

**The Effect of Staff Retention Policies on Employees Organizational Commitment: The  
Case of Berhan International Bank S.C.**



**A Thesis Submitted to Addis Ababa University School of Commerce, Graduate Studies in  
Partial Fulfillment of the Requirements for the Degree of Master of Art in Human  
Resource Management**

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**May 2015**

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### **Declaration**

I, Abraham Deressa, declare that this study is my original work and has not been presented for a degree program in any other universities, and that all the sources of materials used for the study have been dully acknowledged.

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## **Acronyms**

OC:	Organizational Commitment
OCB:	Organizational Commitment Behavior
HR:	Human Resource Management
BrIB:	Berhan International Bank S.C
JB:	Junior Banker
CSO:	Customer Service Officer
SCSO:	Senior Customer Service Officer
SPSS 20:	Statistical Software Packages for Social Science: Version 20

### **Abstract**

*This research was conducted to examine the effect of staff retention policies on organizational commitment in the case of Berhan International Bank Share Company (BrIB) using drivers of organizational commitment as an indicator. Data was gathered from Head Office and almost all branches(both city and outlying). Descriptive and inferential statistics was used to analyze the empirical data and also cluster sampling was used followed by systematic sampling to select the samples. Primary data were collected using five Point Likert-Scale questionnaires and a structured interview and 184 responses were properly filled and returned. Statistical package for social science studies (SPSS) version 20 was used to analyze empirical data collected through the close ended questionnaire. The independent variables are compensation, job security, Training and development, working conditions, supervisor support culture, and organizational justice whereas the dependent variable is employees' organizational commitment. The mean and standard deviation of the dependent and independent variables were computed and interpreted. Pearson correlation Coefficient ( $r$ ) was used to determine the relationship between each independent variable with the dependent variable. The descriptive statistics result indicated that the mean value for compensation (mean=2.65), Supervisor Support Culture (mean=2.69), Work Environment (mean=2.75), Organizational Justice (mean=2.87), and Organizational Commitment (mean=2.78) were below average which indicate that employees in general are not committed in BrIB. The correlation result indicated that there were positive relationship between all of independent variables and the dependent variable, rejecting all null hypotheses. This implies that any increase or decrease on the independent variable will bring corresponding change on employees' organizational commitment. It's found that the independent variables has a 48% influence on the dependent variable while the remaining 52% is influenced by factors unaccounted in this research. It was concluded that the organization's management expectation to increase overall employees' commitment as a result of the said staff retention policies did not materialize for various reasons such as lengthy and bureaucratic process, various eligibility criterion... etc.*

**Keywords:** *Compensation, Job security, Training and Development, Working Conditions, Supervisor support culture, Organizational Justice, Employees' Organizational Commitment*

## Chapter One

### Introduction

Organizations tend to invest in employee retention programs for various reasons. The main idea behind these programs is to retain their productive employees so as to remain competitive in the ever challenging business environment. If employees are committed to an organization, their productivity will increase and it is more likely that they will stay in the organization for a relatively long period of time. Accordingly, even if commitment by itself is not certain for organizational success, it is considered to be a major factor. Thus, it's imperative that companies practice staff retention programs with a genuine sense of keeping the workforce happy and willingly enticed.

#### 1.1. Background of the Study:

The turnover of key employees can have a disproportionate impact on a business and the people organizations wish to retain are often the ones most likely to leave. Every worker is five minutes away from handing in his or her notice, and 150 working hours away from walking out of the door to a better offer. There is no such thing as a job for life and today's workers have few qualms about leaving employers for greener pastures.' Concerted action is required to retain talented people but there are limits to what any organization can do. It is also necessary to encourage the greatest contribution from existing talent and to value them accordingly (Armstrong, 2009: 503).

This study tries to examine the effect of staff retention policies on overall organization commitment. Hence, the very nature of staff retention revolves around the interest of employees and managing those employee interests for the benefit of the company so long as it remains within the delicate framework of what's morally right and what's legally acceptable. In our case company, even though there are various staff retention programs, its practicability and accessibility for employees is under question mark: which initiated this study to analyze the level of employees' commitment as an outcome.

According to Armstrong (2009), a retention strategy takes into account the retention issues the organization is facing and sets out ways in which these issues can be dealt with. This may mean

accepting the reality, that the market, not the company will ultimately determine the movement of employees. It may be difficult to counter the pull of the market; 'you can't shield your people from attractive opportunities and aggressive recruiters'. He suggests that: 'the old goal of HR management, to minimize overall employee turnover, needs to be replaced by a new goal: to influence who leaves and when.

Organizational commitment is a behavior that benefits the organization but is not required as part of the job description and is therefore discretionary (Armstrong, 2009). By discretionary, it is meant that the behavior is not an enforceable requirement of the role or the job description, that is, the clearly specifiable terms of the person's employment contract with the organization; the behavior is rather a matter of personal choice, such that its omission is not generally understood as punishable.

According to Armstrong (2007), an organizational commitment strategy will cover what needs to be done to: communicate the values and aims of management and the achievements of the organization, so that employees are more likely to identify with it as one they are proud to work for, demonstrate to employees that management is committed to them by recognizing their contribution as stakeholders and by striving to maximize job security, develop a climate of trust by ensuring that management is honest with people, treats them fairly, justly and consistently, keeps its word and shows willingness to listen to the comments and suggestions made by employees during processes of consultation and participation, create a positive psychological contract by treating people as stakeholders, relying on consensus and cooperation rather than control and coercion and focusing on the provision of opportunities for learning, development and career progression, establish performance management processes that provide for the alignment of organizational and individual objectives, help to increase employee identification with the organization through rewards related to organizational performance (profit sharing or gain sharing) or employee share ownership schemes, overall, establish and maintain a working environment that makes the organization an 'employer of choice' because it is 'a great place to work'.

OC can be considered the unwritten psychological contract between the employer and the employee in such a way that the employee expects to be treated fairly and also expects to be benefited from the mutual agreement and in the same fashion, the employer expects the

employee to do his/hers best to meet the organizational objective and also to be able to identify oneself with the organization. Hence, in this competitive business arena, the full realization of benefits that an organization can harness from implanting organization citizenship behavior in the mindset of its employees via various employee retention mechanisms is crucial for improved efficiency, effectiveness, job engagement, and to enhance co-operative work environment.

Berhan International Bank, as a relatively new entrant to the industry, has managed to develop certain employee retention programs and procedures that it believes will help it retain key employees. According to the bank's annual bulletin (2014), the bank obtained its banking services license from the National Bank of Ethiopia in accordance with the Commercial Code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994 and officially inaugurated for public services on October 10, 2009 G.C with a paid-up capital of 95 million birr and a subscribed capital over 300 million birr. As of November 30, 2014 G.C, the bank has raised its paid-up capital to 435 million birr and its subscribed capital to 512 million birr.

The Bank provides full-fledged banking services in both domestic and international levels. Domestic banking services includes savings, credit facilities, guarantees, local money transfer, provident fund management, salary administration (payroll service) and the international banking service includes letter of credit (LC), cash against document (CAD), telegraphic transfer (TT), swift, foreign remittance (via agents such as Western Union, Money Gram, Dahabshill...etc), and purchase & sale of foreign currency.

The Bank has expanded its branch network at a fast pace within a very short period. The branches are located around key business areas in Addis Ababa as well as major regional cities with more branches on the way.

Berhan International Bank S.C is the first bank in Ethiopia to apply core-banking solution (Rubicon) from the outset. This state of the art technology has enabled the bank to provide one stop banking service and has extended internal operations functionality with few staff integration with the system. All of its branches are networked through core banking solution and are providing full-fledged banking services currently.

## 1.2. Definition of Terms:

1. **Employee Retention:** An organization's ability to keep employees who are valued contributors to organizational success for as long as is mutually beneficial (WorldatWork, 2007)
2. **Employee Retention Strategy:** A retention strategy takes into account the retention issues the organization is facing and sets out ways in which these issues can be dealt with (Armstrong, 2009)
3. **Organizational citizenship:** can be thought of as the extent to which employees are dedicated to their employing organization and are willing to work on its behalf, and the likelihood that they will maintain membership (Jex, 2002)
4. **Employment Contract:** According to Ethiopian Labor Law 377/2003, a contract of employment shall be deemed formed where a person agrees directly or indirectly to perform work for and under the authority of an employer for a definite or indefinite period or piece work in return for wage.
5. **Training and development:** According to DeCenzo and Robins (2010), training and development are described as here under:
  - 5.1. Employee training is a learning experience: it seeks a relatively permanent change in employees that improves job performance
  - 5.2. Management Development is a Future-oriented training that focuses on employee personal growth
6. **Compensation:** This includes fixed pay (base pay) and variable pay (pay at risk). It also includes several forms of variable pay including short-term incentive pay and long-term incentive pay (WorldatWork, 2007)
7. **Carrier Development:** The planning of an employee's future career in an organization (A & C, 2003)
8. **Emergency staff loan:** A total sum of four months' worth of gross salary given in advance with zero rate of interest repayable over a period of not more than thirty months
9. **Personal loan:** A total sum of eight months' worth of gross salary given in advance with 5% rate of interest repayable over a period of not more than forty eight months
10. **Housing loan:** A long term loan given for the sole purpose of acquiring a residential house whose periodic repayment should not exceed half of gross salary of the employee and is repayable over a period of 25 years or before retirement, whichever comes first. The interest rate shall be applied as Interest rate set by the National Bank of Ethiopia plus two percent margin

11. **Automobile loan:** A long term loan given for the sole purpose of buying an Automobile whose periodic repayment shall not exceed one third of the employee's gross salary and is repayable over a period of ten years. The interest rate shall be applied as Interest rate set by the National Bank of Ethiopia plus two percent margin
12. **Bureaucracy:** According to Max Webber, bureaucracy is a specific administrative structure, which is based on a legal and rule oriented authority (Laegaard, J. and Bindslev, M. 2006)
13. **Induction:** It gives an opportunity to ensure that they understand where things are, who to ask when unsure about what to do, and how their role fits into the organization generally (Torrington et al, 2005)
14. **Family-friendly HR practices:** According to Torrington et al (2005), one of the significant reasons for voluntary resignations from jobs is the inability of HR practice to juggle the demands of a job with those of the family

### 1.3. Statement of the Problem;

The need for committing employees to an organization is very crucial and to do so companies use various employee retention programs to increase their belongingness. According to Johnny et al (2009), there are five distinct approaches to retaining employees: (1) make retaining employees a priority, (2) adopt a clear approach to hiring for the long term, (3) create an employee-centered culture to hold on to employees, (4) become a cutting-edge company in retention (just as you are in product development) to provide your competitive edge, and (5) master the secrets to getting employees to fall in love with the company.

In the case of our subject, BrIB, there are various monetary and non-monetary employee retention programs such as succession plan, training and development opportunities, compensation and reward systems, carrier development opportunities, medical benefits, emergency staff loan, personal loan, housing loan, automobile loan...etc. However, often times, these retention programs and policies tend to become a bone of contention in more ways than one instead of becoming a reason to revitalize employees' commitment to the company. It is assumed that employees have not yet fully benefited from such policies for various reasons ranging from barriers for immediate eligibility to lengthy and bureaucratic processes with less or no emphasis on the employees prevailing circumstances'.

#### **1.4. Basic Research Question;**

In order to deal with the issue stated in the above problem statement, the following research questions have been addressed:

- What employee retention policies and programs does the bank currently execute?
- What are the eligibility criterion?
- What is the management of the organization expecting to gain out of the current practice of employee retention policies being implemented in the bank?
- Has the employee retention policy of the bank lead to the successful realization of employees' organizational commitment?

#### **1.5. Objectives of the Study:**

##### **1.5.1. General Objective;**

The general objective of this study is to assess if the staff retention policies of the bank have helped in securing employees' organizational commitment and to assess if the expectation of the organization to revitalize employees' commitment as a result of the staff retention programs has resulted in a favorable outcome in the case of Berhan International Bank

##### **1.5.2. Specific Objectives;**

The following are specific objectives of the study:

- Assessment of the retention policies and programs, that are being executed in the bank
- Assessment of eligibility criterion for the staff retention policies
- Assessment of the organization's expectation as an outcome of the employee retention policies being implemented in the bank
- Assessing the level of employees' organizational commitment

#### **1.6. Significance of the study:**

This study tried to investigate the existing employee retention programs and their effect on employees' organizational commitment in the case company. In the same fashion, it has also tried to assess the gap between the management's perceived and the actual result as an outcome

of the said programs. Accordingly, the study was able to paint a clear picture of the actual effect of those retention programs on organizational commitment.

In a practicability perspective, the study has tried to give an insight in figuring out ways how to fully utilize the retention programs so that both the individual level and organization level objectives can be meet easily. It also might insight other interested researchers to take the case and conduct an extensive research so as to develop a tailored employee retention programs that will best work with the socio-economic make up of the environment.

