



ISSN 2278 – 0211 (Online)

## Motivation Strategies and Employee Turnover Intentions among Commercial Banks

Gituku James Mburu

Student, MBA in Strategic Management, Laikipia University, Nakuru, Kenya

### Abstract:

*One of the most valuable assets in an organization is its staff. Motivated employees are more likely to stay and help build your business. Employing more qualified workers leads to better results, including higher productivity and customer service interactions. This can increase the company's revenue and help your business establish its identity with consumers. The various strategies that can be used by managers in commercial banks for employee continuity and overall organizational performance also have not been explored. Commercial banks are always looking for innovation on their products and services, and continuously attract the best employees in order to win more customers in this high competitive market with unrealistic targets and uncertain working environment. This paper assesses the effect of motivation strategies on employee turnover intentions among commercial banks. The specific objectives were: - to examine the effect of compensation approaches; career growth opportunities and working condition set up on employee turnover intentions. The study adopted descriptive research design since it supports case studies. The findings unveiled the effects of motivation strategies on employee turnover intentions among commercial banks in Naivasha, Kenya. The results will assist top management to understand and develop strategies for employees' retention in organizations. This would go a long way to curb challenges associated with the high rate of job switching in search of greener pastures in the banking industry. As a result, it is expected that the society will no longer perceive banking as a stepping stone but rather as a profession like any other.*

**Keywords:** Motivation strategies, employee turnover

### 1. Introduction

Employees are very valuable assets and through motivation, employees are most likely to stay and help build the business. Motivation is about giving your staff the right mixture of guidance, direction, resources and rewards so that they are inspired and keen to work in the way that you want them to (Ludhans, 1992). According to Riley (2012), labour turnover refers to the movement of employees in and out of business. Price (1977) referred to it as the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period. The concept of Employee turnover is widely researched but very little has been done to examine the key factors influencing it and to determine the extent to which those factors affect the same. Career growth and working conditions have been formulated by commercial banks in Kenya to motivate their workforce in order to enhance their performance. These strategies aim at ensuring that the bank retains staff with competencies and capabilities for a competitive edge over other banks. However, despite such strategies, employee turnover still remains high among commercial banks. This is the essence of the study.

Retaining quality workers requires a strategic plan for compensation that rewards employees for company loyalty. Compensation based on seniority with the company shows new employees that your business values workers who choose to remain with the company long enough. This encourages new employees to make a commitment to build a career with the business and deters established employees from jumping to other companies. Experienced workers will think twice about pursuing another opportunity if the new job also comes with a pay cut. Perks and benefits can make or break a company's ability to attract the best and brightest in the industry. Offering health insurance benefits to full-time workers should be a goal of your strategic compensation plan. One can combine health insurance with other company perks, including paid holidays and guaranteed paid vacation time, to attract more qualified workers to the business. An organization's strategic plan for compensation plays a large role in attracting competent employees. Paying wages at or above the prevailing wage in the market for your Company's industry allows you to demand workers with more experience and positive work histories.

Employing more qualified workers leads to better results, including higher productivity and customer service interactions. This can increase the company's revenue and help your business establish its identity with consumers. A wide range of factors have been found useful in interpreting employee turnover. Patterns of labour turnover have the highest rate among those employees who have recently joined an organization, whereas, longer serving employees are more likely to stay mainly because they become used to the work

environment and have established relationship with those around them (Riley 2012). Motivation is the main tool to eliminate the negative employee turnover rate inside organizations; this is the backbone of human resource management. The lack of adequate human behaviour motivation will lead to a lack of clear goals and problems with fulfilment as well as a lack of organizational efficiency; further, it is not possible to expect employees to stay in the organization. The ability of managers to motivate their subordinates comprises the soft skills of human resource management, which is now a dominant trend in global management (Stýblo, 2008).

