean of 2.78. Approximately equal number of respondents agreed and disagreed on they have received all the necessary on/off the job trainings that are important to do their job well (mean= 3.01).

The respondents agreed and disagreed in equal manner on the statement that there is an opportunity of training & development for all employees as depicted by mean 2.89. Similarly, an equal number of respondents responded agree and disagree on the statement ‘I have received adequate problem-solving skill after the training/development’ shows a mean of 2.92.

On the statement that Management supports my talent by training, respondents both agreed and disagreed as shown by mean of 2.95. Regarding the statement that the training they received provides special technique and skill in performing their job, respondents agreed moderately as shown by mean of 2.96. Lastly, the aggregate mean (2.91) shows that the employee’s perception on training and development practice in the company is moderate.

4.3.3. Work Environment

Table 6: Work environment

Work environment			SD	D	N	A	SA	Mean	SD
			1	2	3	4	5		
1	There is enough illumination light at work place	F	64	35	52	50	43	2.89	1.44
		%	26.2	14.3	21.3	20.5	17.7		
2	The work place cleanliness and hygiene is maintained well in the organization	F	50	41	63	42	48	2.98	1.39
		%	20.5	16.8	25.8	17.2	19.7		
3	Ventilation facilities and conductive working temperature is maintained at work place	F	46	50	63	45	40	2.93	1.34
		%	18.8	20.5	25.8	18.4	16.4		
4	Safe working environment is provided in use of personal protective equipment	F	62	45	45	44	48	2.88	1.47
		%	25.4	18.4	18.4	18.03	19.67		
5	Rest rooms and canteen are maintained well	F	49	44	56	45	50	3.01	1.41
		%	20.08	18.03	22.9	18.4	20.5		
6	I have the tools and resources I need to perform my job well	F	57	34	63	46	44	2.94	1.41
		%	23.4	13.9	25.8	18.6	18.03		
7	I have the access to get pure drinking water at work place retention	F	54	35	61	44	50	3	1.42
		%	22.1	14.3	25	18.03	20.5		
Aggregate mean								2.95	

Source: Survey data, 2021

As evident from table 5 above, respondents equally agreed and disagreed that there is enough illumination light at work place, as shown by mean of 2.89. On the statement that the work place

cleanliness and hygiene is maintained well in the organization, the respondents agreed and disagreed equally as indicated by a mean of 2.98. On the statement that ventilation facilities and conducive working temperature is maintained at work place, the respondents again agreed and disagreed in a same level as indicated by mean of 2.93. The respondents both agreed and disagreed with the statement that safe working environment is provided in use of personal protective equipment, as indicated by mean of 2.88. The findings also established that respondents were both in agreement and disagreement with the statement that Rest rooms and canteen are maintained well as indicated by mean of 3.01. The findings further established that the respondents were in both agreement and disagreement with the statement that ‘I have the tools and resources I need to perform my job well’ and ‘I have the access to get pure drinking water at work place retention’ as shown by mean of 2.94 and 3 respectively.

4.3.4. Performance Appraisal

Table 7: Performance Appraisal

Performance Appraisal			SD 1	D 2	N 3	A 4	SA 5	Mean	SD
1	I receive regular and timely performance feedback beside the annual performance review.	F	37	39	69	47	52	3.16	1.34
		%	15.2	16	28.3	19.3	21.3		
2	The feedback I receive helps me to improve my job performance and to attain my goals	F	44	43	66	53	38	2.99	1.32
		%	18	17.6	27	21.7	15.6		
3	Performance appraisal is linked with salary increase, promotion and payment of bonus.	F	61	40	53	44	46	2.89	1.44
		%	25	16.4	21.7	18	18.9		
4	The performance appraisal has been accurate	F	55	39	59	41	50	2.97	1.43
		%	22.5	16	24.2	16.8	20.5		

Performance Appraisal			SD 1	D 2	N 3	A 4	SA 5	Mean	SD
5	The performance appraisal upheld ethical and moral standards	F	56	39	57	50	42	2.93	1.4
		%	23	16	23.4	20.5	17.2		
6	I am confident because the appraiser knows enough about the PA to appraise me.	F	55	33	62	45	49	3	1.42
		%	22.5	13.5	25.4	18.4	20.1		
7	There is a two-way communication with both managers and employees for expressing their views	F	46	42	56	47	53	3.08	1.41
		%	18.9	17.2	23	19.3	21.7		
8	I find it difficult to discuss work issues with my Supervisors/managers.	F	36	41	69	58	40	3.10	1.28
		%	14.8	16.8	28.3	23.8	16.4		
Aggregate mean								3.02	

Source: Survey data, 2021

From the results in table 6, when asked whether the respondents receive regular and timely performance feedback beside the annual performance review, the respondents agreed slightly as indicated by mean of 3.16. On the feedback respondents receive helps them to improve their job performance and to attain their goals, the respondents agreed and disagreed in a same frequency as indicated by mean of 2.99. When asked whether the performance appraisal is linked with salary increase, promotion and payment of bonus, the respondents disagreed moderately as shown by mean of 2.89. They equally agreed and disagreed that the performance appraisal has been accurate as indicated by mean of 2.97.