### **1.7.Scope of the Study:**

The study is limited to the effect of retention policies on employees' organizational commitment in the case of Berhan international bank s.c and to its selected employees that are found at Head Office Level and all Branches'. Due to limited resources, time constraints, and geographical dispersion of the respondents, the student researcher has focused on the said bank's retention programs and its effect on its employees' organizational commitment.

### **1.8.Organization of the Research Report:**

This research paper is divided in to five chapters. Chapter one deals with the research background, statement of the problem, basic research questions, objectives of the study, hypothesis of the study, definition of used terms, significance of the study, research design and methodology, and scope of the study. Chapter two deals with detailed literature review related to the employee retention mechanisms and organizational commitment. Chapter three deals with methodology of the study and analysis of the collected data. Chapter four deals with the results of the analyzed data in chapter three and discussions is carried out accordingly. And finally, in Chapter five the conclusion and recommendation is presented.

## **Chapter Two**

### **Review of Related Literature**

In this section various literatures in relation with the basic premise of this study are reviewed so as to draw a clear theoretical framework of the subject matter. Accordingly, the distinct meaning and features of employee retention and employees organizational commitment are elaborated in detail.

#### **2.1.Theoretical Background:**

Employee retention and employees organizational commitment has different theoretical background and as such both are discussed as follows:

##### **2.1.1. Employee Retention:**

According to A&C (2006), employee retention is the process of keeping employees on the staff and not losing them to rival firms. Ensuring that the organization is perceived as being ‘a great place to work’ means that it becomes an ‘employer of choice’, i.e. one for whom people want to work. There is a desire to join the organization and once there, to want to stay. Employees are committed to the organization and engaged in the work they do. To acquire a national, even a local reputation as a good employer takes time. But it’s worth the effort (Armstrong, 2006)

Market pay and market supplements are the first resort of firms wishing to attract and retain high-quality people. ‘Golden hellos’ and ‘golden handcuffs’ (recruitment and retention bonuses) may be used for this purpose but there is more to attracting and retaining people than simply throwing money at them (Armstrong, 2004). The turnover of key employees can have a disproportionate impact on the business and the people organizations wish to retain are probably the ones most likely to leave. Every worker is five minutes away from handing in his or her notice, and 150 working hours away from walking out of the door to a better offer. There is no such thing as a ‘job for life’ and today’s workers have few qualms about leaving employers for greener pastures”. Hence, concerted action is required to retain talented people, but there are limits to what any organization can do. It is also necessary to encourage the greatest contribution from existing talent and to value them accordingly (Armstrong, 2004).

According to an article written by Kotze (2005), Veldsman proposed a model to explain the relationship of various factors that affect the propensity of an employee to stay or leave an organization. According to the figure depicted here under, an individual in the first instance has certain views regarding his/her organization as an Employer of Choice (EoC) which affects his/her decision to join and stay with the company. The propensity to stay or to leave is further affected by Organizational climate and culture, Job Satisfaction, and Employee Well-being. Organizational Climate and culture reflects how the individual engages with the macro work setting. Job Satisfaction indicates the micro (or immediate) work setting engagement of the employee. Employee Wellbeing is situated between Organizational Climate and Job Satisfaction. This positioning indicates the positive and/or negative responses of the employee to his/her total work setting, i.e. the macro and micro work settings, which is reflective of his/her internal experiences of his/her work engagement.

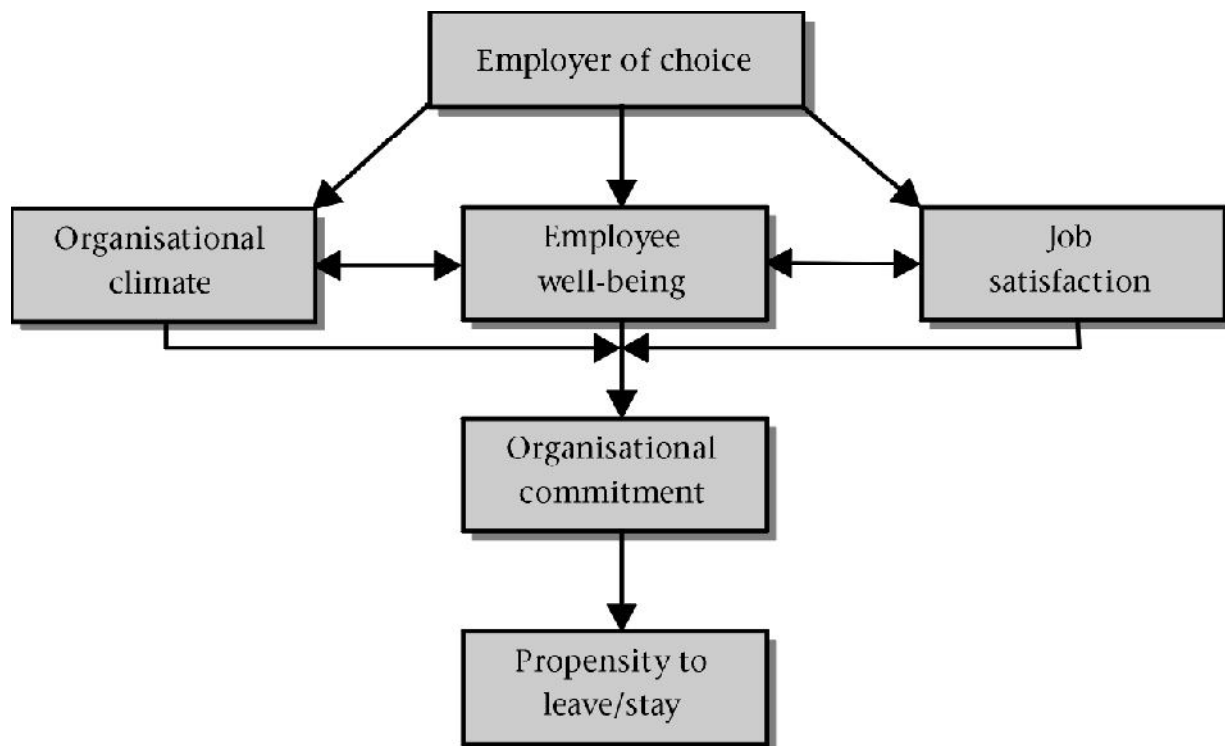


Figure 1: Veldsman Model

### **2.1.1.1.Factors that affect the retention of employees:**

The factors that affect retention of employees have to be managed and must therefore be identified. Such factors are clustered into three categories as described in the Veldsman model in figure 1: factors pertaining to organizational climate and culture, factors pertaining to job satisfaction, and factors pertaining to employee well-being as discussed hereunder.

#### **2.1.1.1.1. *Factors pertaining to organizational climate:***

Organizational climate is defined as an enduring characteristic of an organization which embodies the members' collective perceptions about their organization with respect to dimensions such as trust, cohesiveness, support, recognition, innovation and fairness. It also reflects the prevalent norms, values and attitudes and the organization's culture (Moran & Volkwein, 1992, p. 20). The following studies have linked retention to organizational climate:

Employees are more likely to leave if they perceive a lack of clear direction on the part of management. An international survey spanning 50 countries and 330 companies revealed that 74% of dissatisfied employees feel that their company has no clear sense of direction, compared to 43% of satisfied employees. It would appear that companies are less adept at marketing themselves to their employees than they are at selling the company to other stakeholders (Hay, 2002).

Level of control over work environment: Lok and Crawford (1999) found a significant positive correlation between commitment and the level of control over the work environment. Control in this context refers to the employee's freedom or ability to influence or manipulate the work environment.

Lok and Crawford (1999) also found a significant positive correlation between commitment and innovative and supportive subcultures. In this context, an organizational subculture refers to the culture in a section, team or department, which is often different to the greater organizational culture. In the same study, a negative correlation was found between commitment and a bureaucratic subculture. The Markinor (2003) study also pointed out that commitment levels to a team or department are stronger than to the company, strengthening the argument that "employees quit a boss, not a company".

Employees' reaction to "the war-for-talent mindset": Demby (2002) reported that many top-performing companies are obsessed with talent and are endlessly recruiting and dismissing as many top performers as they can. Many companies believe that bringing in people from outside the company is necessary for high performance. An unintended negative consequence of this mindset was that newly recruited people, supposedly with the sought-after talent, were viewed as being superior to existing staff in the company. As a result, the "institutional type of employee" (the loyal career type who wants to stay in the company) started to believe that the only way to get ahead was to leave to move from company to company. In this sense, "being loyal" became negative.

#### ***2.1.1.1.2. Factors pertaining to job satisfaction:***

Job satisfaction is a result of employees' perceptions of how well their jobs provide in those qualities that they perceive as important (Luthans, 1998, p. 44). A strong correlation, and in fact a causal relationship between job satisfaction, employee commitment and retention, has been established in several studies to date, as reported by Roland et al (1996). The following specific factors pertain to job satisfaction and its relationship to retention:

Udo and Tor-Guimaraes (1997) found that significant indirect influences on the intention to stay were job satisfaction, job involvement, task characteristics and role stressors.

The second-highest factor contributing to high turnover according to Hay's international study (2002) is that employees are "unhappy with their boss". In fact, 74% of those who planned to stay were happy with their managers, compared to 41% of those planning to leave.

In a landmark study by the Gallup Organization that includes interviews with 1 million employees and 80 000 managers, it emerged that people leave managers, not companies. This suggests that if a turnover problem exists, first look at the organization's managers (Taylor, 2002).

Leadership and managerial strategy: The link between leadership and commitment is evident in the work of Brewer (1993). Here, employees' commitment was examined in relation to the level of consent to, and conflict with, managerial strategy. In Brewer's model of commitment, although managerial strategy is not the same as leadership, the attributes and skills required in

leadership could be seen as an essential part of managerial strategy. In the research of Lok and Crawford (1999), a consideration leadership style was found to have a greater influence on commitment and job satisfaction than a task orientated leadership style.

Satisfaction of higher-order needs: The study of Lok and Crawford (1999) confirmed the strong positive correlation between commitment and higher-order needs, or intrinsic factors as per Maslow's Hierarchy of Needs Theory and Herzberg's Theory of Motivation. Examples of higher-order needs as per Lok and Crawford's study (1999) referred to the level of control over the working environment, the amount of interaction, acceptance by co-workers, the level of professionalism, praise received from colleagues and leader as well as feedback.

Asymmetric information: Sigler (1999) stated that insufficient information on and communication about the employee's performance may complicate the employer's endeavor to retain productive employees. Without adequate information, an employer may not be able to distinguish between productive and non-productive employees. Employees often take credit for successes and deflect failures to other employees. Also, poor communication can lead to a situation where the manager does not know what information to ask the employee and the employee does not know what to provide. Therefore, productive workers cannot distinguish themselves from non-productive workers and are not rewarded accordingly.

#### ***2.1.1.1.3. Factors pertaining to employee well-being***

Warr (1990) described affective well-being as the emotional state of employees within their total work setting as being either predominantly negative or positive on 3 principal axes: (a) anxious – contented, (b) enthusiastic – depressed and (c) pleased – displeased.

Having established the relationship between employee satisfaction and retention in the previous section, it is important to note that Roland et al (1996) found that employee satisfaction is largely driven by satisfaction with managerial processes related to employee well-being. These processes include supervision, benefits, work design and work environment. The following specific factors pertain to employee well-being and its relationship to retention:

Skills and talent development: This proved to be the most significant retention factor in an international study, as reported by Hay (2002). Another significant factor that emerged from this

study is managers who fail to take an interest in staff's career development. Both these factors were found to have a profound effect on the emotional well-being of employees in their work situation. Closely associated with skills and talent development is the opportunity to learn new skills. According to Hay's international study (Hay, 2002), only 38% of those planning to leave were satisfied with the current opportunities to learn new skills. The Markinor South African employee relations survey (Markinor, 2003) also pointed out that development of a long-term career is a major driver of employee loyalty. Therefore, many employees feel trapped in a narrow job function with little scope for development. This trapped feeling was also found to have a profound effect on the emotional well-being of employees.

Advancement opportunities: Hay's study (2002) also revealed that only 22% of employees planning to leave were satisfied with advancement opportunities. This dissatisfaction was found to be an important factor in the emotional wellbeing of staff.

The P-E Corporate survey in which 800 South African companies participated, reported that the main reason for leaving an employer was the prospect of better pay and better working conditions. Amongst skilled staff, 23% of those who quit left for better pay. This accounted for about 19% of staff resigning at lower levels (Westcott, 2003).

According to a study by Walker Information spanning 31 countries, what employees want (i.e. the top drivers for employee loyalty) is fair treatment, care/concern and trust, and better communication. The South African leg of this survey revealed the same result (Markinor, 2003). Yet, as reported by Taylor (2002), a retention study by the Society of Human Resource Management shows that what employers give employees instead, are better benefits and more competitive compensation - i.e. commodities. This is according to Taylor (2002) a problem of alignment not giving what employees want.

