

## **EFFECT OF TALENT MANAGEMENT STRATEGIES ON EMPLOYEE RETENTION AMONG PRIVATE FIRMS IN KENYA: A CASE OF DATA CENTRE LTD – KENYA**

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## **ABSTRACT**

The current business era is highly competitive and organizations regardless of size, technology and market focus are facing employee retention challenges. Talent management is an important activity in that it enables an organization to have the right people with the skills and expertise to meet the immediate and future needs of the firm. One of the ways that firms globally can sustain their competitive advantage is by retaining people who possess needed skills, competencies and motivation. The general objective of the study was to examine talent management practices and employee retention among private firms in Kenya with a case of Data Centre Limited. The study was guided by these specific objectives: to establish the effects of employee motivation on employee retention at Data Centre Limited; to determine the effects of training and development on employee retention at Data Centre Limited; to establish the effects of compensation on employee retention at Data Centre Limited and to establish the effects of performance management on employee retention at Data Centre Limited. The research design used in this study was descriptive research design. The target population for this study comprise of 76 employees of Data Centre Limited (DCL). The study used primary data for analysis obtained by the use of structured questionnaires. After data was collected from the field, the questionnaires were checked for completeness, coded, and then entered into Statistical Package for Social Sciences (SPSS) for subsequent analysis.

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The results were presented on frequency distribution tables and pie charts. The study found out that the organization recognized the employees outstanding, there are opportunities for development in the organization and employees are satisfied with their job in this organization, skills improvement courses are offered to staff in this organization, employees are fairly remunerated for their efforts and the remuneration was commensurate with the industry scales and performance management process was clear to all the staff in the organization and was periodically reviewed to ensure that it is being applied consistently and fairly. The study concludes that the organization focused on issues and on the personal relationships they have with the employees to perform each function, there was a deliberate effort by the management to have not just the organization but also the employees succeed in both their professional and personal life, compensation has also been well adopted and employees are fully engaged in challenging and rewarding work and feel part of a successful brand that cares about them and performance management process was well defined. The study recommends that organization should recognize and reward good performance to help motivate and enhance employee engagement, training and development that focus on continuous learning, retraining and retaining knowledge should be applied, the organization should create non-monetary reward and recognition programs and the organization should make their performance

evaluation system procedures objective and fair.

**Key Words:** *talent management strategies, employee retention, private firms, Kenya, Data Centre Ltd*

## **INTRODUCTION**

In today's rapidly moving, dynamic, uncertain and highly competitive global markets, firms worldwide are facing major decisions and challenges in global talent management (Schuler, Jackson & Tarique, 2011). For organizations across the globe, talent management of knowledgeable workers with high potentials is becoming increasing a challenge and of strategic importance. The demand for competent employees is high, especially for key positions that will be tasked with steering the organization to higher levels of performance.

Major companies are today facing the challenge of retaining their talent competes in the global markets (Sculer et al., 2011; Scullion et al., 2010, Tarique & Schuler ,2010). The directive for organizations in this time of "war for talent" is to reduce turnover in favor of the retention of talented employees (McDonnell, 2010). The main purpose of retention is to prevent competent employees from leaving the organization as this could have adverse effects on productivity and service delivery (Ng'ethe, Iravo, & Namusonge, 2012). Research indicates that companies doing best of managing their talent deliver better results (Ntonga, 2007).

Collings and Mellahi (2009) further identifies three set of practices that are covered by most talent management activities which include staffing, recruitment, training and development, succession planning and lastly employee retention management. Organizations therefore ought to provide career development opportunities to their staff by conducting internal training programs to enhance their job experience; enable self-career management by carrying out talent appraisals; enable work changes by instituting internal transfers and retaining the right talent. If these activities are conducted in an appropriate manner, it will lead to high rates of employee retention since they will be able to reach their full potential by being adequately trained and also being given the platform to showcase their inborn and acquired talents and skills (Lawler, 2008).

Swapna and Raja (2012) studied the role of talent management with special reference to service sectors in India and found out that the employees of education as well as healthcare sectors felt that talent management was very important in achieving financial benefits and improve the bottom line of organizations. Similarly, Lawler (2008) studied strategic talent management and lessons from the corporate world and found out that most of the talent management practices that are used by the best high-involvement companies can be used in public education and if adopted, they will lead to improvements in classroom instruction and student achievement

In a company's relentless pursuit of seizing competitive advantage, it became clear that all the improvement initiatives and programs had a common denominator and that was the employee. Fix- it programs depended on the commitment, motivation and special talents of employees who ultimately determined if the program would succeed or fail. For most companies their payroll is their largest recurring expenditure. It makes practical business sense to optimize that monthly investment. Improving an organization's talent management practices however, isn't a silver bullet approach but rather a multi-pronged strategy that tackles challenges on at least four principal fronts, and they are: recruitment, performance and learning management, leadership development, and bottom-up communications (Barney, 2008).