Respondents agreement was moderate towards the statements ‘the performance appraisal upheld ethical and moral standards’ and ‘I am confident because the appraiser knows enough about the

PA to appraise me' as depicted from the mean of 2.93 and 3 respectively. On the statements that there is a two-way communication with both managers and employees for expressing their views and 'I find it difficult to discuss work issues with my Supervisors/managers', respondents agreed moderately as indicated by a mean 3.08 and 3.10 respectively.

4.4. Responses of the open-ended questions

Regarding the open-ended question, the majority of the respondents answered that they didn't know if there was a retention strategy or not. But they forward their views that they think improves the retention or minimize turnover accordingly:

- The company should allocate enough space for the office and sales area. During pick hours there is always a crowd and in a time like now with a pandemic, it requires attention to follow safety protocols of the ministry of health.
- It will be better to assign male employees to stay late hours than female employees.
- The employees do not have a formal representative to defend their rights at the company.
- There is no relevant retention strategy in place.
- One new issue is raised by respondents which was not included with the identified factors, is the absence of a formal employee representative who was designated by the Labour Union. Employees have the right to delegate a representative who can defend their interest against the malfunctions of the management towards their rights and duties.

4.5. Relationship between HR practices and Employee Retention

Pearson correlation coefficient (r) is a measure of the strength of the association between the variables. Theoretically, there could be a perfect positive correlation between variables which is

represented by 1.0 (plus1), or a perfect negative correlation which would -1.0 (minus 1) while correlation ranges between -1.0 and +1.0 as per Marczyk, et al., (2005).

General guidelines of correlations of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered large, and correlations of .90 to 1.00 are considered very large correlation analysis shows the relationship between the two variables to know how strong the relationship is, in what direction the relationship goes. According to Franzblau (1985), the correlation coefficient can be interpreted as follows: -

Table 8: Pearson Correlation Coefficient

		CR	TD	WE	PA	Retenti on
Compensation & reward	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	244				
Training & development	Pearson Correlation	.194**	1			
	Sig. (2-tailed)	.002				
	N	244	244			
Work environment	Pearson Correlation	.353**	.364**	1		
	Sig. (2-tailed)	.000	.000			
	N	244	244	244		
Performance appraisal	Pearson Correlation	.004	.031	.123	1	
	Sig. (2-tailed)	.946	.630	.056		
	N	244	244	244	244	
Employee Retention	Pearson Correlation	.638**	.617**	.477**	.042	1
	Sig. (2-tailed)	.000	.000	.000	.515	
	N	244	244	244	244	244

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

As can be seen from Table 7, there was a significant positive correlation between the three independent variables (compensation and reward, training and development, and work environment) and dependent variable (employee retention) while there was no significant relationship between performance appraisal and employee retention. The variable with highest correlation is compensation and reward with correlation coefficient of 0.638 and sig (.000) followed by training and development with correlation coefficient of 0.617 and sig (.000). The least is performance appraisal with correlation 0.042 and sig (.515).

4.6. Effects of HR Strategies on Employee Retention

To measure the effects of independent variables on the dependent variable, multiple linear regression was used. Regression analysis is a statistical measurement used for estimating the relationships among variables. It enables to determine the strength of the relationship between variables and the predictive power of the independent variables on the dependent variable. In short, regression helps a researcher understand to what extent the change of the value of the dependent variable causes the change in the value of the independent variables, while other independent variables are held unchanged. Regression analysis is a way of statistically sorting out the variables that have indeed an impact. While there are many types of regression analysis, at their core they all examine the influence of one or more independent variables on a dependent variable. The following part presents the multiple linear regression analysis result.

4.6.1. Assumptions of MLR

Prior to the regression analysis, a multiple linear regression assumption was tested and the test results are presented as follows.

4.6.1.1. Linearity Test

The linearity of associations between the dependent and independent variables can be tested by looking at the P-P plot for the model. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed. As depicted in the graph below, the visual inspections of the p-p plot revealed that there exists linear relationship between the dependent and independent variables.