#### **2.1.1.2.Retention strategy:**

According to Armstrong (2006), a retention strategy takes into account the particular retention issues the organization is facing and sets out ways in which these issues can be dealt with. This may mean accepting the reality, as mentioned by Cappelli (2000), that the market, not the company will ultimately determine the movement of employees. Cappelli believes that it may be difficult to counter the pull of the market 'you can't shield your people from attractive

opportunities and aggressive recruiters’, and suggests that: ‘The old goal of HR management, to minimize overall employee turnover, needs to be replaced by a new goal: to influence who leaves and when.’ This, as proposed by Bevan et al (1997), could be based on risk analysis to quantify the seriousness of losing key people, or of key posts becoming vacant

#### **2.1.1.3.Risk analysis:**

Risk analysis can be carried out initially by identifying potential risk areas, the key people who may leave and, for each of them as individuals or groups, estimating: the likelihood of this occurring, how serious the effects of a loss would be on the business, the ease with which a replacement could be made and the replacement costs.

Each of the estimates could be expressed on a scale, say: very high, high, medium, low, very low. An overview of the ratings under each heading could then indicate where action may need to be taken to retain key people or groups of people.

#### **2.1.1.4.Analysis of reasons for leaving:**

Risk analysis provides specific information on areas for concern. More generally, some indication of the reasons for leaving and therefore where action needs to be taken may be provided by exit interviews, but they are fallible. More reliance can be placed on the results of attitude or opinion surveys to identify any areas of dissatisfaction. The retention plan should propose actions that would focus on each of the areas in which lack of commitment and dissatisfaction can arise.

#### **2.1.1.5.Areas for action:**

Depending on the outcome of the risk analysis and the overall assessment of reasons for leaving, the possible actions that can be taken are as follows:

Deal with uncompetitive, inequitable or unfair pay systems. But as Cappelli (2000) points out, there is a limit to the extent to which people can be bribed to stay. Remember that while money might attract, you can’t buy love. It is often other things that get people to stay (how they are treated).

Design jobs to maximize skill variety, task significance, autonomy, control over their work and feedback, and ensure that they provide opportunities for learning and growth. Some roles can be ‘customized’ to meet the needs of particular individuals.

Develop commitment to the work (job engagement) not only through job design but also by organizing work around projects with which people can identify more readily than the company as a whole.

Encourage the development of social ties within the company. In the words of Cappelli (2000), ‘loyalty to companies may be disappearing but loyalty to colleagues is not’.

Ensure that selection and promotion procedures match the capacities of individuals to the demands of the work they have to do. Rapid turnover can result simply from poor selection or promotion decisions.

Reduce the losses of people who cannot adjust to their new job – the ‘induction crisis’ – by giving them proper training and support when they join the organization.

Take steps to improve work-life balance by developing policies including flexible working that recognize the needs of employees outside work.

Eliminate as far as possible unpleasant working conditions or the imposition of too much stress on employees

Select, brief and train managers and team leaders so that they appreciate the positive contribution they can make to improving retention by the ways in which they lead their teams. Bear in mind that people often leave their managers rather than their organization.

### **2.1.2. Employees Organizational Commitment:**

In addition to feelings of satisfaction or dissatisfaction, employees may develop feelings of attachment or commitment toward the organization in which they are employed. As with satisfaction or dissatisfaction, a strong case can be made that the tendency to develop attachment or commitment ties extends far beyond the workplace. For example, people commit to each other through marriage and other forms of kinship. Many people also faithfully commit themselves to activities such as exercising, institutions such as churches, and political ideologies such as

democracy. Given these vast numbers of commitments, it is not surprising that employees also develop feelings of commitment and attachment toward the organizations in which they work (Jex, 2002:133)

According to Armstrong (2009), Commitment refers to attachment and loyalty. It is associated with the feelings of individuals about their organization. As defined by Porter et al (1974), commitment is the relative strength of the individual's identification with, and involvement in, a particular organization. The three characteristics of commitment identified by Mowday et al (1982) are: a strong desire to remain a member of the organization, a strong belief in and acceptance of the values and goals of the organization, a readiness to exert considerable effort on behalf of the organization.

An alternative, although closely related, definition of commitment emphasizes the importance of behavior in creating commitment. As Salancik (1977) put it: 'Commitment is a state of being in which an individual becomes bound by his actions to beliefs that sustain his activities and his own involvement.' Three features of behavior are important in binding individuals to their acts: the visibility of the acts, the extent to which the outcomes are irrevocable, and the degree to which the person undertakes the action voluntarily. Commitment, according to Salancik, can be increased and harnessed 'to obtain support for organizational ends and interests' through such ploys as participation in decisions about actions.

#### **2.1.2.1. Developing a commitment strategy**

According to Armstrong (2009), a commitment strategy will be based on the high-commitment model. It will aim to develop commitment using, as appropriate, approaches such as those described below. When formulating the strategy, account should be taken of the reservations and too much should not be expected from it. The aim will be to increase identification with the organization, develop feelings of loyalty amongst its employees, provide a context within which motivation and therefore performance will increase, reduce employee turnover, and increase job satisfaction. But too much should not be expected from campaigns to increase commitment the level of which is influenced by many factors that cannot always be manipulated as the organization would wish. It is naïve to believe that 'hearts and minds' campaigns to win commitment will transform organizational behavior overnight.

Steps to create commitment will be concerned with both strategic goals and values. They may include initiatives to increase involvement and ‘ownership’, communication, leadership development, developing a sense of excitement in the job, and developing various HR policy and practice initiatives.

#### ***2.1.2.1.1. Developing ownership***

Commitment, a sense of belonging, is enhanced if there is a feeling of ‘ownership’ among employees: not just in the literal sense of owning shares (although this can help) but in the sense of believing they are genuinely accepted by management as key stakeholders in the organization. This concept of ‘ownership’ extends to participating in decisions on new developments and changes in working practices that affect the individuals concerned. They should take part in making those decisions and feel that their ideas have been listened to and that they have contributed to the outcome.

#### ***2.1.2.1.2. Communication programs***

It may seem to be strikingly obvious that commitment will only be gained if people understand what they are expected to commit to. But management too often fail to pay sufficient attention to delivering the message in terms that recognize that the frame of reference for those who receive it is likely to be quite different from their own. Management’s expectations will not necessarily coincide with those of employees. Pluralism prevails. And in delivering the message, the use of different and complementary channels of communication such as newsletters, briefing groups, videos, notice boards, etc is often neglected.

#### ***2.1.2.1.3. Leadership development***

Commitment is enhanced if managers can gain the confidence and respect of their teams, and development programs to improve the quality of leadership should form an important part of any strategy for increasing commitment. Management training can also be focused on increasing the competence of managers in specific areas of their responsibility for gaining commitment, e.g. performance management.

#### ***2.1.2.1.4. Developing HR practices that enhance commitment***

The policies and practices that may contribute to the increase of commitment are learning and development, career planning, performance management, reward management, work–life balance policies and job design. Engagement strategies will create feelings of excitement in the job and therefore commitment.

#### **2.1.2.2. The contribution of HR to developing commitment**

The HR function can play a major part in developing a high-commitment organization. The 10 steps it can take are: advice on methods of communicating the values and aims of management and the achievements of the organization so that employees are more likely to identify with it as one they are proud to work for, emphasize to management that commitment is a two-way process; employees cannot be expected to be committed to the organization unless management demonstrates that it is committed to them and recognizes their contribution as stakeholders, impress on management the need to develop a climate of trust by being honest with people, treating them fairly, justly and consistently, keeping its word, and showing willingness to listen to the comments and suggestions made by employees during processes of consultation and participation, develop a positive psychological contract by treating people as stakeholders, relying on consensus and cooperation rather than control and coercion, and focusing on the provision of opportunities for learning, development and career progression, advise and assist on the establishment of partnership agreements with trade unions that emphasize unity of purpose, common approaches to working together and the importance of giving employees a voice in matters that concern them, recommend and take part in the achievement of single status for all employees (often included in a partnership agreement) so that there is no longer an ‘us and them’ culture, encourage management to declare a policy of employment security and ensure that steps are taken to avoid involuntary redundancies, develop performance management processes that provide for the alignment of organizational and individual objectives, advise on means of increasing employee identification with the company through rewards related to organizational performance (profit sharing or gain sharing) or employee share ownership schemes enhance employee engagement, ie identification of employees with the job they are doing, through job design processes that aim to create higher levels of job satisfaction (job enrichment)

Meyer and Allen (1991) further refined the definition of organizational commitment by pointing out that there can be multiple bases of commitment, that is, employees may be committed for different reasons, and these reasons constitute unique forms of commitment. They proposed a three-component model of commitment consisting of affective, continuance, and normative commitment (Jex, 2002:133).

*Affective commitment* reflects the extent to which employees identify with the organization and feel a genuine sense of loyalty toward it. In contrast,

*Continuance commitment* is based on employees' perceptions of the relative investments they have made in the organization, and the relative costs associated with seeking membership in another organization.

*Normative commitment* is based on an employee's feeling of obligation to the organization, wherein remaining a member is the morally right thing to do.

In addition to having multiple bases, employee commitment may be focused at different levels within the organization and may even be directed to outside groups. For example, an employee may feel a sense of commitment toward his or her organization as a whole, the primary work group to which he or she belongs, and perhaps the leader of this group. Many employees in organizations also feel a sense of commitment toward the profession to which they belong. For example, physicians who work for Health Maintenance Organizations (HMOs) are likely to have some level of commitment to their employing organization, but are committed to the medical profession as well.

Given that commitment has multiple bases and foci, this suggests that there are a number of distinct forms of commitment. Meyer and Allen (1997) illustrate this in a matrix in which the three bases of commitment (affective, continuance, and normative) are crossed with six distinct foci. An employee may have feelings of affective, continuance, or normative commitment toward any number of foci within the organizational environment. This reflects the fact that, for employees in most organizations, commitment is a multidimensional, complex construct. Thus, if one were to come up to an employee and ask, "How committed are you?" the employee would most likely have a multipart answer.

### **2.1.2.3. Development of Organizational Commitment**

According to Jex (2002), most researchers have approached this issue by examining the development of each of the three bases of commitment proposed by Meyer and Allen (1991). If one considers affective commitment, a logical supposition might be that employees will tend to develop this type of commitment if they perceive that the organization is being supportive and/or treating them in a fair manner (Meyer & Allen, 1991). In fact, research has shown that affective commitment is positively related to variables such as perceived organizational support (POS) and procedural justice. POS simply represents the extent to which the organization is seen as helpful to the employee; in effect, it is “on the employee’s side”.

Another factor that may impact the development of affective commitment is whether the organization is seen as a source of rewarding outcomes. Research has shown, for example, that a positive relationship exists between affective commitment and variables such as job scope, participative decision making, job autonomy, and perceived competence (Meyer & Allen, 1997). One way to interpret such findings is based on a belief that employees develop feelings of affective commitment if they see the organization as a place where they feel they are important and competent.

Another way some researchers have sought to explain affective commitment is through behavioral commitment and retrospective sense making. Put differently, one might say that employees develop feelings of affective commitment as a retrospective mechanism to justify their tenure in the organization and the level of effort they have expended on its behalf. In general, retrospective explanations of affective commitment have met with very limited support. However, as Meyer and Allen (1997) point out, this mechanism is quite subtle and thus may be very difficult to test empirically.

Compared to affective commitment, explaining the development of continuance commitment is much more straightforward. Most explanations of continuance commitment rely on H. Becker’s (1960) notion of “side bets” as a mechanism committing one to a course of action. If, for example, a person has wagered a bet that he or she would lose 20 pounds over the next six months, this would commit the person to that course of action. When this concept is applied to the workplace, we can see very clearly that, over time, employees accumulate a number of “side

bits” that commit them to their current employer. For example, the accrual of seniority means that employees may be entitled to special benefits or privileges. If the employee were to leave and work for another employer, such benefits would be forfeited. Also, many employees develop numerous social relationships with their coworkers, and these bonds help to facilitate feelings of belonging and comfort. These feelings would be forfeited in a switch to another employer.

Another proposed determinant of continuance commitment is the extent to which employees *perceive* other viable alternatives to the present employer. The word “perceive” is italicized because it really doesn’t matter whether actual alternatives exist; the important thing is an employee’s perceptions. Perceptions of alternatives may be impacted by things in the environment, such as the unemployment rate, but may also be affected by other, more subjective factors. For example, an employee’s perception of his or her overall competence, level of training, and mobility will all enter into the perception of alternatives. As one might guess, continuance commitment will tend to be higher among employees who perceive few alternatives to the present employer.

Compared to affective and continuance forms of commitment, much less is known about the development of normative commitment. According to Meyer and Allen (1997), personal characteristics and the nature of an employee’s transactions with the organization may impact the development of normative commitment. At a personal level, individuals may differ in terms of whether their early socialization emphasized the development of strong loyalty and a sense of moral obligation to their employer. They also point out that the organization may attempt to instill in employees, during the initial socialization process, a strong sense of moral obligation to the organization.