According to Right Management (2015), it costs nearly three times an employee's salary to replace someone, which includes recruitment. Severance, lost productivity, and lost opportunities. Visible turnover costs include leave capitalization, recruitment costs, and reference checks, security clearance, temporary worker costs, relocation costs, formal training costs and induction expenses. Invisible costs involve enlarged HR and payroll administration, loss of productivity, and informal training. Other hidden costs comprise missed deadlines. Loss of organizational knowledge, low motivation as a result of overwork, loss of clients and chain reaction turnover. Another turnover consequence for the organization is its impact on employee-customer relationships. Normally, long-tenured employees develop personal relationships with customers. These relationships are the basis for a re-enforcing cycle of beneficial interactions between employees and customers. Staff retention thus has a positive effect on good customer relationship and ultimately profitability (Rust, Stewart, Miller, & Pielack, 1996). Another result of staff turnover is on those who remain with the company. Losing good employees is also costly in terms of the impact it has on company morale. Those that remain often feel demotivated or disheartened, leading to a reduction in productivity and job satisfaction. If other employees observe the new job opportunities being grasped by their colleagues, they could also follow suit. These latter costs, although more difficult to calculate, are also harmful (Hay, 2002).

## 2. Literature Review

Employees are seen as major contributors to organizations competitive advantage and as such for it to be maintained, Employee turnover should be discouraged by management (Abbasi, 2000). Whilst the literature points to the fact that Employee turnover can have a negative impact on organization's performance, it is not everyone who will abide by the idea and as such part of the literature will examine the key factors that cause employee turnover and the impact they have on major commercial banks in Kenya. Dibble (1999), suggests that compensation is correlated with employee turnover in business organizations of all types in the US. As Mghanga (2010) asserts, strategic management has become a very vital aspect in the 21<sup>st</sup> century organization. This has been informed by the need for organizations to survive and prosper in an environment fraught with challenges. Although there has been an increase in the number of organizations embracing the process, few are able to bring it to its logical conclusion, which is the realization of the strategies so contemplated. This study wishes to provide a basis for the understanding of the process leading to development of strategies aligned at improving compensation packages, career growth prospects, and working conditions in order to minimize employee turnover intentions which in turn improves the organizational performance. Researchers have developed various tools for implementing strategy. One of them is the balanced scorecard, a brain child of (Kaplan and Norton, 2005). It consists of four perspectives that is, financial, customer, internal business process and learning and growth. It has been used as a means to clarify and translate vision and strategy, provide communication and linkage, plan and set targets and provide strategic feedback and learning. The Kenya Commercial Bank adopted this tool to manage performance and implement strategy in the year 2005. The objectives of this study were to determine the application of this tool to this end and find out if there are any challenges that have been faced in the process. To achieve this purpose, a case study was carried out where 9 out of the 10 targeted members of staff were interviewed. The findings indicated that the balanced scorecard has been a useful tool for bringing the attainment of the mission of the bank. This is explained by the ability of this tool to bring consensus around the vision and chart the way for its execution. Some challenges have been faced including resistance to change. Lack of sufficient knowledge of the staff, aspects of operation that are difficult to measure and lack of objectivity in appraisal of staff. This paper seeks to investigate some of the challenges identified above and their impacts in relation to the three variables. Wanyonyi (2011) investigated the competitive strategies that the Kenyan commercial banks adopt to attract and retain corporate customers.

### 2.1. Theoretical Review

Maslow's Hierarchy of Need governs the motivating factor that make individual to work harder. The hierarchy starts with physiological needs to self-actualization. Quality of work life can be categorized into a lower-order and higher-order needs (Sirgy, Efraty, Siegel and Lee, 2001). Herzberg narrowed to motivation and hygiene through Herzberg's motivation-hygiene theory also called two factor theory. The first set of factors he called job factors for example recognition, achievement and possibility of growth, advancement, responsibility and work itself. The second set of factors Herzberg (1999) named hygiene factors (extra job factors). This study is also based on the fundamental concepts of social exchange theory. George Homans (1958) introduced Exchange theory in his publication, social behavior exchange. He defined social exchange as the activity tangible or intangible and more or less rewarding or costly between at least two persons. The fundamental principal of the theory is that humans choose behaviors that maximize their likelihood of meeting self-interest. The theory assumes that those engaged in interactions are rationally seeking to maximize the benefits to be gained from those situations.

