

# Importance Employee Retention And Organizational Performance Of Public Universities In Nairobi County Kenya: A Theoretical Review And Critique

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*Abstract: Public universities around the world and especially in Nairobi county Kenya have experience problems with employee retention for decades. This is due to the ever growing numbers of private universities and listing of colleges to universities by the Kenyan government which has seen a higher number of employees move from one university to the next. The resultant effect has been that public universities have lost skilled man-power in the process. However, no attempt has been made as yet to assess the effects of employee retention on organizational performance of public universities in Nairobi county Kenya. This creates the need for the current study to assess employee retention and how it relates to the overall organizational performance of the universities. Goal setting and expectancy theories will be used to guide the study. Mixed methodology will be used to gather both qualitative and quantitative data. A descriptive survey study design will be used to ascertain the influence of employee retention on the organizational performance of public universities in Nairobi county Kenya. The target population for the study will be the permanent staff in public universities. The sample size will comprise of administrators, human resource management personnel and university lecturers. A questionnaire will be the main instrument used for data collection. Simple random and purposive sampling techniques will be used to select respondents. Collected data will be sorted, coded and input into the statistical package for social sciences (SPSS) version 21.0 for production of figures and tables to generate descriptive and inferential statistics. All ethical and logical issues pertaining to research will be observed throughout the entire process of conducting this study by the researcher.*

**Keywords:** Employee retention strategies, employee retention, organizational performance

## I. INTRODUCTION

Higher Education Institutions (HEIs) face an increasing number of obstacles in a changing global environment. Some of these challenges must be considered by the management of these institutions inter alia, include the management of human capital within the Institutions. Strydom (2011) states that human capital factors should be taken into consideration if Higher Education Institutions aim to achieve their goals. Owing to the demand for scarce skills, the attraction and retention of quality employees has emerged as the biggest challenge in human capital management and this phenomenon

has also risen in Higher Education Institutions (Terera & Ngirande, 2014).

Employee retention is one of the most critical issues facing organizational managers because of the shortage of skilled workers, economic growth, and high employee turnover (Samuel & Chipunza, 2013). Once an organization has captured skilled employees, the return on investment requires closing the back door to prevent them from walking out. Employees are more likely to remain with the organization only if they believe that the organization shows more interest and concern for them, if they know what is expected of them, if they are given a role that fits their

capabilities, and if they receive regular positive feedback and recognition (Samuel & Chipunza, 2013).

While retention strategies across different occupational groups and industries have many common features, such as competitive pay, good working environment, and progressive human resource policies that offer opportunities for advancement, they need to be context-specific and evidence-based to be more effective (Tittey, 2010). Therefore, an appropriate understanding of employee's expectations of their work environments is a critical issue in higher education institutions. To retain workers effectively, employers must know what factors motivate their employees to stay in the field and what factors cause them to leave.

Guma (2011) contends that poor job retention among employees lead to many costs associated with employee turnover which include additional burden on remaining staff, recruitment and training costs, lost productivity, loss of clients and loss of intellectual capital. Further, Universities are no exception to the challenge of staff retention particularly with the core employees the academic staff, and it is obvious that these institutions will be increasingly obliged to make retention of academics a strategic priority (Pienaar & Bester, 2008). Indeed, the problem of academic staff retention is global and affects both developing and industrialized countries. A survey of full time faculty members in the United States in 2000 showed that more than 40% of them had contemplated changing careers (Pienaar & Bester, 2008). In a study carried out in Australian higher education institutions, 68% of the academic personnel indicated that they wished to leave higher education (Yousaf, 2010).

Retention of employees is very important because if the talented employees of the organization leave the organization in large numbers it directly affects the cumulative performance of the employees as well as the profitability of the organization (Ming, 2008). From the organizational perspective, employee turnover may lead to disruption of service to clients. The extra time and money spent on recruitment and training of the replacement and the added stress of more work for the remaining staff during the interim are a few of the consequences suffered by the organisation when turnover occurs. The cost of replacing workers can be high, the problems associated with finding and training new employees can be considerable, and the specific workplace acquired skills and knowledge people walk away with can take years to replace.

To attract and retain employees, organisations need novel reward systems that satisfy those employees. San, Theen, and Heng (2012) suggest that compensation, performance management and recognition seen as the significant elements in motivating employees to contribute their best efforts to generate innovative ideas that lead to productivity within an organisation. In South African higher education institutions, the problem of staff retention is evident, since available data indicates that a substantial number (between 5% and 18%) of academics leave higher education institutions (Pienaar & Bester, 2008).