Chepkwony (2012) examined the link between talent management practices, succession planning and corporate strategy among commercial banks in Kenya. The results of the research revealed a significant relationship between Talent management practices, succession planning and overall organization strategy. From the above analysis, it is clear that the discussed studies majorly touched on the determinants of employee retention by studying diverse variables. This study however, will place specific focus on talent management adoption and employee retention. This intended study shall therefore seek to examine talent management practices and employee retention among Kenyan Private Firms: a case of Data Centre Ltd (DCL). DCL was established in 1973 to provide bureau services for a variety of companies in Kenya. It has grown to over 40 years and has become the leading payroll outsource provider in the region. The services that it offers include payroll outsource, payroll audit, payroll administration and reporting. DCL is committed to the services that it provides by establishing a strong customer support team that is dedicated to ensuring the highest level of customer satisfaction.

## **STATEMENT OF THE PROBLEM**

Employee retention is a critical issue in the sense that current labor force in organizations forms a key source of resource to the firm. In particular, the retention of human capital translates to a source of competitive advantage in the competitive business market place as the firm is able to retain highly qualified staff unlike competitors. The movement of employees from one firm to another has remained to be a major driving force that drives employees to search for greener pastures. Therefore, if firms are to minimize this negative trend they need to adopt proper employee talent management practices so that their staff can remain at the firm and grow professionally and attain job satisfaction. Modern day organizations therefore need to implement motivational structures that enable the attraction, retention and motivation of employees (Farley, 2005). There are various factors that determine employee's retention decisions and include; compensation and rewards, training and developments and organization justice. (Fitz-enz, 2005), Armstrong (2008) deduced that talent management practices consist of a wide range of activities including; employee attraction and retention policies, talent audit, employee resource

strategy, talent relationship management, role development, career management, learning and development and performance management. In essence, talent management entails the adoption of processes such as; placing employees into suitable projects, utilizing advancements in technology (Lewis, Jones, & Newhouse, 2004).

Locally, studies by Koranteng (2014) on talent management as a tool for employee retention using a case study of Pro-credit Savings and Loans Limited Kumasi. Koketso (2011) conducted an exploratory study on the perceived challenges to talent management in the South African Public Service using the case of Cape Town Municipality. Kambabazi (2012) examined talent management, organization culture and employee engagement using the case of National Water and Sewerage Corporation in Uganda. Wambui (2012) studied talent management practices in commercial state corporations in Kenya. Silvia (2013) studied the relationship that exists between talent management and employee retention in commercial banks in Kenya. Omondi (2013) sought to explore talent management practices at CFC Stanbic Bank. Katitia (2014) sought to examine the various motivational factors that influence employee retention in multi purposes training institutions with a survey of selected institutions in Kenya. Kemboi (2014) explored the perceived effects of career development practices on employee retention at the Kenya Post Office Savings Bank.

These studies were done in different countries and may not be applicable in the Kenyan setting. Furthermore the studies done in Kenya looked at employee retention in the public sector and some in specific companies that may not be applicable to Data Center Ltd. Therefore this study filled the research gap by examining talent management practices and employee retention among private firms in Kenya with a case of Data Centre Ltd.

## **GENERAL OBJECTIVE**

The general objective of the study was to examine the effects of talent management strategies and employee retention among the private firms in Kenya with a case of Data Centre Ltd.

## **LITERATURE REVIEW**

### **Theoretical Review**

Under this section, the researcher reviewed specific theoretical foundations that attempt to explain talent management practices on employee retention. The theories are: Herzberg's Motivation/Hygiene theory; Competence-Based View theory and Expectancy theory.

## **Herzberg's Motivation/Hygiene Theory**

Herzberg (2005) an American psychologist, conducted research that led him to develop the two-factor theory of job satisfaction and dissatisfaction. Herzberg's two-factor theory suggests that certain factors have the ability to provide job satisfaction while others can only reduce job dissatisfaction. The factors that motivated workers and provided job satisfaction, Herzberg called motivators. These factors include responsibility, a sense of achievement, recognition of achievement, promotion opportunities and what type of work is being done. These things are likely to motivate workers and are related directly to the job. Employees will not have job satisfaction if the motivating factors are not provided in sufficient quality by the employer.

Factors that may reduce job dissatisfaction are called hygiene or maintenance factors. These factors include company policy and procedures, supervision, pay, work relationships and working conditions (Herzberg, 2005). These factors can only reduce job dissatisfaction and they are not directly linked to the job. Making sure these factors are acceptable to the labor force prevents dissatisfaction rather than causing positive motivation. According to Frederick Herzberg, these two sets of factors are quite independent of each other. It may be noted that hygiene factors, when satisfied, tend to eliminate dissatisfaction but do not motivate an individual employee for better performance. The motivating factors will permit an individual to grow and develop in a natural way.