## 3. Research Hypothesis

This paper is based on three hypothesis that looks through compensation approaches, career growth opportunities and working environment strategies on employee turnover.

- H<sub>0</sub>1: Compensation approaches have no significant effect on employee turnover intentions among commercial banks.
- H<sub>0</sub>2: Career growth opportunities have no significant effect on employee turnover intentions among commercial banks.
- H<sub>0</sub>3: Working environment set up has no significant effect on employee turnover intentions among commercial banks.

#### 4. Methodology

Descriptive survey research design was used in this research. Where the target population were 163 managers, supervisors and other employees of leading commercial banks in Naivasha, Kenya. Using Krejcie (1970) approach a sample of 132 was recommended from the Krejcie sampling table. The questionnaires were administered, where the supervisors and lecturers in the department of business ensured validity and through pilot study to pre-test the question to ensure reliability of the data. Descriptive statistics were used as well as inferential statistics.

#### 5. Results and Discussion

The results were analyzed with an aid of SPSS software where correlation analysis and regression analysis were used to obtain the test of hypothesis.

		Compensation Strategies	Career Growth Strategies	Working Environment Strategies	Employee Turnover Intentions
Compensation Strategies	Pearson Correlation	1	.825**	.728**	.317**
	Sig. (2-tailed)		.235	.122	.000
	N	132	132	132	132
Career Growth Strategies	Pearson Correlation	.825**	1	.825**	.734**
	Sig. (2-tailed)	.235		.093	.000
	N	132	132	132	132
Working Environment Strategies	Pearson Correlation	.728**	.825**	1	.631**
	Sig. (2-tailed)	.122	.093		.000
	N	132	132	132	132
Employee Turnover Intentions	Pearson Correlation	.317**	.734**	.631**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	132	132	132	132

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

Table 1: Correlation Analysis  
Source: Research data (2017)

The correlation between compensation strategies and employee turnover intentions is 0.817 (p value = .000). This means that there is a weak relationship between compensation strategies and employee turnover intentions.

The correlation between career growth strategies and employee turnover intentions is 0.734 (p value = .000). This means that there is a strong relationship between career growth strategies and employee turnover intentions.

The correlation between working environment strategies and employee turnover intentions is 0.631 (p value = .000). This means that there is a strong relationship between working environment strategies and employee turnover intentions.

##### 5.1. Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874 <sup>a</sup>	.763	.757	.614

a. Predictors: (Constant), compensation strategies, career growth strategies, working environment strategies

Table 2: Model Summary  
Source: Research data (2017)

The model summary showed that the coefficient of determination for the data ( $R^2$ ) is 0.763. This means that the chosen independent variables (compensation strategies, career growth strategies, working environment strategies) explain 76.3% of the variations in the dependent variable (employee turnover intention) in the study population. Thus 23.7% of the variations in employee turnover intention are explained by other factors not captured in the model.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	155.289	3	51.763	137.386	.000 <sup>b</sup>
	Residual	48.226	128	.377		
	Total	203.515	131			
a. Dependent Variable: employee turnover intentions						
b. Predictors: (Constant), compensation strategies, career growth strategies, working environment strategies						

Table 3: ANOVA Results

Source: Research data (2017)

The results of the ANOVA performed on the independent and dependent variables summarized in Table 3 above indicates that there was a significant difference between means of the variables describing motivation strategies and the employee turnover intentions in commercial banks. ( $F_o = 137.386 > F_c = 2.37$ ;  $\alpha < 0.05$ ;  $df = 3, 131$ ;  $p = 0.05$ ). This finding confirms the finding suggested by regression model in Table 4.16. The above ANOVA indicate that the data is ideal for making a conclusion on the population's parameter as the value is significant at  $P < 0.05$ . It indicates that the regression relationship was significant in predicting how compensation strategies, career growth strategies, working environment strategies influence the commercial banks' employee turnover intentions.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	1.380	.137		10.047	.000	1.108	1.652
Compensation strategies	-.171	.176	-.164	-.971	.333	-.520	.177
Career growth strategies	.977	.158	.895	6.191	.000	.665	1.289
Working environment strategies	.108	.042	.220	8.570	.001	.108	.042
a. Dependent Variable: employee turnover intentions							