Perhaps the most powerful determinant of normative commitment is ultimately the manner in which an organization treats its employees. When employees enter an organization, an implicit agreement, or a psychological contract, exists between them and the organization (e.g., Schein, 1980). A psychological contract essentially represents an employee’s perceptions of what he or she feels is reasonable treatment as a member of the organization. One would assume that normative commitment is highest when an employee perceives the organization as honoring its end of the psychological contract. More research, however, is needed before more conclusions can be drawn about the development of this form of commitment.

#### **2.1.2.4.Measurement of Organizational Commitment**

As with most subjective attitudinal variables, organizational commitment is measured with self-report scales. Historically, the first organizational commitment scale to gain widespread use was the Organizational Commitment Questionnaire (OCQ; Mowday, Steers, & Porter, 1979). The original OCQ primarily reflected what Meyer and Allen (1991) described as affective commitment and, to a lesser extent, normative commitment. The original OCQ also contained one item measuring an employee's turnover intentions. The inclusion of this item prompted criticism, particularly when the OCQ was used to predict turnover. Most researchers who have used the OCQ in recent years have eliminated the turnover intent item. In many cases, researchers have also used shorter versions of the original measure.

In general, there is evidence that the OCQ has desirable psychometric properties. Mathieu and Zajac (1990), in their meta-analysis of 124 organizational commitment studies, reported that the mean internal consistency reliabilities for various forms of the OCQ were all over 80. In this same study, the OCQ was found to correlate appropriately with conceptually related variables, thus providing some support for its construct validity. The major limitation of the OCQ is that it measures primarily the affective component of organizational commitment, and thus provides very little information on the continuance and normative components. This is an important limitation because these different forms of commitment are associated with different outcomes.

More recently, Allen and Meyer (1990) developed an organizational commitment measure that contains three subscales that correspond to the affective, continuance, and normative components of commitment. An example of an affective commitment is: "This organization has a great deal of personal meaning to me." An example of a continuance commitment item is: "It would be too costly for me to leave my organization in the near future." Finally, an example of a normative commitment item is: "I would feel guilty if I left my organization now."

Because the Allen and Meyer (1990) scale has been developed more recently than the OCQ, comparatively less evidence has accumulated to support both its reliability and validity. However, the evidence accumulated to date has been very encouraging. For example, Meyer and Allen (1997) reported that the median internal consistency reliabilities for the affective,

continuance, and normative commitment scales are .85, .79, and .73, respectively. They also report that all three scales have exhibited reasonably high levels of temporal stability.

In terms of construct validity, there is also impressive supporting evidence. For example, several studies have supported the three factor structure of the scale (summarized in Meyer & Allen, 1997). There is also evidence that these forms of commitment are empirically distinguishable from related constructs such as job satisfaction, values, and occupational commitment. The construct validity of Meyer and Allen's measure has also been supported by the pattern of its relationships with other variables. The important point is that the three subscales corresponding to the three different forms of commitment appear to correlate with other variables in an expected manner.

Other than the OCQ and the Allen and Meyer (1990) scales, a handful of other measures of organizational commitment have surfaced, but none has been used extensively. One recent measure worth noting was developed by T. Becker (1992). In this study, organizational commitment was measured in terms of multiple bases (as per Meyer and Allen) and multiple foci. Few other studies have done this, so there is little empirical evidence on the viability of this approach to measuring commitment. However, in the future, it may be useful to measure commitment in this fashion if, indeed, different outcomes are associated with different combinations of bases and foci of commitment.

#### **2.1.2.5. Correlates of Organizational Commitment**

As with job satisfaction, researchers and managers are interested in organizational commitment largely because of its relationship with other variables. In this section, we briefly review evidence on the relationship between organizational commitment and attitudinal variables, absenteeism, turnover, and performance.

##### **2.1.2.5.1. Attitudinal Variables:**

Given Meyer and Allen's (1991) distinction among affective, continuance, and normative commitment, the correlates of each of these forms of commitment are examined separately. Affective commitment has been shown to be strongly related to other work-related attitudes. Mathieu and Zajac (1990) found that the mean corrected correlation between affective organizational commitment and job satisfaction was .53. Other consistent attitudinal correlates of

affective commitment found in this meta-analysis included job involvement (.36), occupational commitment (.27), union commitment (.24), and stress (.29).

Compared to affective commitment, less empirical work has examined the relation between attitudinal correlates of either continuance or normative commitment (Meyer & Allen, 1997). Based on the little evidence that is available, however, it appears that continuance commitment is correlated with many of the same variables as affective commitment, yet there are some important differences. Mathieu and Zajac (1990), for example, found that affective commitment was more strongly related to job satisfaction and job involvement than was continuance commitment. Given the dearth of research on normative commitment, very little can be concluded about its relation with other attitudinal variables.

#### **2.1.2.5.2. Absenteeism:**

Compared to attitudinal correlates, much less evidence exists on the relation between each form of organization commitment and absenteeism. Mathieu and Zajac (1990) found that the corrected correlation between affective commitment and attendance was .12 and the correlation with lateness was  $-.11$ . These findings suggest that those with high levels of affective commitment tend to exhibit lower levels of absenteeism, but this trend is quite weak. Recall from the previous section that the correlation between absenteeism and job satisfaction is of a similar magnitude (e.g., Hackett & Guion, 1985). As with job satisfaction, this weak relationship may be due to variation in the measurement of absenteeism, as well as more general issues in attitude–behavior consistency. Also, from a conceptual point of view, a high level of affective commitment indicates a desire to contribute to an organization, a desire that may at times be negated by situational contingencies.

Again, compared to affective commitment, little evidence exists on the relations between either continuance or normative commitment and absenteeism. Studies that have been done, however, have shown neither of these forms of commitment to be related to absenteeism (Meyer & Allen, 1997). From a conceptual point of view, these findings are somewhat surprising. For example, if an employee's commitment is of the continuance variety, it is in his or her best interest to attend work on a regular basis; failure to do so could jeopardize his or her membership in the organization. This argument of course is based on the assumption that organizational policy is

such that frequent absenteeism would be met with negative consequences. With respect to normative commitment, frequent absenteeism would seem to be inconsistent with commitment based on a strong moral obligation toward one's employing organization. Given the little research that is available, both of these possibilities await examination in future research

#### **2.1.2.5.3. *Employee Turnover:***

With the nature of organizational commitment, considerably more evidence exists on the relation among all three forms of commitment and turnover, compared to other outcomes. As might be expected, research has generally shown a negative relation among all three forms of commitment and turnover (Allen & Meyer, 1996; Mathieu & Zajac, 1990). The fact that all forms of commitment are negatively associated with turnover would appear to be a positive thing for organizations. However, this may not be true in some cases. For example, consider an employee who remains in an organization primarily because he or she has a high level of continuance commitment. Is this necessarily good for the organization, or even for the employee? Such an individual may adopt an attitude of doing the bare minimum and may be very unhappy in his or her job. The same may be true for an employee who remains in an organization primarily out of a sense of moral obligation (e.g., normative commitment).

#### **2.1.2.5.4. *Job Performance:***

Much research over the years has investigated the relation between organizational commitment and job performance. In general, affective commitment has been shown to be positively related to job performance, although the magnitude of this relation is not strong (Mathieu & Zajac, 1990; Meyer & Allen, 1997). Determining the mechanisms behind these relations is difficult, however, because these studies have used a wide variety of performance criterion measures. For example, some have used supervisors' ratings of overall performance (e.g., Konovsky & Cropanzano, 1991), others have used objective indexes such as cost control (e.g., Shim & Steers, 1994), and others have utilized self-ratings of performance (e.g., Baugh & Roberts, 1994). One commonality among these studies, however, is that the relation between affective commitment and performance is mediated by employees' effort. Employees who possess high levels of affective commitment tend to work harder and exert more effort than employees who possess

lower levels of affective commitment. In some cases, this higher level of effort will translate into higher levels of performance, although this is not always the case (J. Campbell, 1990, 1994).

This link between affective commitment and effort suggests that commitment is positively related to performance when employees possess adequate ability, when performance is primarily determined by motivation, and when employees have some level of control over performance. This explains why researchers have generally found that affective commitment predicts organizational citizenship behavior (OCB) better than in-role performance (Meyer & Allen, 1997; Organ & Ryan, 1995). Since OCB is largely motivationally based, employees have greater control over it than they do over in-role performance.

Compared to affective organizational commitment, considerably less research has examined the performance-related implications of either continuance or normative commitment. Meyer and Allen (1997) point out, however, that most of the available empirical research has shown that neither of these forms of commitment is strongly related to either in-role performance or OCB. Furthermore, it is difficult to come up with a conceptual justification for why they would be related to performance. For example, there is no reason why continuance commitment would prompt an employee to exert high levels of effort or go appreciably beyond his or her required job duties.

It is somewhat more plausible that high levels of normative commitment would engender high levels of effort toward organizational goals. One can also make an equally plausible counter argument that commitment based on employees' feelings of obligation will not necessarily lead to greater levels of effort on behalf of the organization. To the contrary, one can even imagine that an employee who feels compelled to remain in an organization out of a sense of obligation may even grow to resent that organization and perhaps be compelled to engage in counterproductive behaviors

#### **2.1.2.6.Factors affecting commitment**

According to Armstrong (2009), Kochan and Dyer (1993) have indicated that the factors affecting the level of commitment in what they call 'mutual commitment firms' are as follows:

**Strategic level:** supportive business strategies, top management value commitment and effective voice for HR in strategy making and governance.

**Functional (human resource policy) level:** staffing based on employment stabilization, investment in training and development and contingent compensation that reinforces cooperation, participation and contribution.

**Workplace level:** selection based on high standards, broad task design and teamwork, employee involvement in problem solving and a climate of cooperation and trust.

## **2.2. Empirical Evidences:**

To see the relationship and the nature of both organizational citizenship behavior and organizational commitment, the student researcher has gone through various literatures and the following empirical research is believed to demonstrate that there is little difference between the two.

### **2.2.1. Relationship between organizational commitment and citizenship behavior**

According to an empirical research conducted by Rehan M. & Islam T (2013), under the title of “*Relationship between organizational commitment and citizenship behavior*”, the relationship between Organizational Citizenship Behavior (OCB) and Organizational Commitment (OC) has been empirically tested via their respective dimensions.

According to Organ, D.W. (1988), Organizational Citizenship Behavior (OCB) is defined as, “an individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system and that in the aggregate promotes the effective functioning of the organization. It has three distinct dimensions:

**Altruism:** is the willingness of an employee to help the co-worker into their work and also the selflessness of an employee towards his organization.

**Conscientiousness:** refers to discretionary behaviors that go beyond the basic requirements of the job in terms of obeying work rules, attendance, and job performance. In other words,

conscientiousness means the scrupulous obedience to organizational rules and procedures, even when no one is watching.

**Civic Virtue:** refers to behaviors that demonstrate a responsible concern for the image and wellbeing of the organization

At a very general level, organizational commitment can be thought of as the extent to which employees are dedicated to their employing organization and are willing to work on its behalf, and the likelihood that they will maintain membership (Jex, 2002:P133). Accordingly, organizational commitment also has three distinct dimensions:

**Affective Commitment:** an affective or emotional attachment to the organization such that the strongly committed individual involves and enjoys membership in the organization

**Normative Commitment:** refers to perceived obligation of the employees to remain with the organization.

**Continuance Commitment:** refers to commitment based on the costs that the employee associates with leaving the organization.

Organizational commitment (OC) for many years has been identified as an important factor to understand the relationships between the employee and the employer. Organizational commitment is one of the important factors which contribute to foster Organizational citizenship behavior. An employee's organizational commitment is positively related to organizational citizenship behavior. Results of previous researches show that commitment is the predictive of organizational citizenship behavior because it significantly impacts on OCB.

The present study was an attempt to find the relationship between dimensions of organizational commitment (i.e. affective, normative and continuance) and key determinants of organizational citizenship behavior (i.e. altruism, Conscientiousness and civic virtue). Some important findings of the study are that, all the dimensions of organizational commitment significantly correlate with the key determinants of organizational citizenship behavior. The employees having emotional attachment with their organizations and want to continue with the organizations, not only put their efforts to lift up the organization but also help their co workers. Thus an organization should win the commitment of its key employees to have positive image globally.

### **2.2.2. Factors Affecting Employment Retention: Evidence from Literature Review**

According to an empirical research conducted by Irshad M., under the title “*Factors Affecting Employment Retention: Evidence from Literature Review*”, the researcher describes the relationship between human resource practices and employees retention in a given organization. The research reviews relevant literature to identify elements of HR practices that influence employee retention. Over the past decade, the way in which people are managed and developed at work has come to be recognized as one of the primary factors in achieving improvement in organizational performance.

According to Irshad (2012), from literature review it is recognized that human resource management play pivotal role in employee’s retention. Researcher’s finds that human resource management practices in compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice can help to reduce absenteeism, employee retention and better quality work.

The review of the literature finds HR practices are the most important and valuable means that influence employee’s retention in any organization. Some of the specific findings in this regard are:

Compensation, reward and recognition play a key role in employee’s motivation which leads to employee’s retention in the organization.