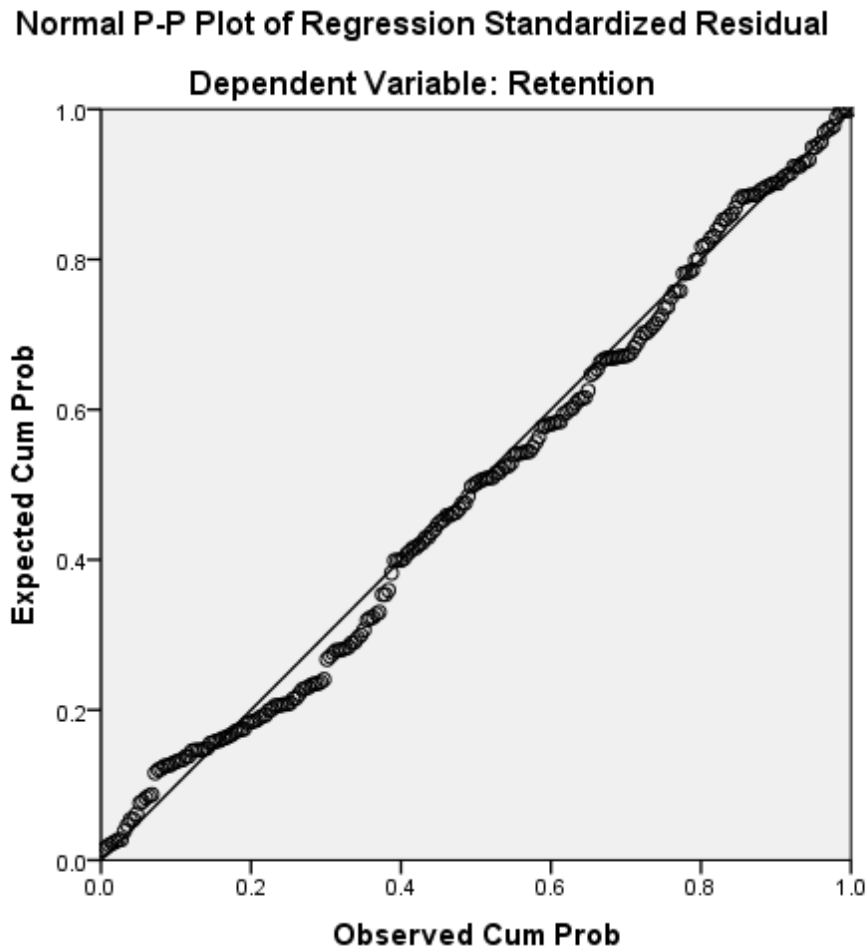


Figure 3: P-P Plot of Regression Standardized Residual

4.6.1.2. Homoscedasticity Test

The assumption of homoscedasticity refers to equal variance of errors across all levels of the independent variables (Osborne & Waters, 2002). This implies it requires even distribution of residual terms or homogeneity of error terms throughout the data. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2002). If the error terms are distributed randomly with no certain pattern, the problem is not detrimental for analysis. The scatterplot in Fig 3 shows that the standardized residuals in this research are distributed evenly which shows that no violation of homoscedasticity.