Table 4: Coefficients

Source: Research data (2017)

- $H_{01}$ : Compensation strategies have no significant effect on employee turnover intentions among commercial banks. Looking at the results in Table 4 above, it is clear that there was indeed a significant relationship between growth strategies and employee turnover intentions among commercial banks ( $\beta = -.164$ ,  $p = .333 < 0.05$ ). The null Hypothesis One was, therefore accepted; suggesting that compensation strategies employed by the commercial banks could not explain employee turnover intentions than other variables in the model.
- $H_{02}$ : Career growth strategies have no significant effect on employee turnover intentions among commercial banks. Looking at the results in Table 4 above, it is clear that there was indeed a significant relationship between growth strategies and employee turnover intentions among commercial banks ( $\beta = .895$ ,  $p = .000 < 0.05$ ). The null Hypothesis Two was, therefore rejected; suggesting that career growth strategies employed by the commercial banks could better explain employee turnover intentions than other variables in the model.
- $H_{03}$ : Working environment strategies have no significant effect on employee turnover intentions among commercial banks. With regard to this hypothesis, the results in Table 4 above suggest that working environment strategies significantly affected employee turnover intentions among commercial banks ( $\beta = .220$ ,  $p = .001 < 0.05$ ). The null Hypothesis Three was subsequently rejected since it was evident that working environment strategies could explain employee turnover intentions in the model.

## 6. Discussion

### 6.1. Objective I: Compensation Strategies

On the compensation strategies, the most important factors according to the descriptive results were; - community welfare provision which useful links at work and key community social responsibilities, followed by vacation and leave policy is adhered to, and minimum entry scales correspond to employees' merit. The results therefore indicate that the employees are much focused on compensation that is geared towards enhancing their linkages with colleagues in other banks and merit on the job. The correlation between compensation strategies and employee turnover intentions is 0.317 ( $p$  value = .000). This means that there is a weak relationship between compensation strategies and employee turnover intentions.

The first hypothesis was that compensation strategies have no significant effect on employee turnover intentions among commercial banks. The  $p$  value is .333 ( $.333 > 0.05$ ). We therefore accept the null Hypothesis One, and conclude that that the relationship between compensation strategies employed by commercial banks do not fully explain the employee turnover intentions as per the variables selected.

### 6.2. Objective II: Career Growth Strategies

On career growth strategies, the most important factors were performance evaluation is periodical and transparent followed by career advancement is not a threat to business growth in this organization and in-house managerial training is relevant and credible externally. The correlation between career growth strategies and employee turnover intentions is 0.734 (p value = .000). This means that there is a strong positive relationship between career growth strategies and employee turnover intentions.

The second hypothesis was that career growth strategies have no significant effect on employee turnover intentions among commercial banks. The p value is .000 (.000 < 0.05). We therefore fail to accept Hypothesis Two and conclude that there is a positive relationship between career growth strategies and employee turnover intentions.

### 6.3. Objective III: Work Environment Strategies

On the work environment strategies, the most important factors were the work environment is spacious, with proper lighting and fresh followed by electronics are secure and safe for employees and customers and there is organization learning and learning in the organization to add value. The correlation between working environment strategies and employee turnover intentions is 0.631 (p value = .000). This means that there is a strong positive relationship between working environment strategies and employee turnover intentions.

The third hypothesis was working environment strategies have no significant effect on employee turnover intentions among commercial banks. The p value is .001 (.001 < 0.05). We therefore fail to accept the null Hypothesis Three, and conclude that that there is a positive relationship between working environment strategies and employee turnover intentions.