In the area of organization fit (employee personal value match), organization culture play important role in employee retention. Family support and flex time culture is consider significant factor in employee retention.

Similarly training and development was found motivating factor which leads to retention and career development was also associated with employee retention and was found important influencing factor in employee retention in the organization.

Job security, also, has significant relation with employees’ retention and consider as important factor in employee retention.

In the area of work environment found that it is key factor in employee retention, it is also found that employee leave the job due to work environment.

Organizational justice (distributive justice and procedural justice) also play pivotal role in employee retention, it is revealed from study that, if organization want to retain their prowess employees, organization must follow fairness formula.

### **2.3. Conceptual Framework**

This conceptual framework is developed as per the above empirical research conducted by Irshad M. (2012). Accordingly, employees' retention programs are normally designed to boost the organizational commitment intent buried deep down in every employee given that all employees are assumed to have something to bring to the table as long as their tenure in the organization continues. Hence, by introducing meaningful and current retention programs, the company will benefit from the continued and unwavering service of its employees that are committed not only to get to the office in time and leave late, but be engaged to contribute something that will become meaningful and worth a while to the company.

The overall conceptual frame work for this particular research revolves around the effect of the independent variables on the dependent variable in the case of our subject company. Factors that affect employees' retention programs such as HRM practices in compensation & rewards, job security, training & developments, supervisor support culture, work environment, and organization justice are assumed to be independent variables whereas employees' organizational commitment in its affective, continuance, and normative forms is the dependent variable as depicted hereunder:

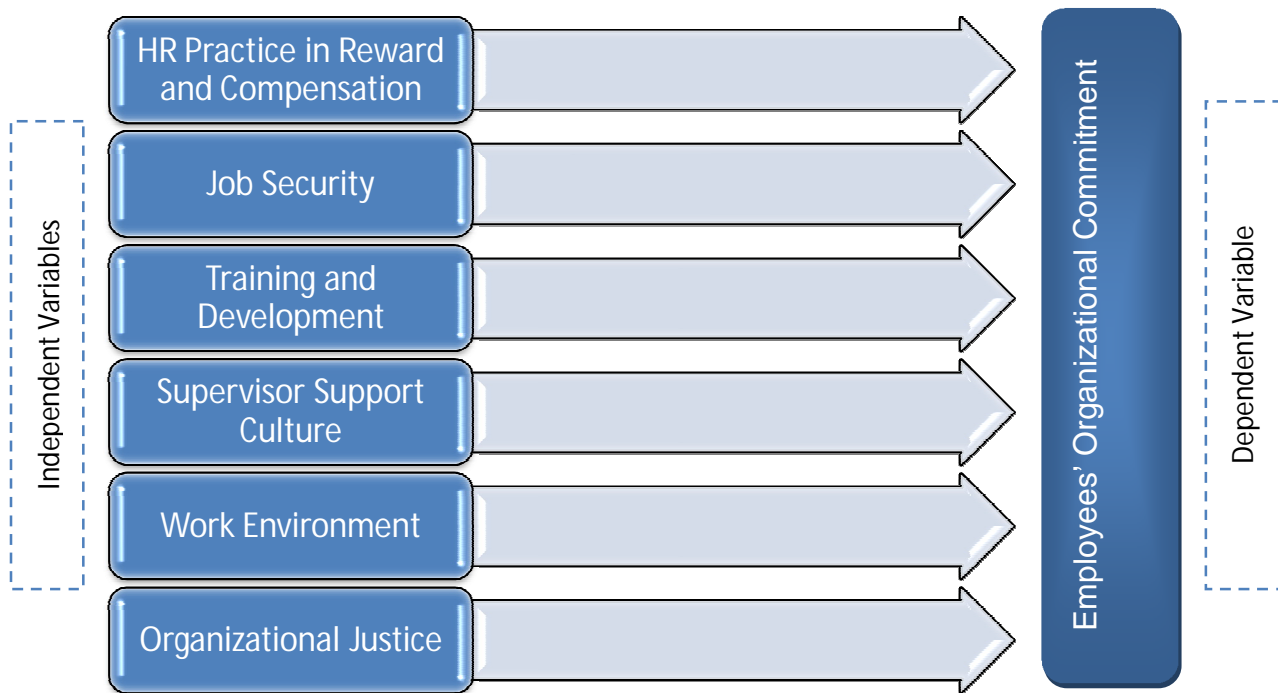


Figure 2: Relation Ship between Dependand and Independent Variables

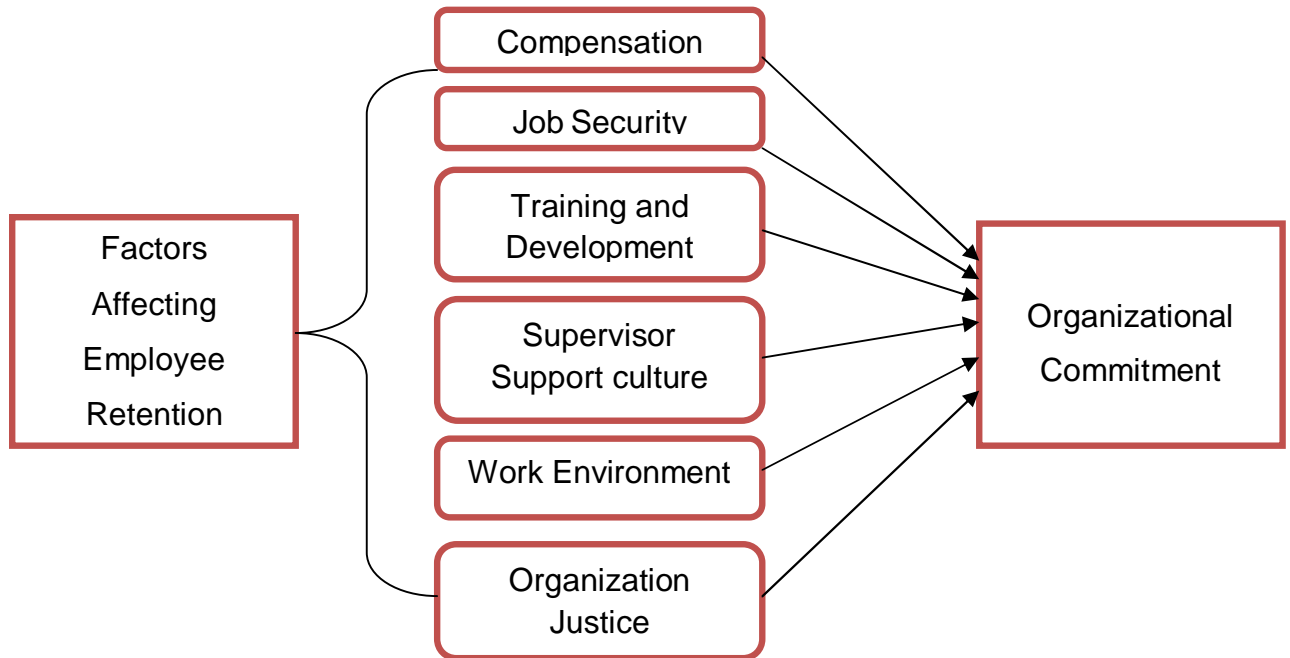
#### 2.4.Hypothesis:

According to Torrington (2005), there are basically six measures that have been shown to have a positive effect on employee retention: Pay, Managing expectations, Induction, Family-friendly HR practices, Training and development, Improving the quality of line management.

According to Irshad (2012), there are also six significant factors affecting employment retention: HRM practices in compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice. These six factors for retention can help reduce absenteeism, employee retention and better quality work.

Thus, these six retention factors have also been used as driving factors for organizational commitment as depicted here under:

Figure 3: Drivers of Organizational Commitment



Accordingly, based on the above six employee retention factors, the following hypotheses are formulated:

H1: Compensation positively affects employees' organizational commitment

*H01: Compensation has no effect on employees' organizational commitment*

H2: Job security positively affects employees' organizational commitment

*H02: Job Security has no effect on employees' organizational commitment*

H3: Training and Development positively affects employees' organizational commitment

*H03: Training and Development has no effect on organizational commitment*

H4: Supervisor Support culture positively affects employees' organizational commitment

*H04: Supervisor Support Culture has no effect on organizational commitment*

H5: Work Environment positively affects employees' organizational commitment

*H05: Work Environment has no effect on organizational commitment*

H6: Organizational Justice positively affects employees' organizational commitment

*H06: Organizational Justice has no effect on organizational commitment*

## **Chapter Three**

### **Research Design and Methodology**

In this section the research design and methodology are discussed in detail so as to paint a clear road map on how the study will be carried out and the instruments that are used in data collection & analysis. It also illustrates how the population is dissected in order to reach at a valid sample size that is believed to represent the population.

#### **3.1. Research Design:**

The general purpose behind this study is to quantitatively and qualitatively scrutinize the effect of retention policies on overall employee commitment. To this effect, various factors that have an effect on employee retention and that are also drivers of organizational commitment have been examined.

According to Kotair (2004, P:5), quantitative data collection involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. This approach can be further sub-classified into inferential, experimental and simulation approaches to research. The purpose of inferential approach to research is to form a data base from which to infer characteristics or relationships of population. Qualitative research, on the other hand, is concerned with qualitative phenomenon, i.e., phenomena relating to or involving quality or kind. This type of research aims at discovering the underlying motives and desires, using in depth interviews for the purpose (Kothair, 2004, P:3)

Furthermore, a survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. From sample results, the researcher generalizes or makes claims about the population (Creswell, 2003).

The research is carried out using descriptive and inferential survey research design so as to explain what currently exists and also to draw conclusion from the statistical analysis . According to Tayie (2005), a descriptive survey attempts to picture or document current conditions or attitudes, that is, to describe what exists at the moment. This research design is chosen because of its resource economy nature and its proven validity and reliability

### 3.2. Population and Sampling:

The population for this particular study is all permanent professional employees of BrIB that includes department directors, all levels of managers, all levels of accountants, branch auditors, senior customer service officers (SCSO), Customer service officers (CSO), and junior bankers (JB).

Table 1: Detailed Description of Population as per employee profile of BrIB maintained as at March 31, 2015 G.C:

Location Category	Positions Category								Total Population		
	Managerial		Professional		Clerical		Non Clerical				
Both Located in Addis Ababa and Outside of Addis Ababa	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Total
		61	24	65	22	213	152	384	110	723	308
<b>Total</b>	<b>85</b>		<b>87</b>		<b>365</b>		<b>494</b>		<b>1031</b>		

Accordingly, based on the above size of the population, sample size will be determined using Slovin’s sampling formula:

(Source: <https://dheeman.wordpress.com/2013/01/31/how-to-use-slovins-formula-2/>)

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

Where:  $n$  = Number of Samples,

$N$  = Total Population and

$e$  = Error Tolerance

According to HR data collected from the bank as of March 31, 2015, the bank had a total of 1,031 employees out of which 494 employees are found to be non-clerical, 142 employees has below six months of service in the bank. The bank has a policy which states that, all employees' needs to serve the bank for a period not less than six months so as to be eligible for some kinds of employee retention programs there by rendering them null and void for this particular research. Accordingly, the population will automatically become 395 employees.

*Therefore:*

The confidence level is assumed to be 95%, so error tolerance for the research is 0.05

Sample size ( $n$ ) =  $395 / (1 + 395 * 0.0025) = 199$  participants have been taken as sample size with 95% estimated response rate

This shows that about 50.4% of the target population has been included in the sample.

The total questionnaire that needs to be distributed is 209 which is found by dividing the total sample size with the estimated response rate.

The student researcher used a two staged sampling for this particular study. Samples are selected using a special type of Cluster Sampling known as Area Sampling. According to C.R. Kothair (2004: P65), If the total area of interest happens to be a big one, a convenient way in which a sample can be taken is to divide the area into a number of smaller non-overlapping areas and then to randomly select a number of these smaller areas (usually called clusters), with the ultimate sample consisting of all (or samples of) units in these small areas or clusters. If clusters happen to be some geographic subdivisions, in that case cluster sampling is better known as area sampling. In other words, cluster designs, where the primary sampling unit represents a cluster of units based on geographic area, are distinguished as area sampling.

After the area sampling, the sample was put under a systematic sampling which yielded in the final participants of the study. In some instances, the most practical way of sampling is to select every  $i^{\text{th}}$  item on a list. Sampling of this type is known as systematic sampling. An element of randomness is introduced into this kind of sampling by using random numbers to pick up the unit with which to start (C.R. Kothair, 2004). Accordingly, branches' of the bank are taken as clusters and the head office is taken as the last cluster. Hence, the sample distribution incorporates all clusters as an individual unit which then went through a systematic sampling to determine the final sample.

**Table 2: Sample size and distribution of questionnaire**

S.No.	Position Category	Target Population	Sample Size	Allocated Questionnaire
1	Managerial	56	28	29
2	Professional	65	33	35
3	Clerical	274	138	145
<b>Total</b>		395	199	209

Sample size distribution for each position category is made by multiplying percentage of target population that has been included in the sample. Target population included in the sample is 50.4%. Questionnaire allocation is calculated by dividing each sample category by the estimated response rate. E.g.  $28/0.95 = 29$

**3.3. Source of Data:**

Primary data is collected using close ended questionnaire which has various parts and a structured interview with the appropriate level of rapport.