A study of academics in Makerere University by Amutuhaire (2010) established that remuneration is one of the factors influencing their retention. Poor remuneration has been one of the major factors influencing academic staff strikes in

Kenyan public universities (Waswa and Katana 2008). On the other hand, a study by Mutiria, Rukangu and Kubaison (2015) revealed that unfairness to career growth opportunity was another repellant that put off the employees from continuing to offer services.

In Nairobi County, Kipkebut, (2010) noted that fully fledged public universities include University of Nairobi (UoN), Kenyatta University (KU), and Jomo Kenyatta University of Agriculture and Technology (JKUAT). The major issue in public universities in Kenya is the rapid expansion amid declining funds which has seen universities experience challenges in terms of physical facilities, overcrowding and staff disillusioned due to several factors including inadequate and non-competitive salaries, and dissatisfaction with non monetary factors such as poor working conditions, heavy workload, institutional governance among others (Tetty, 2006). Tetty (2006) in his study established that dissatisfaction with salary is one of the key factors undermining the commitment of academics to their institutions and careers, and consequently their decision or intention to leave. These factors have led to the exodus of teaching staff to the private sector or abroad in search for better opportunities despite the fact that these institutions have invested heavily in training them.

According to Kipkebut (2010), the biggest challenge occasioned by expansion of student numbers in public universities is staff shortage which has forced universities to recruit from each other. The recruitment vendetta has come to be known as poaching with the most vulnerable lecturers being those who have not been promoted by their respective universities either because they did not meet the requirements for promotion or because there were no available positions in the establishment.

In his study, Mokaya (2014) established that a highly satisfied Kenya Power and Lighting workforce is far more capable of meeting organizational goals and customer needs than an apathetic and uninspired one. The study also found that the real cost of staff turnover leads to lowered morale among other employees who must shoulder the workload, lost revenue from sales not made, the loss of customers who fled to competitors for better service". This causes an increase in errors during the performance of activities and results in poor service.

## II. THEORETICAL LITERATURE

In this section, the researcher reviews theories that explain the relationship between the independent variables and dependent variable under investigation.

### A. THEORY OF EXPECTANCY

This theory was brought forward by Victor Vroom in 1964. It is founded on the assumption that people do adjustments to their conducts within an organization depending on the expected satisfaction of their pre-set goals. These adjustments are done in such a way that they are aimed at achieving the pre-set objectives. This theory clearly links to the current study in that as organizations have adopted various

employee retention strategies to ensure that the workforce is motivated to perform even better. This would in turn lead to improved performance.

## B. GOAL SETTING THEORY

This theory was brought forward by Edwin Locke in 1968. It explains the importance of setting goals by the employee towards improving their performance. As employees strive to achieve their goals, they can either achieve all of them within the pre-set timeline or they can choose to adjust them with a view of making them more realistic. An increase in performance leads to achievement of the aims and objectives of performance management system (Salaman, et al., 2005). While the goal setting theory focuses on the inner drive among the employees, whereby their personal goals drive them towards achieving better outcomes in the organization, it will not be considered in this current study. The current study is focused on the efforts made by the universities to retain employees and how such strategies impact on the overall organizational performance. This theory will also be used to guide the current study.

## III. EMPIRICAL REVIEW

### A. EMPLOYEE RETENTION

Employee retention refers to the ability of an organization to retain its employees. It relates to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome. Employee turnover is a symptom of a deeper issue that has not been resolved. The success of the most competitive companies throughout the world, including education institutions, lies in their highly skilled employees on which these institutions spend millions to retain (Branham, 2005).

Retention is considered as multifaceted component of an organization's human resource policies. It begins with the hiring of right people and persists with working agendas to keep them involved and devoted to the organization (Mahal, 2012). A growing body of research links high turnover rates to shortfalls in organizational performance. Likewise, reducing turnover rates has been shown to improve sales growth and workforce morale. In addition, high performance HR practices (including reduction of dysfunctional turnover rates) increase firm market value. These relationships become even more pronounced when you consider who is leaving. For instance, research shows that high turnover among employees with extensive social capital can dramatically erode firm performance (Hodson & Roscigno, 2004).