## 7. Conclusion and Recommendation

Employee turnover has been said to be a major concern facing organizations in today's economy, it has been said to have both benefits and costs. If not controlled, the costs could out way the benefits which could lead to high organizational costs, reduction in organizational performance and productivity. In order to reduce employee turnover, managers need to be keen on how they integrate with employees especially on the areas of career growth and work environment strategies. As human resource management theory states, it is necessary to take into account the needs of employees at different levels of development. The needs that are often overlooked and problematic are those of solidarity, friendship, safety and security, fulfillment, recognition by a team and self-fulfillment. The perceived difference between the desired and real situations causes dissatisfaction and employees tend to leave their jobs. Employees need to be encouraged to perform their tasks in order to increase their feelings of importance, satisfaction and usefulness for the organization and in particular to maintain and increase the overall performance of the organization.

It is obvious that employees who are not encouraged do not have enough information, while those that are criticized are almost certain to leave the organization. The study concludes that the most important strategies influencing employee turnover intentions are career growth strategies and work environment strategies. This is surprising as one would have expected compensation strategies to more important with respect to employee turnover intentions. It is essential that career growth strategies and talent systems within an organization effectively attract, develop, promote and retain talented men and women to execute today's strategy and formulate tomorrow's. A solid leadership strategy must be forward thinking and match talent requirements with the organization's strategic priorities. To succeed in attaining these priorities, leadership strategy should clarify the human resource needs and where they are needed, as well as the skills and behaviors required for those jobs.

The research recommended that career growth strategy must address the need to attract, retain, and develop the talented people throughout the organization who are critical to meeting the organization's goals. It looks beyond the current business needs and sets into motion talent sustainability. These will provide the critical link between the many talent components and the top management. On work environment strategies, it is essential that the commercial banks keep the offices clean, comfortable and well-decorated. They should hire the right staff who will be willing at all times to contribute to improving the work environment. Thus, hiring should be of people who are professional, can work in a team and can contribute to a positive work environment. The management should also foster collaboration between the employees.

People want to feel like they are contributing to something worthwhile in an atmosphere where the company values their dedication and hard work. As much as possible, the banks therefore should strive to develop a positive work environment where employees can work together. Employees should work in an environment where they can make the most of their skills. To enhance this, management should show that it appreciates the employees' efforts, and encourage a solid work-life balance. The company needs to provide non-monetary benefits and incentives to its employees as majority of the employees' belief is that they are not getting what they deserve.

The study suggests that further research can be done on areas of leadership and strategic alignment in the commercial banks. This is because there appears to be a disconnection between the strategies that commercial banks employ for employees' retention and what the employees actually desire. Another study can be done to determine the influence of knowledge management on employee turnover intentions. This is because how an organization manages its employee's' knowledge can have a direct influence on its career growth and work environment strategies.

## 8. References

- i. Abassi, S. (2000). Turnover: The Real Bottom Line. *Public Personnel Management*, 2(3), 214-218
- ii. Dibble, S. (1999). *Keeping Your Valuable Employees*. New York, Wiley. *European Journal of Business and Management*, 4(7), 112 – 119
- iii. Hay, M. (2002). Strategies for survival in the war of talent. *Career Development International*, 7(1), 52-55.

- iv. Herzberg, F. (1964). The Motivation-Hygiene Concept and Problems of Manpower. *Personnel Administrator* (27): 3-7
- v. Homans, George (1961). *Social Behavior: Its Elementary Forms*. New York: Harcourt Brace Jovanovich. p. 13.
- vi. Mghanga, D. (2010). Application of the Balanced Scorecard in Strategy Implementation at the Kenya Commercial Bank. Unpublished thesis: Nairobi University.
- vii. Price, J. (1977). *The Study of Turnover*. Iowa: Iowa State University Press
- viii. Riley, J. (2001). Silver Signals: Twenty-Five Years of Screening and Signaling. *Journal of Economic Literature*, 39 (2), 432-478.
- ix. Rust, R., Stewart, G., Miller, H., & Pielack, D. (1996). The satisfaction and retention of frontline employees: A customer satisfaction measurement approach. *International Journal of Service Industry Management*, 7(5), 62-80.
- x. Stýblo, J. (2008). *Management and People in the Company*. Praha: EUPress.
- xi. Wanyonyi, C. (2011). *Competitive Strategies Adopted by Kenyan Commercial Banks to Attract and Retain Corporate Customers*. Unpublished Master's Thesis, Nairobi: University of Nairobi.