**3.4. Instruments of Data Collection:**

The close ended questionnaire has two parts. The first one being demographic data such as gender, age category, educational level...etc and the other, a five point likert scale that will have five different levels of conformity; strongly agree, agree, neutral, disagree, and strongly

disagree. The questionnaires are adopted from Allen & Meyer (1990) commitment scale items and from various previous post graduate theses.

According to Kothair C.R. (2004), The method of collecting information through personal interviews is usually carried out in a structured way. As such we call the interviews as structured interviews. Such interviews involve the use of a set of predetermined questions and of highly standardized techniques of recording.

### **3.5. Procedures of Data Collection:**

Hard copies of the questionnaire were distributed to all city branches and soft copy was administered via outlook email for those branches found out of Addis Ababa with a possible return period of five to ten working days. A structured interview was also conducted with selected human resource department staffs and department directors who are believed to have proximity to the issue at hand. Those respondents (participants) who need further explanation on the questionnaire and any other related item are communicated via e-mail, telephone and face to face so as to minimize the risk of misinterpretation and misconceptions. Responses are collected personally by the researcher and via wide area network outlook emailing system.

### **3.6. Methods of Data Analysis:**

Descriptive statistics was used to analyze the collected data via questionnaire. SPSS version 20 is used to analyze the data. Various statistical tools such as arithmetic mean of constructs, correlation, and multiple regression are also used to analyze the effect of the independent variables on the dependent variable (organizational commitment).

### **3.7. Validity and Reliability**

According to Kotair (2004, P:5), a measuring instrument is reliable if it provides consistent results. The reliability of the construct items were evaluated using Cronbach's coefficient alpha. The result of the reliability test exceeds the minimum acceptable cut-off point. One of the most commonly used indicators of internal consistency is Cronbach's alpha coefficient. Ideally, the Cronbach alpha coefficient of a scale should be above 0.7 (Pallant, 2005).

All measures used to construct the instruments have shown acceptable level of construct and content validity in previous studies and are used in this study with subtle change. The constructs are adapted from Allen & Meyer (1990) commitment scale items and from a previous (2013 G.C) post graduate thesis conducted by Ahmed Mohammednur under the title “*The effect of Total reward on Employees’ Engagement: The Case of South Wollo Agriculture Extension Workers*”

**Table 3: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.821	.825	48

### 3.8. Ethical Consideration

The student researcher has maintained all ethical code of conduct while collecting and analyzing data. Informed consents of the participants, required level of anonymity, and equal consideration of collected responses were upheld throughout the process regardless of the personal opinion of the researcher.

## Chapter Four

### Data Analysis

To conduct this research a total of 209 (199 sample plus 10 reserve) questionnaire were distributed and a total of 184 (92.5%) were properly filled and returned. Furthermore, an interview session was held with five human resource department staffs. Accordingly, to illustrate the analysis in a sensual manner, first the demographic analysis will be presented followed by inferential statistics and report on interview questions.

#### 4.1. Demographic Composition of Respondents

The demographical make up of the sample are analyzed and tabulated hereunder in a manner that paints a clear mental picture as to what the majority inclines to.

Table 4: General Demographic Data of research respondents

Vs	Category	Frequency	Percent	Valid Percent	Cumulative Percent
<b>Gender</b>	Male	105	57.1	57.1	57.1
	Female	79	42.9	42.9	100.0
<b>Educational Level</b>	Diploma	59	32.1	32.1	32.1
	Bachelor of Art	122	66.3	66.3	98.4
	Masters	3	1.6	1.6	100.0
<b>Age Category</b>	Under 25 Years of Age	19	10.3	10.3	10.3
	25 – 35 Years of Age	135	73.4	73.4	83.7
	36 – 45 Years of Age	17	9.2	9.2	92.9
	46 Years & Above	13	7.1	7.1	100.0
<b>Year of Service</b>	<1 Year	3	1.6	1.6	1.6
	1 – 2 Years	115	62.5	62.5	64.1
	3 - 4 Years	27	14.7	14.7	78.8
	>4 Years	39	21.2	21.2	100.0
<b>Position Category</b>	Clerical	31	16.8	16.8	16.8
	Professional	133	72.3	72.3	89.1
	Managerial	20	10.9	10.9	100.0

According to the above table 7, 57.1 percent of the respondents are male and the remaining 42.9 percent appears to be female respondents out of the total 184 research subjects. When we see their educational achievements, 32.1 percent have diploma, 66.3 percent have bachelor of art, and 1.6 percent have masters degree. Furthermore, 10.3 percent of the respondents are under 25 years of age, 73.4 percent are between the age of 25 and 35, 9.2 percent falls between the age of 36 and 45, the remaining 7.1 percent of respondents are 46 years of age and above. This demographic composition shows that the bank has a young and educated work force with a commendable gender balance that can be put to better use so as to enhance organizational performance.

1.6 percent of respondents has worked for less than a year but above six months, 62.5 percent of the participants fall under 1 to 2 years of service period, 14.7 percent has served the bank from 3 to 4 years, and the remaining 21.2 percent has worked for over 4 years. This shows that, the majority of the banks employees have a service period between one and two years which implies that the bank needs to work on how to retain its work force since it is assumed that employees with this level of service period are in an early stage of developing organizational commitment.

From the above Table 7, we can see that 16.8 percent of the respondents work in various clerical positions, 72.3 percent works as professional employees, and the rest 10.9 percent of the study participant serves the bank on various managerial posts ranging from branch manager to division managers. The level of professional employees in the bank are high which implies that with few training and development programs, employees can be brought up to the organization's service standards

#### **4.2. Data Analysis**

In this section various statistical data analysis tools such as mean, correlation, and regression are used to analyze the collected data. Accordingly, detail of the analysis is presented as follows:

**4.2.1. Mean of Individual Constructs:**

Table 5: Arithmetic Mean of Individual Constructs

Construct Items	N	Mean	Std. Deviation
Compensation	184	2.65	.564
Job Security	184	3.07	.608
Training and Development	184	3.12	.680
Supervisor Support	184	2.69	.625
Work Environment	184	2.75	.643
Organizational Justice	184	2.87	.638
Organizational Commitment	184	2.78	.462
Valid N (list wise)	184		

The above descriptive statistics clearly depicts the corresponding arithmetic mean and standard deviation of every construct totals (total of every individual categorical construct). Thus, compensation categorical total has a mean of 2.65 and a standard deviation of 0.564, job security categorical total has a mean of 3.07 and a standard deviation of 0.608, training and development categorical total has a mean of 3.12 and a standard deviation of 0.680, supervisor support culture categorical total has a mean of 2.69 and a standard deviation of 0.625, work environment categorical total has a mean of 2.65 and a standard deviation of 0.643, organizational justice categorical total has a mean of 2.75 with a standard deviation of 0.643, and finally organizational commitment categorical total has a mean of 2.78 with a standard deviation of 0.462 which shows that employees level of commitment of Berhan international bank is below the average cut-off point of three.

This analysis of mean of categorical constructs showed that with the exception of job security and training and development, all other constructs have a mean value less than the average standard. Accordingly, it implies that the employees of the bank in general are not happy with their compensation scheme, don't feel that they are supported enough by their respective supervisors, are not happy with the work environment, don't think that they are being treated fairly and equitably, and thus are not committed to the organization.

### 4.2.2. Correlation Analysis

According to Pallant (2005), correlation analysis is used to describe the strength and direction of the linear relationship between two variables. In this analysis, Bivariate Pearson Product-Moment Coefficient (r) has been used to see the relationship between the dependent and independent variables. Pearson product-moment coefficient is designed for interval level (continuous) variables (Pallant, 2005).

Table 6: Pearson Correlations

Constructs	1	2	3	4	5	6	7
Organizational Commitment	1						
	184						
Compensation	.411**	1					
	.000						
	184	184					
Job security	.366**	.324**	1				
	.000	.000					
	184	184	184				
Training and Development	.489**	.259**	.323**	1			
	.000	.000	.000				
	184	184	184	184			
Supervisor Support Culture	.456**	.109	.192**	.391**	1		
	.000	.142	.009	.000			
	184	184	184	184	184		
Work Environment	.528**	.383**	.187*	.436**	.404**	1	
	.000	.000	.011	.000	.000		
	184	184	184	184	184	184	
Organizational Justice	.509**	.536**	.179*	.394**	.381**	.557**	1
	.000	.000	.015	.000	.000	.000	
	184	184	184	184	184	184	184

**N.B:** \*\*. Correlation is significant at the 0.01 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

Accordingly, as can easily be inferred from the above Pearson correlation table, organizational commitment (the dependant variable) has a strong and positive relationship with the various

independent variable constructs such as compensation, job security, training and development...etc. Hence compensation ( $r=.411$ ,  $P<0.01$ ), job security ( $r=.366$ ,  $P<0.01$ ), training and development ( $r=.489$ ,  $P<0.01$ ), supervisor support culture ( $r=.456$ ,  $P<0.01$ ), work environment ( $r=.528$ ,  $P<0.01$ ), and organizational justice( $r=.509$ ,  $P<0.01$ ) are significantly and positively correlated with organizational commitment in our case company.

Thus, any corresponding change in the independent variables such as increase on compensation, improved supervisory support, improvement in the working environment...etc will have a positive and very strong relative impact on the dependent variable. However, if the changes in the individual independent constructs are not in a positive manner, then its effect on the dependent variable will be negative.

### 4.3.Hypothesis Testing

To test the hypothesis, simple linear regression F-value test and multiple regression analysis are used.

#### 4.3.1. Linear Regression Analysis

Linear regression analysis is used to measure the statistical significance of the effect of each individual independent variable on the dependent variable through F and P value. This measurement is made by inferring the value of  $R^2$  to explain the magnitude of the effect of the independent variable on the dependent variable. Here below depicted and explained are the linear regression of various independent and dependent variables.

##### 4.3.1.1.Compensation and Organizational Commitment

Table 7: Regression table for Compensation and Organizational Commitment

ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	6.471	1	6.471	37.092	.000 <sup>b</sup>
Residual	31.753	182	.174		
Total	38.224	183			

a. Dependent Variable: Organizational Commitment

b. Predictors: (Constant), Compensation

According to the above table 10, the relationship between compensation and organizational commitment is significant ( $P < 0.01$ ). F value, which is the ratio of variance between groups and variance within groups, is well above 1 (if F value is close to 1, it implies that the null hypothesis is accepted). Accordingly, the null hypothesis which states that compensation has no effect on employees' organizational commitment is rejected.

#### 4.3.1.2. Job Security and Organizational Commitment

Table 8: Regression table for Job Security and Organizational Commitment

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	5.091	1	5.091	27.283	.000 <sup>b</sup>
Residual	33.959	182	.187		
Total	39.050	183			

a. Dependent Variable: Organizational Commitment

b. Predictors: (Constant), Job Security

Table 11: shows that the relationship between job security and organizational commitment is significant ( $P < 0.01$ ,  $F > 1$ ), which ultimately depicts that the alternate (null) hypothesis which states that job security has no effect on employees' organizational commitment is rejected.

#### 4.3.1.3. Training and Development and Organizational Commitment

Table 9: Regression table for training & development and organizational commitment

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8.995	1	8.995	54.469	.000 <sup>b</sup>
Residual	30.055	182	.165		
Total	39.050	183			

a. Dependent Variable: Organizational Commitment

b. Predictors: (Constant), Training and Development

As can be seen from the above table 12, there is a significant relationship between training & development and organizational commitment ( $P < 0.01$ ,  $F > 1$ ). Hence, it is concluded that the

alternate hypothesis which states that training and development has no effect on employees' organizational commitment is rejected.

**4.3.1.4. Supervisor Support Culture and Organizational Commitment**

Table 10: Regression table for supervisor support culture and organizational commitment

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.050	1	8.050	47.259	.000 <sup>b</sup>
	Residual	31.000	182	.170		
	Total	39.050	183			

- a. Dependent Variable: Organizational Commitment
- b. Predictors: (Constant), Supervisor Support Culture

As can be observed from the above table 13, there is a significant relationship between supervisor support culture and organizational commitment ( $P < 0.01$ ,  $F > 1$ ). Hence, it is concluded that the alternate hypothesis ( $H_o$ ) which states that supervisor support culture has no effect on employees' organizational commitment is rejected.

**4.3.1.5. Work environment and Organizational Commitment**

Table 11: Regression table for work environment and organizational commitment

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.551	1	10.551	67.385	.000 <sup>b</sup>
	Residual	28.498	182	.157		
	Total	39.050	183			

- a. Dependent Variable: Organizational Commitment
- b. Predictors: (Constant), Work Environment

It can be observed from the above table 14 that there is a significant relationship between work environment and organizational commitment ( $P < 0.01$ ,  $F > 1$ ). Hence, it is concluded that the null hypothesis ( $H_o$ ) which states that work environment has no effect on employees' organizational commitment is rejected.