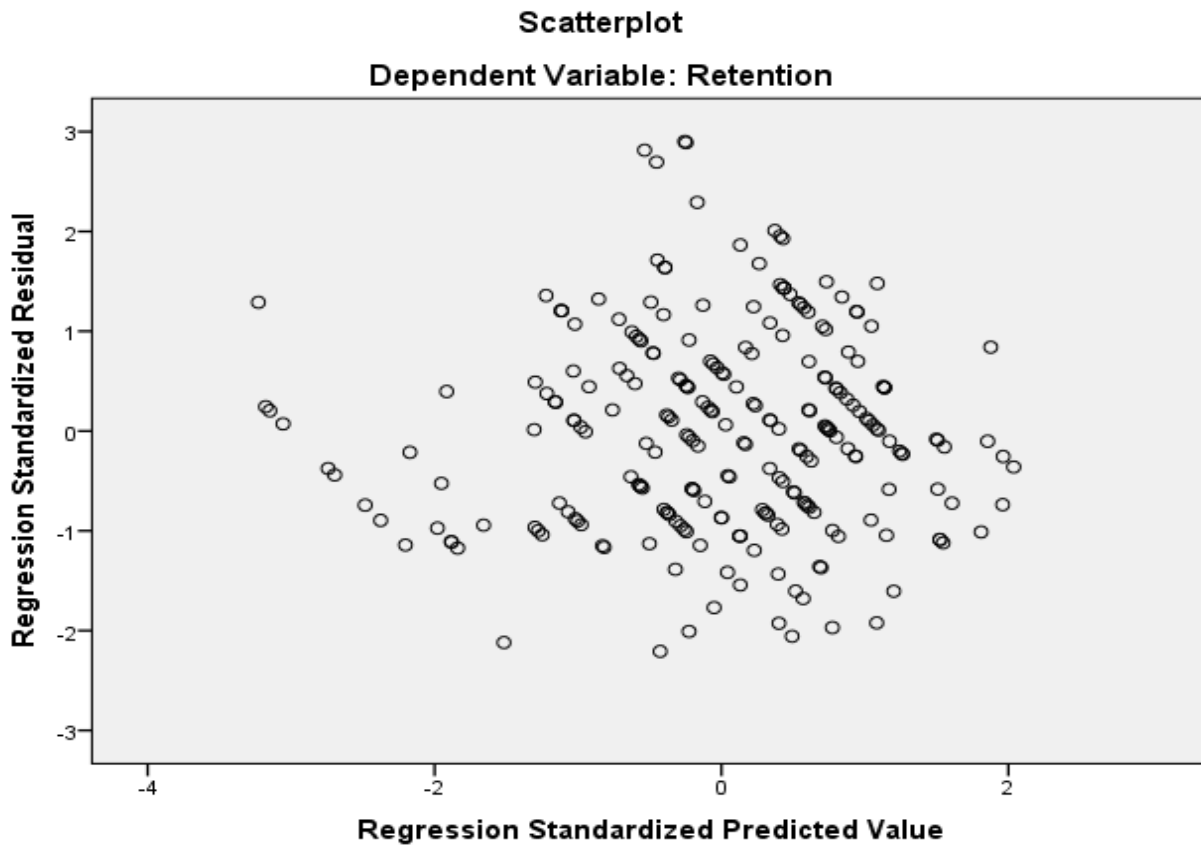


Figure 4: Scatterplot of standardized residuals

4.6.1.3. Auto Correlation (Durbin Watson Test)

Autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently Stevens (2009). Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the Durbin-Watson value needs to be close to 2 (Field, 2006). Values below 1 and above 3 are problematic and causes for concern. To check this assumption, we need to look at the Model Summary box presented below.

Table 9: Auto-correlation test using Durbin Watson statistics

	Durbin-Watson
Model	
1	2.137

a. Predictors: (Constant), Performance_appraisal, Compensation_reward, Training development, Work_environment
b. Dependent Variable: Retention

Table 8 above reveals that errors are responding independently, and autocorrelation is not a concern with Durbin-Watson value of 2.13. Therefore, it is possible to say the auto-correlation test has been met.

4.6.1.4. Normality Test

Multiple regressions require the independent variables to be normally distributed. This means that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006).

Frequency distribution comes in many different shapes and sizes. Therefore, it is quite important, to have some general description for common types of distributions. In an ideal world our data

would be distributed symmetrically around the center of all scores. As such, if we draw a vertical line through the center of the distribution then it should look the same on both sides. This is known as a normal distribution and is characterized by bell-shaped curve. This shape basically implies that the majority of scores lie around the center of the distribution (Field, 2006). The normal distribution graph was shown on Fig 4 below and revealed that the assumption of normality of has been met.