### B. STRATEGIES USED FOR EMPLOYEE RETENTION BY ORGANIZATIONS

A strategy is the outcome of some form of planning, organized process for anticipating and acting in the future in order to carry out an organization's mission (Baker, 2007). Many companies, particularly larger ones with fully developed

Human Resource departments, engage in elaborate planning exercises in order to develop a cohesive and unitary strategy to deal with employee retention. Indeed, many experts within the Human Resource literature emphasize the importance of such exercises, and emphasize that good retention is best assured when companies take a strategic approach to the question. Employee Retention Strategy refers to policies and practices that an organization uses to satisfy the diverse needs of employees and create an environment that encourages them to stay with the organization (Morgan, 2011).

Studies suggest that retention strategies, which effectively satisfy the needs of all employees consequently enhance the ability for companies to adapt more effectively to ongoing organizational change. Research shows that trends redefining modern retention strategies go beyond the traditional salary and benefits package and compensation embracing employee motivation, as one of the key factors to cater to the diversity and long stay of the workforce in the organization. Retention factors incorporating the needs and desires of employees at any age enhance levels of individual job satisfaction, loyalty, and commitment (Boomer Authority, 2009).

Lockwood, (2006) has provided evidence that indicates a correlation in firms between "good" workforce outcomes which includes reduced layoffs, quit rates, accidents and grievances and Human Resource strategies that emphasize employee participation and intrinsic rewards. The presence of practices related to internal career development is often the best predictor of an employee's affective commitment. Such plans include advancement plans, internal promotion and accurate career previews at the time of hiring. Furthermore, as Lockwood, (2006) point out, it is still unclear whether successful practices engender high performance, or whether strong performance creates the resources for the implementation of such practices. Results from other research shows that the appreciative approach, operationalised through an appreciative learning and working climate, positively influences employee retention (Van, 2009).

Employees get stressed from the bosses who control excessively with attention or did not delegate properly. Some employees feel satisfied by taking other's work responsibility on themselves and even more pleased in getting and achieving those challenges in the job. In examining faculty workload and compensation of Australian academics, Comm and Mathaisel (2003) cited in Kipkebut (2010) found that 51% of the faculty did not believe that they were compensated fairly, relative to those other comparable institutions. As a result, 50% of the respondents felt the need to work outside their institutions to earn extra income.

According to Gwavuya (2011), incompetent leadership results in poor employee performance, high stress, low job commitment, low job satisfaction and turnover intent. Research conducted on the state of South African training industry indicated that leadership style was the most prominent retention factor in South Africa (Netswera, 2005). The leadership in the universities which include top management and Chairmen of Departments who are the immediate supervisors to the academic staff can play crucial role in portraying to the staff that their University is the employer of choice.

In Kenya, Mutiria et al. (2015) revealed that 60.9% of the variations in employee retention at Meru University of Science and Technology (MUST) are explained by training and development, performance appraisal, welfare benefits and career growth leaving 39.1% percent unexplained. A study by Ng’ethe (2013) revealed that in the presence of leadership style, training and promotion, remuneration did not influence academic staff retention. The findings also indicated that in the presence of leadership style, promotion and remuneration, training did not influence academic staff retention.

### C. EMPLOYEE RETENTION AND ORGANIZATIONAL PERFORMANCE

Nowadays the employees need and wants to grow every day and they want more than their salary. Organizational performance depends on the employee’s performance which indeed depends on how much they are involved with their work place especially with the environment of organization, and from how much time they are in job. There is positive relationship between work, workplace environment and the tools of work; workplace becomes an integral part of work itself (Chandrasekar, 2011). As a result employee turnover is increasing.

On the other side the importance of retention become very important for every organization (Ming, 2008). A study by Kottolli (2010) found that employee retention tends to increase organizational performances. Retention also encourages current employees to remain with the organization. Long term service of employee’s means they are efficient and effective to their job duties. Again they know very well how the job is done. Retention of employees with the organization optimizes their performance and increase organizational productivity (Hafiza, Shah, Jamshed & Zaman, 2011).

Currently, most organizations have treated their people as the most important resource of an organization. Guma (2011) explains that poor job retention among employees leads to costs associated with employee turnover which include additional burden on the remaining staff, recruitment and training costs. Retention of employees is very important because if the talented employees of the organization leave the organization in large numbers it directly affects the cumulative performance of the employees as well as the profitability of the organization. Employee turnover is important to individuals, organisations, and society (Ming, 2008).