**4.3.1.6. Organizational Justice and Organizational Commitment**

Table 12: Regression table for Organizational Justice

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.889	1	9.889	61.719	.000 <sup>b</sup>
	Residual	29.161	182	.160		
	Total	39.050	183			

a. Dependent Variable: Organizational Commitment

b. Predictors: (Constant), Organizational Justice

It can be observed from the above table 15 that there is a significant relationship between organizational justice and organizational commitment ( $P < 0.01$ ,  $F > 1$ ). Hence, it is concluded that the null hypothesis ( $H_0$ ) which states that organizational justice has no effect on employees' organizational justice is rejected.

**4.3.1.7. Summary of Hypothesis Testing**

Table 13: Summary of hypothesis testing

S.No.	Hypothesis Type	Result
1	( $H_{01}$ ) Compensation does not affect employees' organizational commitment	Rejected
2	( $H_{02}$ ) Job security has no effect on employees' organizational commitment	Rejected
3	( $H_{03}$ ) Training and Development has no effect on organizational citizenship	Rejected
4	( $H_{04}$ ) Working environment conditions has no effect on employees' organizational commitment	Rejected
5	( $H_{05}$ ) Supervisor support culture has no effect on employees' organizational commitment	Rejected
6	( $H_{06}$ ) Organizational justice has no effect on employees' organizational commitment	Rejected

### 4.3.2. Multiple Regression Analysis

Multiple regression is not just one technique but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (usually continuous). Multiple regression is based on correlation, but allows a more sophisticated exploration of the interrelationship among a set of variables (Pallant, 2005).

Table 14: Model summary for multiple regression

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.690 <sup>a</sup>	.476	.458	.336

a. Predictors: (Constant), Organizational Justice, Job Security, Supervisor Support Culture, Training and Development, Compensation, Work Environment

b. Dependent Variable: Organizational Commitment

As shown in the above table the six independent variables such as compensation, job security, training and development...etc explains 48% ( $R^2 = .476$ ) of the dependent variable (Organizational Commitment). This suggests that 48% of employees' organizational commitment level in the bank clearly depends on the independent variables while the remaining 52% is determined by other unaccounted factors.

Table 15: Coefficients for six independent variables

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.642	.178		3.616	.000	.292	.993
Compensation	.108	.056	.134	1.951	.053	-.001	.218
Job Security	.122	.045	.162	2.692	.008	.032	.211
Training and Development	.118	.044	.175	2.676	.008	.031	.204
Supervisor Support Culture	.149	.047	.203	3.193	.002	.057	.241
Work Environment	.147	.050	.206	2.936	.004	.048	.245
Organizational Justice	.105	.054	.147	1.944	.053	-.002	.212

a. Dependent Variable: Organizational Commitment

Using the above table 18, we can now compare the relative contribution of each of the different variables by taking the beta value under the standardized coefficients. The reason why we took the value of beta under the standardized coefficients is that the values for each variable are converted to the same scale so that it can be compared. The higher the beta value, the strongest its contribution becomes. Accordingly, work environment (Beta=.206) makes the strongest unique contribution to explaining the dependent variable followed by supervisor support culture (B=.203), then training and development (B=.175). On the other hand, compensation, organizational justice, and job security are the list contributors to explaining the dependent variable with beta values of (.134, .147, .162) respectively.

When we see the statistical significance of each variable from the above coefficients table 4-15, Job security (Sig. = .008), training and development (Sig. = .008), supervisor support culture (Sig. = .002), and work environment (Sig. = .004) have a statistically significant contribution (Sig<.05) for the prediction of the dependent variable while compensation (Sig. = .053) and organizational justice (Sig. = .053) does not make any significant prediction.

#### 4.4. Analysis of Interview Questions

To assess the overall retention programs that the bank currently offers to its permanent employees and to see its corresponding effect on employees' organizational commitment as an outcome and also to further investigate the managements expectation out of the employee retention programs, the student researcher has prepared a set of structured interview questions that will be administered face to face with one human resource director, and four human resource officers of Berhan international bank at head office. To create rapport, the interviewee were communicated in advance and were asked for a convenient time to conduct the interview and it was done from the comfort of their office on the agreed upon time.

Most of human resource (HR) department workers are male, they are at a very productive age category of 25 to 35 years of age with one exception, the majority has a minimum of bachelor of art with the exception of one masters degree, and four of them are HR officers while the other one is the Hr director.

For the sake of convenience and to avoid any redundancy of responses, the interview report is narrated by the student researcher hereunder:

**4.4.1. Interview Question One:** *Does the bank have any retention programs extended to its employees?*

When all the interviewee were asked if the bank had an employee retention program extended to its employees, all interviewees' said yes without a moment of hesitation. Thus, it's been confirmed that the bank does have employee retention programs.

**4.4.2. Interview Question Two:** *What employee retention programs does the bank currently practice?*

All the interviewees were asked the kind of employee retention programs that the bank currently offers and their answers are exhaustively summarized as follows:

1. Attractive Salary
2. Benefit Packages (Bonus, Allowances, Company Vehicles for managerial posts ... etc)
3. Medical Expense Coverage (Domestic Only)

4. Various Loans (Emergency Staff Loan, Consumer Loan, Housing Loan ...etc)
5. Training and Developments (both in house and outsourced)

**4.4.3. Interview Question Three:** *What are the eligibility criterion so as to benefit from such retention programs?*

When all the interviewee was asked about the basic criterion for eligibility, they answered the question in three parts based on the length of service in the bank. The first one being employees who has served the bank for less than six months, for over six months, and the rest for over a year.

Employees who have a service period less than six months will benefit from attractive salary, benefit packages (depending on their respective position), and a 100% local medical expense coverage. On the other hand, employees who have served the bank for over six months but under a year are eligible to all the benefits stated for employees with less than six months of service period plus Emergency staff loan. For those employees who have a service period over a year, all retention programs are available subjected to applicable rules and regulations.

**4.4.4. Interview Question Four:** *What is the management expecting to gain out of the current practice of employee retention programs being implemented in the bank?*

All the interviewees' was asked about the management's expectation from the current retention programs that are being practiced and their answers are summarized as follows:

1. To retain valuable employees in the bank
2. To gain HR competitive advantage in the banking industry
3. To remain competent in the ever changing labor market
4. To become employer of choice
5. To curb turnover rate
6. To reinforce positive attitude in the minds of employees' about their company

**4.5.Consolidated Results of Quantitative and Qualitative Data Analysis:**

As the arithmetic mean of the descriptive statistics shows compensation, supervisor support culture, work environment, organizational justice, and organizational commitment are below average while other factors such as job security and training & development are slightly above

average which clearly shows that the bank has a long way to go in regards to securing employees organizational commitment. Moreover, the analysis has further shown that there is a strong and positive correlation among the dependent and the independent variable to the extent that the independent variables explain 48% of the dependent variable.

On the other hand, from the interview report we have seen that the management of the bank expects to retain valuable employees, gain HR competitive advantage, become employer of choice, manage rate of employee turnover, and implant a great company image in the minds of the employees' as a result of the offered employee retention programs despite all procedural barriers that range from eligibility criterion to lengthy process.

Accordingly, the prevailing employees' level of commitment and the management's expectation to harness the benefit appears to be on two different extremes. However, in order for the programs result and the managements expectation to align, this seemingly opposite state of affairs needs to be pulled to come together so that both individual level and corporate level objectives can be converged into one and the same focal point i.e. bottom line.

#### **4.6.Discussion:**

This study set out to describe the current situation as it exists in relation to the specific objectives of the research. In view of that, the first objective of this study was to review retention programs, related policies, and eligibility criterion being implemented in the bank. Accordingly, the bank offers various retention programs such as attractive salary, benefit packages, medical Expense Coverage, various loans, training and developments with eligibility criterion depending on the service period of each employee.

The second objective that this study set out to assess was the management's desired outcome as a result of the current practice of employee retention programs. Accordingly, the management expects to retain valuable employees, gain HR competitive advantage, become employer of choice, manage rate of employee turnover, and implant a great company image in the minds of the employees' as a result of the offered employee retention programs

The third and probably the most significant objective that this study set out to measure was the level of employees' commitment to the bank. Hence, from the statistical data it's been inferred

that compensation, supervisor support culture, work environment, organizational justice are below average and also employees' are not committed to the bank regardless of the management's expectation. Accordingly, this study results are consistent with the research conducted by Irshad (2012) under the title "*Factors Affecting Employee Retention: Evidence from Literature Review*" which set out to empirically assess the effect of the said retention factors on employees' organizational commitment. Thus, since most of the retention factors (drivers of organizational commitment) (the independent variables) discussed above are found to be below average, it proves that the output (organizational commitment) (the dependent variable) will automatically become below average, which it did (mean=2.78).

## Chapter Five

### Summary of Findings, Conclusions, and Recommendations:

In this section, summary of major findings, conclusions inferred from the data analysis in chapter four, and suggested recommendations are illustrated in detail.

#### 5.1. Summary of Findings:

The effect of retention factors on employee's organizational commitment of Berhan international bank were investigated both quantitatively and qualitatively and the following major findings were reached:

- 1) Based on the demographic data collected, the analysis indicates that 57.1% are male respondents where as the remaining 42.9% are Female. When we see their level of education, 32.1% have diploma, 66.3% have bachelor of art, and the rest 1.6% have masters degree. Regarding the age composition of the respondents, 10.3% are under the age of 25, 73.4% are between the age of 25 and 35, 9.2% falls between the age group of 36 and 45, and the remaining 7.1% are over the age of 46. When we see their service period in the bank, 1.6% have a service period of less than a year but over six months, 62.5% of the participants fall under 1 to 2 years of service period, 14.7% has served the bank from 3 to 4 years, and the remaining 21.2% has worked for over 4 years. Regarding position category of the respondents, 16.8% are engaged in various clerical works, 72.3% works as professionals, and the rest 10.9% of the study participant serves the bank in different managerial posts.
- 2) When we look at the arithmetic mean generated by the descriptive statistics, it shows that compensation (mean=2.65), supervisor support culture (mean=2.69), work environment (mean=2.75), organizational justice (mean=2.87), and organizational commitment (mean=2.78) are below the average cut-off point of 3. While other factors such as job security (mean=3.07) and Training and Development (mean=3.12) are slightly above average.
- 3) When we see the values generated in the Pearson correlation, compensation ( $r=.411$ ,  $P<0.01$ ), job security ( $r=.366$ ,  $P<0.01$ ), training and development ( $r=.489$ ,  $P<0.01$ ), supervisor support culture ( $r=.456$ ,  $P<0.01$ ), work environment ( $r=.528$ ,  $P<0.01$ ), and

organizational justice( $r=.509$ ,  $P<0.01$ ) are significantly and positively correlated with organizational commitment as hypothesized in the case company. Accordingly, all null hypotheses were rejected.

- 4) Analysis conducted under the multiple regression showed that job security, training and development...etc explains 48% ( $R^2 = .476$ ) of the dependent variable (Organizational Commitment). This suggests that 48% of employees' organizational commitment level in the bank clearly depends on the independent variables while the remaining 52% is determined by other unaccounted factors.
- 5) When we see the relative contribution of each of the different independent variables, work environment (Beta=.206) makes the strongest unique contribution to explaining the dependent variable followed by supervisor support culture (B=.203), then training and development (B=.175). On the other hand, compensation, organizational justice, and job security are the list contributors to explaining the dependent variable with beta values of (.134, .147, .162) respectively.
- 6) When we see the statistical significance of each variable, Job security (Sig. = .008), training and development (Sig. = .008), supervisor support culture (Sig. = .002), and work environment (Sig. = .004) have a statistically significant contribution (Sig<.05) for the prediction of the dependent variable while compensation (Sig. = .053) and organizational justice (Sig. = .053) does not make any significant prediction.
- 7) From the interview session it's been confirmed that the bank does have employee retention programs.
- 8) It has been revealed that the bank offers various kinds of retention programs such as attractive salary, various benefit packages, medical expense coverage, various types of loans, and training and developments.
- 9) It's been disclosed that employees who have a service period less than six months will benefit from attractive salary, benefit packages (depending on their respective position), and a 100% local medical expense coverage. On the other hand, employees who have

served the bank for over six months are eligible to all retention programs subjected to applicable rules and regulations.

- 10) The interview session also revealed that the management expects to retain valuable employees, to gain HR competitive advantage in the banking industry, to remain competent, to become employer of choice, to curb turnover rate, and to reinforce positive attitudes about their company as an outcome of the said retention programs.