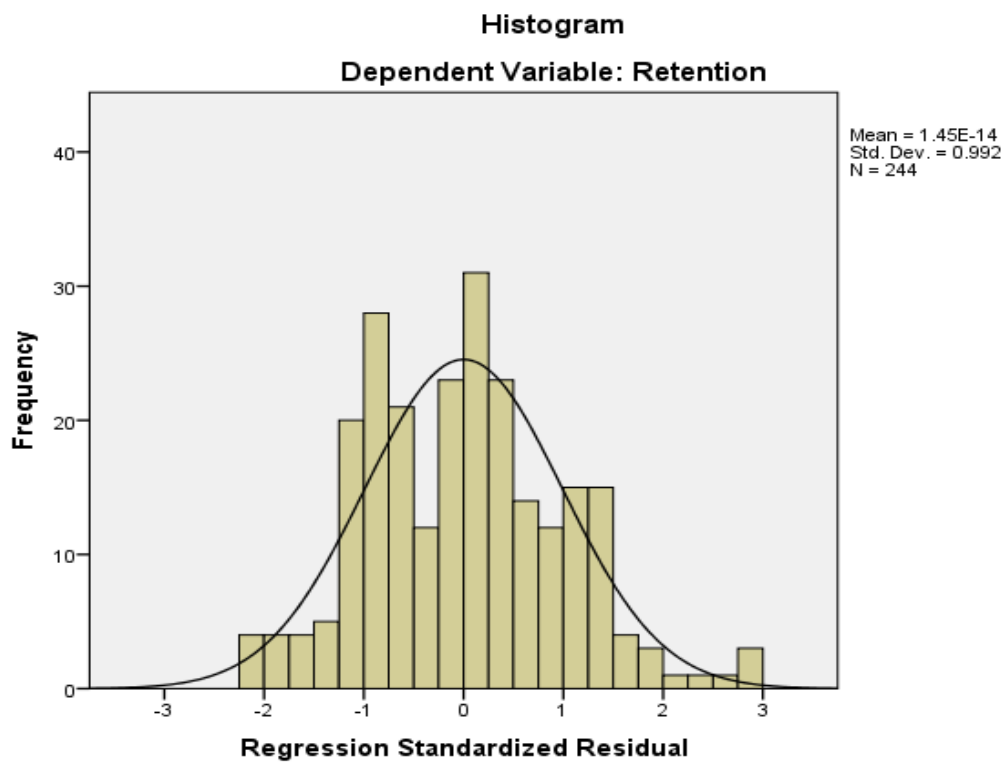


Figure 5: Normality Test Result

4.6.1.5. Multi-collinearity Analysis

Before running regression, one should check for the problem of multi-collinearity which is present if there is high correlation between some of the independent variables. The study checks this with the variance Inflation Factor (VIF) which calculates the influence of correlation among the independent variables on the precision of regression estimates.

The VIF should not exceed 10. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variable in the model and is calculated using the formula $1-R^2$ for each variable. If this value is less than 0.1 it indicates that there is possibility of multi-collinearity, but if it is greater than 0.1 it means that there is no multi-collinearity problem with in the model.

Table 10: Multi-collinearity Analysis

Coefficients ^a					
Model	Correlations			Collinearity Statistics	
	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)					
Compensation reward	.638	.633	.467	.869	1.151
Training development	.617	.610	.440	.862	1.160
Work environment	.477	.191	.111	.772	1.296
Performance appraisal	.042	.016	.009	.983	1.017

a. Dependent Variable: Retention

It assumes that predictors are not highly correlated with each other. Based on this assumption, it is tested using Variance Inflation Factor (VIF) statistic. As shown on table 10 above, all tolerance levels are above 0.1 (Menard, 1995), and VIF is below 10 (Myers, 1990) proving that problems of multi collinearity does not exist.

4.6.2. Multiple Linear Regression

In order to answer the question to what degree different types of employee retention strategies can predict perceived employee retention; inferential statistical technique of Multiple Regression Analysis (MRA) was used. Kerlinger and Lee (2000) opined that regression analysis is a statistical

method that relates one dependent variable to a linear combination of one or more independent variables. Regression identifies how much each independent variable has an impact on dependent variable. For each performance indicator separate data were regressed.

The following section discusses the result of the regression analysis in order to show the magnitude of effect of employee retention strategies on employee retention. Multiple regression analysis calculates multiple correlation coefficients, R^2 ; it is the proportion of variance in dependent variables explained by the independent variable. The contribution of independent variables towards dependent variables is measured by the Beta value and can be explained on the basis of p or t value.

Primarily, the fitness of the model was checked as shown in the next section. As shown in the ANOVA table below (table 10), the F value is found to be 122.9 ($p=.000$). This can be interpreted as the relationship between employee retention strategy practices and employee retention is significant. This implies that the independent variables in the model can predict the dependent variable reliably.

Table 21: ANOVA table

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	57.673	4	14.418	122.988	.000 ^b
	Residual	28.019	239	.117		
	Total	85.692	243			

a. Dependent Variable: Retention

b. Predictors: (Constant), Performance_appraisal, Compensation_reward, Training_development, Work_environment

Based on the model summary of the predictor variables presented below (compensation and reward, training and development, work environment, and performance appraisal), their correlation coefficient with the dependent variable (Employees retention) is 0.820 which indicates the presence of high correlation between the dependent and the independent variables as a whole.

The model summary table also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables), R Square equals 0.673. Therefore, 63.7% of changes in employee retention are explained by compensation and reward, training and development, work environment and performance appraisal. The P- value of 0.000 (Less than 0.05) implies that the model for employee retention is significant at the 95-percent significance level.

That means all independent variables compensation and reward, training and development, work environment and performance appraisal accounted for 67.3% of the contribution to employee retention. Other unexplored variables or factors may limit the contribution of employee retention practice on employee retention by accounting for about 32.7%.

Table 12: Model Summary

Model Summary^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change
1	.820 ^a	.673	.668	.34239	.673	122.988

a. Predictors: (Constant), Performance_appraisal, Compensation_reward, Training_development, Work_environment

b. Dependent Variable: Retention

Table 13 reveals the coefficient result of multiple regression analysis between dependent variable (employee retention) and independent variables (Compensation and reward, training and development, work environment and performance appraisal).