A study by Mokaya (2014) among Kenya power and lighting employees (KPLC) revealed that satisfied employees will create satisfied and loyal customers, which will result in higher sales and, therefore, higher financial returns, most of the time when these employees move, they migrate to competing organizations with the knowledge and trade secrets acquired from their former employers thereby creating an even more critical situation for the latter. Mokaya (2014) also revealed that the interviewee indicated that employees retention strategies in the organization results to satisfied employees who in turn are more productive, innovative and loyal, which in turn leads to customer retention, which means that employee satisfaction plays a strong, central role in predicting profitability and “organizational effectiveness. It was found that the interpersonal bond that is developed

between employees is central to the communication patterns that are characteristic and unique to any organisations.

### D. CONCLUSIONS AND RECOMMENDATIONS

Based on the reviewed studies, the researcher concludes that employee retention affects various institutions all over the world. The studies also reveal that various factors affect employee retention within organizations world over. It is therefore, the study’s recommendation that a study be done focusing specifically on employee retention within specific organizations and its resultant factors.

### A. RESEARCH GAPS

The reviewed studies established that organizations world over face employee retention challenges. However, these studies were general by nature while fewer studies focused on specific organizations. The reviewed studies also revealed that various organizations used various strategies to retain employees. Whereas fewer of these studies were tailored to a specific organization, none looked at these strategies in relations to public universities in Kenya. Lastly, the researcher reviewed other authors’ works on how employee retention affects organizational performance. The review shows that authors have focused on employee retention and organizational performance in general while fewer focused on specific organizations. The current study however, will look at how employee retention affects the performance of public university performance in Nairobi County Kenya.

### B. PROPOSED CONCEPTUAL FRAMEWORK

The researcher conceptualizes that the independent variables under investigation that are employee retention and employee retention strategies affect public universities organizational performance greatly. The relationship between the dependent and independent variables is as shown in Figure 1 below.

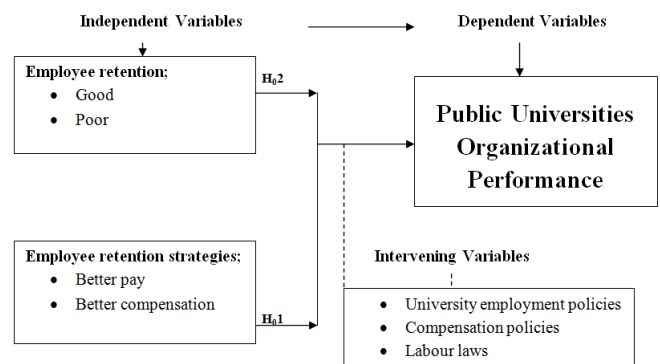


Figure 1: Conceptual Framework (Source: Researcher 2018)

### C. HYPOTHESES

H<sub>01</sub>: There is no relationship between employee retention strategies and employee retention in public universities of Nairobi County Kenya

H<sub>0</sub>2: There is no relationship between employee retention and public universities performance in Nairobi County Kenya

#### D. PROPOSED METHODOLOGY

The study adopted a mixed methodology to gather both qualitative and quantitative data. A descriptive survey study design will be used to carry out this study as it allowed the researcher to collect original data without any manipulation. Descriptive survey study design therefore helped in obtaining information concerning the influence of employee retention on the public university performance in Nairobi County Kenya. The target population for the study was the university permanent staffs. The sample included administrators, human resource management personnel and university lecturers. Questionnaires were the main instruments for data collection. Simple random and purposive sampling techniques were used to select respondents. Collected data was sorted, coded and input into the statistical package for social sciences (SPSS) version 21.0 for production of figures and tables to generate descriptive and inferential statistics. All logical and ethical issues were adhered to during the process of writing this paper.

#### IV. CONCLUSIONS

Based on information collected through the reviewed literature, the study concludes that employee retention is a problem facing various organizations. The study also concludes that various strategies currently exist for employee retention in various organizations and lastly, employee retention affects various organizations performance world over.

#### V. RECOMMENDATIONS

The study recommends that additional steps to be taken to ensure that public universities retain all of its best talents and reduce turnover rates as well as the resultant additional costs arising from employee turnovers.

That urgent measure is taken to improve leadership styles in public universities as this strategy was found not to be the main strategy for employee retention. More effective employee retention strategies are therefore necessary for public universities to ensure that they keep their best talents.

Employee retention by the universities must be ensured if organizational performance is to improve because studies have shown that poor retention leads to poor organizational performance while better employee retention leads to improved organizational performance.

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