## **5.2. Conclusions**

- 1) The gender balance is a little inclined towards male employees'. The bank has an educated workforce which, with a little influence on the retention factors, can be committed to the company's best interest. When we see the age composition of the employees, the majority falls under the active age category of 25 and 35. Hence, this age group demands a modern life style and there by a better income. It is concluded that, the majority service period of the employees of the bank (62.5%) falls under 1 to 2 years which shows that the bank has a young and volatile work force that may or may not decide to stick around with the bank for a foreseeable future.
- 2) It is concluded that the banks compensation, supervisor support culture, work environment, organizational justice, and organizational commitment are below average.
- 3) It is concluded that each independent variable has a positive correlation with the dependent variable (employees' organizational commitment). Thus, in overall analysis, the independent variables explain 48% of the dependent variable which is very consistent with the researcher's initial assumption.
- 4) Among the independent variables, work environment makes the strongest unique contribution to explaining the dependent variable followed by supervisor support culture and training and development. Hence, a change in the above said variables will result in a substantial change on the dependent variable.
- 5) It has been concluded that eligibility criterion for retention programs are at least six months of employment with the bank for some and at least a year for others. This waiting period by itself plays a significant role for the employee either to get onboard for the long term or terminate their employment for a better opportunity elsewhere.

- 6) From the interview questions it's been concluded that the management expects to retain valuable employees, gain HR competitive advantage in the banking industry, remain competent, become employer of choice, curb turnover rate, and reinforce positive attitudes about their company which is not consistent with the actual prevailing situations in the bank as per the research analysis (Organizational Commitment Mean = 2.78).

### **5.3. Recommendations**

- 1) The bank has a very advantageous composition of educational qualification with a majority of employees having a service period of one to two years. Thus, the management of the bank should seriously consider investing more on its employees in areas of training and development, in improved benefit packages, in improving employees issues of job security by helping them form their own employee union, improving the working conditions to suit its employees starting from office furniture, coffee & tea to clean and attractive work place... etc so that the productive age and educational level of its employees can be put to better use for the good of the company as well as its stakeholders.
- 2) Even though the bank offers various retention programs, its effect on employees in eliciting their commitment has not been materialized. Thus, the management of the bank should focus on the hows to improve compensation, supervisor support culture, work environment, and organizational justice. To do so, the organization needs to focus on: assessing the overall compensation strategy that is currently being practiced in the industry and by taking that as a benchmark lay down a better compensation scheme, if not an equivalent one. Conduct need assessment to identify gaps between expected supervisors support culture and the actual practice and address the gap with training and skill updates. Work on employees' perceived organizational injustice and identify the root cause in order to create a sensible organizational justice.
- 3) Immediate supervisors need to be trained to act as coaches and encourage support culture not only from top bottom but also among employees. To this effect, the management should plan and execute various social events and gatherings such as employees' day, bring your children to work day, sport competitions'...etc so that employees' gets acquainted with one another and also with their bosses on a personal level. This friendly

social gathering will create a kind of harmonious work relationship between employees and with their immediate supervisors.

- 4) The management should also need to make the reward system transparent, equitable, and merit based so as to unleash true potential of employees'. Otherwise, the effect of perceived inequality in terms of reward system will have a devastating effect on the productivity of each and every employee.
- 5) To be eligible for the retention program, the bank has some preconditions that needs to be met ranging from years of service to various rules and regulations. Accordingly, since the majority of the banks employees fall under the service period of one to two years and age category of 25 to 35, the bank needs to adjust some of its eligibility criterion such as the waiting period, minimal requirements, and ease of procedural barriers. Because employees who have served the bank for this relatively short period of time and within such an active age category, innately are prone to change in search of a better pay and other enticing factors than what they are now being offered.

Employees' who successfully finalize their probationary period for permanent employment needs to be eligible to all types of staff retention programs with no prior service period requirement. Moreover, since the organization has sufficient employee data for security purpose, the procedure that needs to be fulfilled so as to benefit from the staff retention program needs to be kept to a minimum in a way that will not jeopardize the organization's interests.

- 6) From the interview session it's been concluded that the bank expects to retain valuable employees, gain HR competitive advantage in the banking industry, remain competent, become employer of choice, curb turnover rate, and reinforce positive attitudes about the company in the mindset of its employees as an outcome of the extended employee retention plan. But from the analysis of the research it's been confirmed that, even though the bank is doing what it supposes will elicit employees' organizational commitment, the empirical evidences states differently. Accordingly, the management should be very pragmatic and vigilant in practicing employee retention policies in a manner that is

employee friendly, more appealing, and in a way that make employees fall in love with and take pride in the company they work for and not only for the sake of just doing it.

#### **5.4. Suggestion for Future Research**

This study is conducted only on data collected from Berhan International Bank S.C. However, the essence of employees' organizational commitment needs to be researched in all types of industries since it has the potential to help a company to go above and beyond the norms. Moreover, since the research is conducted using a five point likert scale for employees and an interview for HR staffs', respondents might have answered questions being in a state of emotional detachment or for the sake of giving a socially desirable answer. Thus, the research needs to be further strengthened using critical combination of various data collection tools.

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# **Annex**

## Annex A:



Addis Ababa University  
School of Commerce  
Post Graduate Studies  
Masters of Human Resource Management



Dear Respondent,

I would like to thank you in advance for your willingness and cooperation in filling this questionnaire devoting your valuable time.

I am conducting a research on “*The Effect of Retention Policies on Organizational Commitment: The Case of Berhan International Bank S.C*” in partial fulfillment for my Masters of Art in Human resource Management. Accordingly, I would like you to give your views as honestly and rationally as possible so that your fair and expert feedback will make this research a successful one.

I assure you that the information you provide will be kept confidential and will only be utilized for the study purpose. If you have any question or enquiry, please don't hesitate to contact me at any time through the following address: e-mail [adman3000@gmail.com](mailto:adman3000@gmail.com) Tel: +251 911 464929

### Part One: Demographic Question

Please put a check (✓) mark just inside the given box in front of each alternative.

1. Gender

1. Male

2. Female

2. Age

1. Under 25 years old

3. 36-45 years old

2. 25-35 years old

4. 46 and above years old

3. Educational Attainment

1. Diploma

3. Master's Degree

2. Bachelor Degree

4. Other, please specify \_\_\_\_\_

4. For how long have you been employed in this company? (Tenure)

1. Less than a year but over six months       3. 3 to 4 years  
 2. 1 to 2 years       4. >4 years

5. Position in the Organization

1. Clerical       2. Professional       3. Managerial

**Part Two: Retention Factors Questionnaire**

Please put (√) mark against each question that indicate your level of agreement for each question.

**5= Strongly Agree, 4 =Agree, 3= Neutral, 2= Disagree, 1=Strongly Disagree**

S.N o	Research Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<b>Compensation</b>		5	4	3	2	1
6	I feel I am being paid a fair amount for the work I do					
7	I feel my payments are enough to support my life style					
8	I feel there are sufficient types of benefits (e.g. Health care benefits, Tuition fee sponsorship...etc)					
9	I feel satisfied with my chances for salary increments					
10	If I perform my work well, I can get more money (in the form of bonus, Overtime...etc)					
11	I earn the same as or more than other people in a similar job					
12	All tasks to be accomplished are associated with incentives					
<b>Job Security</b>		5	4	3	2	1
13	I feel very secured in my present job					
14	My fellow team members also feel secure with their present job					
15	The company has a policy to sack (layoff) employees that do not meet the set target					
16	I feel my job is secured as long as I achieve the set target					
<b>Training and Development</b>		5	4	3	2	1

17	When employees arrive from training, supervisors encourage them to share what they have learned with other employees					
18	My organization links training and development with our company business strategy					
19	My organization has full-fledged training and development department manned with competent professionals					
20	Supervisors give employees the chance to tryout their training on the job immediately					
21	Job aids(resources or technology) are available on the job to support what employees learned in training					
22	Supervisors make sure that employees have the opportunity to use their training immediately					
23	Employees who use their training are given preference for new assignments					
<b>Supervisor Support Culture</b>		5	4	3	2	1
24	My immediate supervisor is impartial					
25	My immediate supervisor gives me feedback that helps me improve my performance					
26	My immediate supervisor follows through on commitments					
27	I receive coaching and training from my immediate supervisor					
28	I receive credit from my immediate supervisor for a job well done					
29	I feel my job performance is fairly evaluated.					
30	My immediate supervisor tries to understand my point of view when he or she discusses problems or projects with me					
<b>Work Environment</b>		5	4	3	2	1
31	The physical working conditions (e.g., heating, ventilation, layout, cleanliness) are very good					
32	Individual differences are respected here (e.g. religion, gender, race educational background,...etc.)					
33	The culture and emotional climate of the company is generally					

	positive and supportive					
34	I believe in and take pride in my work and my workplace					
35	At work, I am accepted for the person I am					
36	The rewards for success are greater than the penalties for failure					
37	I feel accepted and am treated with courtesy, listened to, and invited to express my thoughts and feelings by the upper administration					
<b>Organizational Justice</b>		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
38	I feel my rewards are fair when compared to those who work the same level of work as I do					
39	My company keeps rewards given to each employee as a secret					
40	In my company, I believe there is a fair distribution of rewards and benefits					
41	I believe I have access to Information regarding distribution of benefits and rewards for my understanding and comparison					
42	I feel my opinions regarding fair distribution of benefits will be taken into consideration by the upper administration					
43	I believe I am being treated with the necessary dignity and respect					
44	I believe I will try to create justice if I feel there is unfair distribution of benefits and rewards					
<b>Organizational Commitment</b>		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
45	I would be very happy to spend the rest of my career with this organization					
46	This organization has a great deal of personal meaning for me					
47	I enjoy discussing about my organization with people outside it					
48	Too much in my life would be disrupted if I decided to leave my organization now.					
49	It would be very hard for me to leave my organization right now, even if I wanted to					
50	Right now, staying with my organization is a matter of necessity as much as desire.					
51	I feel that I owe this organization quite a bit because of what it has done for me					

52	If I got another offer for a better job elsewhere, I would not feel right to leave my organization					
53	One of the major reasons I continue to work in this organization is because I feel a sense of moral obligation to remain					

----- The End -----

**Thank you for your time**

## Annex B:

### Interview Questions:

Demographic Data	
1. Gender	
2. Age	
3. Educational Qualification	
4. Years of Service	
5. Current Position	
Interview Questions	
6. Does the bank have any retention programs extended to its employees?	
7. What employee retention programs does the bank currently practice?	
8. What are the eligibility criterion so as to benefit from such retention programs?	
9. What is the management expecting to gain out of the current practice of employee retention programs being implemented in the bank?	

## Annex C:

### Research Participants selection by branch and by staff strength:

S.No.	Branch Name	Total Target Population by Branch	Branch Selection by Simple Random Sampling	Research Participants by Branch
1	Adama Branch	10	Sample	5
2	Alemgena Branch	9	Sample	5
3	Amede Gebeya Branch	15	Sample	8
4	Ambo Branch	7	Sample	4
5	Arbaminch Branch	7	Not Selected	-
6	Atobistera Branch	8	Sample	4
7	Assosa Branch	6	Sample	3
8	Ayertena Girar Branch	7	Sample	4
9	Bahirdar Branch	14	Sample	7
10	Betel Branch	7	Sample	4
11	Bishoftu Branch	8	Sample	4
12	Bole Branch	15	Sample	8
13	Bole Medhanialem	8	Not Selected	-
14	Debremarkos Branch	7	Not Selected	-
15	Dessie Branch	7	Sample	4
16	Diredawa Branch	7	Not Selected	-
17	Dirtera Branch	8	Sample	4
18	Dukem Branch	7	Sample	4
19	Gambela Branch	8	Not Selected	-
20	Genet Branch	10	Sample	5
21	Gonder Branch	9	Sample	5
22	Gerji Mebrathaile Branch	8	Sample	4
23	Gurd Shola Branch	7	Sample	4
24	Hawassa Branch	10	Sample	5

25	Hayahulet Branch	11	Not Selected	-
26	Hosaena Branch	8	Sample	4
27	Humera Branch	7	Not Selected	-
28	Jemo Branch	8	Sample	4
29	Jimma Branch	8	Not Selected	-
30	Kality Branch	8	Not Selected	-
31	Kera Branch	7	Sample	4
32	Kotebe Branch	8	Not Selected	-
33	Lafto Branch	8	Not Selected	-
34	Legehar Branch	8	Not Selected	-
35	Megenagna Branch	10	Sample	5
36	Mekele Branch	9	Not Selected	-
37	Meri Branch	9	Sample	5
38	Metema Branch	8	Not Selected	-
39	Mesalemia Branch	8	Not Selected	-
40	Meshualekia Branch	12	Not Selected	-
41	Mizan Teferi Branch	7	Sample	4
42	Nekemte Branch	7	Not Selected	-
43	Olompia Branch	8	Sample	4
44	Saris Adiyabeba Branch	8	Sample	4
45	Shashemene Branch	8	Sample	4
46	Shire Branch	7	Not Selected	-
47	Teklehaimanot Branch	8	Sample	4
48	Weliso Branch	8	Not Selected	-
49	Wolita Sodo Branch	8	Sample	4
50	Wollo Sefer Branch	9	Sample	5
51	Winget Branch	7	Sample	4
52	Head Office Staffs	106	Sample	53
<b>Total</b>		<b>537</b>	<b>---</b>	<b>199</b>