Among the four independent variables, the multiple regression analysis revealed that three of the variables are significantly contributing towards employee retention, by the p-value ($p < 0.05$). The nature of relationship was positive for all the independent variables. As depicted in the coefficient table, compensation and reward has the highest standardized regression coefficient and the lowest significance ($\beta = 0.501$, $p = 0.000$), which means compensation and reward is the most important predictor of employee retention in the company followed by training and development practice ($\beta = 0.474$, $p = 0.000$) and work environment ($\beta = 0.127$, $p = 0.003$). Performance appraisal was not found to be significant predictors of employee retention ($\beta = 0.009$, $p = 0.800$).

Table 13: Coefficient table

		Coefficients^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.285	.191		-1.488	.138
	Compensation reward	.497	.039	.501	12.636	.000
	Training development	.476	.040	.474	11.891	.000
	Work environment	.126	.042	.127	3.007	.003
	Performance appraisal	.011	.043	.009	.254	.800

a. Dependent Variable: Retention

4.7. Discussion of Findings

The purpose of this study was to identify the factors that affect retention of employees at LUNA, Export and Slaughterhouse Plc. From the findings of the study, it was established that employee's retention was influenced by compensation and reward, training and development, work environment and performance appraisal.

Compensation and Reward

The study further established that employees' retention is influenced by compensation and reward. The finding is consistent with different previous studies. Compensation is considered the most important factor for attracting and retaining the talent (Willis, 2000). Fair wages are the key element of the implied and contractual bond between employers and employees, the underlying supposition being that monetary can persuade behavior, (Parker and Wright, 2001). Organizations often offer high pay packages i.e. stock options, special pay, retention pay, gain share pay, performance base pay and bonus etc. for attraction and retention of talented employees of the market.

Compensation was identified as a motivator; and therefore, a key-retention strategy (Gardner et al., 2004), which had a direct relationship with employee retention (Hytter, 2007). Meanwhile, on the other hand, Teseema and Soeters (2006), cited more specifically that voluntary turnover was high among employees who valued higher financial rewards as a part of their compensation-package, which subsequently implied that compensation plays a major-role in retention. For instance, professional nurses who migrated from South Africa cited compensation as the reason for their leaving (Spence et al., 2009). Yet controversially, Hayes et al (2006) and Kossivi et al (2016) stated that compensation and retention hold no-direct-relationship.

Reward is very important because it has enduring impression on employees and support the perception of employees that they are valued (Silbert, 2005). According to Walker (2001), compensation offer recognition, but non-monetary forms of recognition are also not ignored and important. Recognition from bosses, team members, coworkers and customer enhance loyalty. Employee participation in decision making and influence in actions are also important (Davies, 2001; Gold, 2001). Research studies highlighted the linkage between rewards and employee's retention (Watson Wyatt, 1999; Tower Perrin, 2003; Mercer, 2003) and give insights into what workers want to do, their words about the rewards and their feelings regarding the work and reward matters.

Training and Development

Investment on employee Training and career development is considered important factor in employee retention. Organization has the incentive to make investment in form of training & development only on those workers, from whom organization expect to return and give output on its investment (Messmer, 2000). According to Clark (2001), organizations are intensification development for talented employees, through proficiency analysis, input on employee interests, need development and multisource appraisal of capabilities and formulate plans for action. Wetland (2003), suggested that firms and individual made investment on human capital in the form of training.

Working-environment

Working environment was the third factor that found to be predictor of employee retention. A conducive working-environment refers to one with a pleasant-working-experience, adequate

resources and a certain degree of flexibility, and is said to be contributing immensely in retaining employees (Alexander et al., 1998).

Work environment is considered one of the most important factors in employee's retention (Zeytinoglu & Denton, 2005). According to Hytter (2008), work environment is generally discussed as industrial perspective, focus on aspect i.e. noise, toxic substances exposure and heavy lifts etc.

Furthermore, as per the researches of Miller et al (2001), it was identified that employees benefit from an environment that provides them a sense of belonging; and that will encourage them to stay committed and loyal to the workplace for longer (Irshad,2014). Meanwhile, according to Lok et al (2005), the presence of job-autonomy, positive feedback and innovative and supportive organization-culture too was noted to have a positive relationship with employee retention. Andrews and Wan (2009) stated that different organizations should adopt different working-environments, according to employee needs. For instance, manufacturing organizations were noted to require an encouraging environment where employees were given the opportunity to expose their full capabilities; whereas, service organizations, directly dealing with clients, were supposed to follow a psychological dimension, to interact and understand the clients well (Umamaheswari and Krishnan, 2016; Shalley et al, 2011).

On the other hand, Raziq (2015) contrastingly mentioned that, if organizations pay no attention to the working-environment, it will result with an adverse effect on employee satisfaction and performance, causing retention levels to fall.

Thus, this implies that it is widely imperative to analyze and identify the real needs of workers, to provide them with a satisfactory working-environment, which could keep up retention levels. For

instance, when it comes to Google, Inc., it was known to be having an excellent, flexible working-environment with work/life balance, yet they still had a low retention rate. Thus, no matter how good the culture and environment are, when these talented people received enticing offers from competing workplaces, they voluntarily shifted to competitors (Business Insider, 2016).

Performance Appraisal

As per the results obtained from the study the performance appraisal is the list influencing factor in predicting employee retention. When there is some shortcoming in the performance appraisal system of an organization, it definitely creates some discrepancy in the process, then it will affect their efforts towards risk taking ideas for betterment of the organization. As (Derven 1990), criticizes, if the manager or supervisor is unskilled or couldn't give accurate feedback, then the appraisal process will have only a negative effect on the employees. It also makes employees to lose interest in the affairs of the organization (Robert & Kim,2007). Moreover, this de-motivation leads the employees to the lack of loyalty and they will look other options of good job and hikes in the rewards (bonnie 2002). According to Esu and Inyang (2009), Companies have failed because of the infective and inefficient performance appraisal system.

Finally, this study is not representative of the whole country. Any area of Ethiopia public institution and private organization could be studied and produce the same or contradictory results. Since the sample was limited to only one selective private limited company, and not incorporated all core practices of HR, it is therefore recommended that for more reliable generalization of findings, a similar study should be carried on large scale involving a large sample of organization. The study concluded that employee's retention was influenced by compensation and reward, training and development, work environment, and performance appraisal.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATION

5.1. Summary

To summarize, compensation and reward, training and development, and work environment are the major factors that help to minimize turnover and maintain retention., the ideas raised by the employees on the open-ended question are not the ones to be ignored as they are very important for them. So, the company should practice the four major factors accordingly as they are the major ones and also pay attention to the results of the open-ended questions.

5.2. Conclusion

The study was aimed to identify the factors affecting employee retention in LUNA Export and Slaughterhouse Plc. Four commonly identified factors; compensation and reward, training and development, working-environment and performance appraisal in past researches were considered in this context. Not only that, but different strategies are being developed and implemented to keep employees, but the implementation of employee retention practices in LUNA Export and Slaughterhouse Plc. remains moderate. The level of employee retention was also found to be moderate.

The study concluded that employee's retention was influenced by compensation and reward, training and development, and work environment. Initially, compensation was proven as a significant retention strategy.

Compensation and reward were the first factor that affects employee retention positively. Furthermore, most employees require financial incentives such as a high salary to be retained, while non-financial incentives such as job security are prioritized. As a result, management should speak with employees on a one-on-one basis on a regular basis to learn about their concerns. Based

on the findings of the study, it can be concluded that training and development, as well as the working environment, are significant employee retention practices, according to respondent satisfaction.

The survey also found that the firm had adapted training and career development to a moderate extent that it offered training and career development programs. Staff training and career development benefits were also in place, according to the report, and they had a significant impact on employee retention. The study also found that the degree to which available employee training and career development programs were linked to each employee's specific career needs was minimal. The study also found that providing educational subsidies to employees had a significant impact on retention and that they had a high degree of adoption in companies.

When it comes to working-environment, it was clearly identified that, a good work place should create a pleasant working experience for employees, with adequate resources and flexibility at work. However, it was also understood that the workplace environment should differ from one organization to another, based on the different requirements of the people, mainly based on the different industries that they were operating.

5.3. Recommendations

Based on the findings the following recommendations are forwarded:

- The company should give an attention for HR practices like compensation and reward, training & development, and working environment as basic strategies for retaining employee in longer period.
- The findings further established that compensation and reward was identified as the significant factor affecting employee retention. It is therefore recommended that the

management should take actions aimed at ensuring that employees are rewarded and compensated accordingly and benefits offered to them be improved.

- The salary of employee needs to be increased in a way to reflect the increase in the leaving expenses which will not only retain the present employees but will attract employees from other organization as well.
- Training and development were also the other factor determining employee retention. Therefore, sufficient training programs to all employees should be established as a regular practice so as to improve employee's performance, satisfy employee's growth needs and increase employee retention.

The issue raised by respondents in the open-ended question is that they did not have a union to represent them when employee's rights are violated. This is a legal issue. The Ethiopian Labor Proclamation granted employees the right to establish and join a union that represents them. Furthermore, since the majority of the works done in LUNA is closed to customer's and food there must be long-lasting secured safety and hygiene trainings and programs for employees. The company shall also design a long-term retention strategy including a succession plan and enact to ensure its practicality.

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SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY !

Addis Ababa University
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QUESTIONNAIRE

Dear Respondents,

I am student in Addis Ababa University School of Commerce, Department of Human Resource Management. The questionnaire is part of the research paper conducted for the fulfillment of the requirements of Masters of Arts in Human Resource Management and designed to collect information on how you feel about the employee TURNOVER and RETENTION practices of LUNA Export and Slaughterhouse Plc. I am kindly requesting you to answer the questions carefully and honestly because Your responses to the questionnaires are of great importance to my thesis work.

The Information collected from each respondent will be used only for academic purpose and your responses will be confidential. Should you require any clarifications or have any question, please do not hesitate to call on 0940164971.

Thank You for Your Cooperation in Advance.

SECTION I

Please tick (✓) the box of your response for the following questions)

1. You are A, Male B, Female

2. You are working at: Addis Ababa

Head office 22 Bambis FIGA Gerji CMC

Gurdshola Old Airport Alfoz Global Bole

3. Your age is

A, 18-25 B, 26-33 C, 34-41 D, >41

4. What is your position in your company?

a. Management member

b. Non- Manager

5. The experience you have in the current position?

a. Less than 1-year

b. 1-3 Years

c. 3-5 years

d. 5-7 years

e. More than 7

6. Educational Background?

a. MSc/MA/

b. BSc/BA

c. Diploma

d. 8-12 grade

7. What is your income level?

- a. Less than 2500
- b. 2500-5000
- c. 5001-10000
- d. 10001-20000
- e. More than 20001

SECTION II

Please put tick mark (✓) in front of the following items indicating the level of your agreement or disagreement that best expresses your opinion based on the scale.

Scale: 1- Strongly Disagree (SD), 2- Disagree (D), 3- Neutral (N) 4- Agree (A),
5- Strongly Agree (SA)

No.	Factors and list of statements	Level of agreement				
		SD	D	N	A	SA
1. Compensation & Rewards		1	2	3	4	5
1	I have received the right appreciation/recognition letter for my good performance					
2	I have received the chance of promotion in the company for better position					
3	The salary I am getting is fair compared to other companies					
4	I am getting the payment based on my performance					
5	I am satisfied with the company's benefits package					
2. Training & Development		1	2	3	4	5
6	The company has skill gap identification procedure & policy for training					

7	I have received all the necessary on/off the job trainings that are important to do my job well					
8	There is an opportunity of training & development for all employees					
9	I have received adequate problem-solving skill after the training/development					
10	Management supports my talent by training					
11	The training I received provides special technique and skill in performing my job					
3. Work environment		SD	D	N	A	SA
		1	2	3	4	5
12	There is enough illumination light at work place					
13	The work place cleanliness and hygiene is maintained well in the organization					
14	Ventilation facilities and conducive working temperature is maintained at work place					
15	Safe working environment is provided in use of personal protective equipment					
16	Rest rooms and canteen are maintained well					
17	I have the tools and resources I need to perform my job well					
18	I have the access to get pure drinking water at work place retention					
4. Performance Appraisal		SD	D	N	A	SA
		1	2	3	4	5
19	I receive regular and timely performance feedback beside the annual performance review.					
20	The feedback I receive helps me to improve my job performance and to attain my goals.					
21	Performance appraisal is linked with salary increase, promotion and payment of bonus.					

22	The performance appraisal has been accurate					
23	The performance appraisal upheld ethical and moral standards.					
24	I am confident because the appraiser knows enough about the PA to appraise me.					
25	There is a two-way communication with both managers and employees for expressing their views.					
26	I find it difficult to discuss work issues with my Supervisors/managers.					
5. Retention		SD	D	N	A	SA
		1	2	3	4	5
27	I see a future for myself within this company					
28	If I could start over again, I would choose to work for another company.					
29	If I received an attractive job offer from another company, I would take the offer.					
30	If it were up to me. I will definitely be working for this company for the next five years.					
31	I have a sense of belongingness and loyal to this company.					
32	I love working for this company.					

SECTION III. OPEN ENDED QUESTIONS

1. Do you think that there is employee retention problem?

A, Yes B, No

2. If your answer is “YES” for the above question, what do you advise in order to tackle/minimize it to the possible level? Please put your opinion on the space provided. (if the lien space is not enough please, use the blank space or a separate sheet)

Thank You