Herzberg hygiene factors create a suitable work environment though not increase in satisfaction. For instance low pay can cause job dissatisfaction which will affect employees' performance. Hygiene factors are essential to make sure that the work environment does not develop into a disgruntle situation. Typical hygiene factors are salary, working condition, status, company policies and administration (Saiyadain, 2009). This theory is supporting the first objective on employee motivation as a factor that affects employee retention among private firms in Kenya looking at the case of Data Centre Limited (DCL).

## **Employee Motivation**

Employees can be motivated to stay in the organization through money in terms of salaries, wages and bonuses. Another way of motivating staff is through non-monetary means like recognition for work done, giving those opportunities to advance and giving them tasks that would use their skills and knowledge leading to job satisfaction. Ongori (2007) in 'A review of the literature on employee turnover; the study mentions that employee empowerment and motivation could be of great help to enhance the continuity of employees in working for one organization for a long period of time. Empowered and motivated employees are a case where managers supervise more people than in a traditional hierarchy and delegate more decisions to their subordinates. This would help the employees feel more valued and appreciated. These

feelings will make them desire to stay at the particular organization where they are valued and appreciated.

Aguenza and Som (2012) in an international journal on motivational factors of employee retention and engagement in organizations. The study mentions that employee retention and engagement is critical for organization because employees are the driving force to achieve the development and accomplishment of the organization's goals and objectives. The study mentions several items that motivate employees to make the decision to be retained within one organization. The first one is financial rewards as a key component in retaining employees. Financial reward is one of the basic types of extrinsic monetary rewards which cover the basic needs of income for employees to survive (to pay bills), a feeling of stability and consistency (the job is secure), and recognition (my workplace values my skills). The second consideration as Nohria, Groysberg and Lee (2008) stated is recognition. This is where every employee has a need to be commended and recognized, and the more often they get it, the better. Being recognized for doing a good job makes individuals feel better about themselves and the organization they work for ensuring more loyalty. Employers are in the best position to recognize and retain today's employees. The third and last consideration for retaining an employee as advanced by Renwick, Redman and Maguire (2013) is development and career opportunity. Where development is regarded as gaining new skills and taking advantage of many different methods of learning that benefit both employees and the organization. Employees benefit by experiencing greater satisfaction about their ability to achieve results on the job and by taking responsibility for their career; the organization benefits by having employees with more skills who are more productive. The availability of employees in terms of skill development opportunities and career movement is the 'key attractors' to organizations and thus they will be able to retain them.

### **Employee Motivation on Employee Retention**

Talent retention aims to take measures to encourage employees to remain in the organization for the maximum period of time. Nyangi (2011) in the perceived effects of employee benefits on employee retention at Kenya Forest Service. The study used descriptive research design and found that the employee benefit policy makes the dissatisfied employees not leave the job because of the benefits. These benefits include, pension scheme, life and health insurance, sabbatical leave, workers compensation programs, transportation benefit, flexible work plan, educational fees, employee assistance programme, relocation benefits and recreational programmes. The employees are motivated by these benefits thus making them stay with the company.

Salim (2013) in the study on the perceived effect of retention strategies on employees performance at Imperial Bank Limited, Kenya. The study used six retention strategies in an effort to influence the employee performance. The strategies are training and development, communication, compensation, working environment, career advancement and work life balance. The employee performance was a measured using performance indicators like quantity of work, quality of work, level of cooperation, absenteeism and dependability. The findings revealed a positive relationship between retention strategies and performance of employees. While motivation, training and development strategies held the greatest significance on employees' performance. Furthermore, Echols (2007) mentions that talent turnover is harmful to a company's productivity because costs of attraction are high. Direct cost refers to turnover costs, replacement costs and transitions costs, and indirect costs relate to the loss of production, reduced performance levels, unnecessary overtime and low morale. Vaiman and Vance (2008) define two classifications of retention tool to suffice employee's expectation: extrinsic and intrinsic incentives. Extrinsic incentives includes different sorts of monetary rewards which can satisfy employees' physiological needs, while intrinsic incentives refer to non-monetary rewards that can fulfill employees' psychological needs. The monetary reward is admitted as an essential tool to retaining talent (Vaiman & Vance, 2008).

According to Chikumbi (2011), in the study on an investigation of talent management and staff retention at the bank of Zambia, the study posits that the most important aspect for retaining top talent is through motivation. This is the key for the success in the talent management strategy because the level of effort the employee will do is equivalent to the reward, which is not necessarily money. The motivation can also be achieved through realistic objective setting, culture of continual learning, paying attention to the ideas that the employee presents and fostering creativity. And to ensure that the organization has competent and motivated employees, there should be a fair basis for rewarding employees (Chikumbi, 2011).

Karatepe (2013) in a journal on high-performance work practices and hotel employee performance, advocates four factors which foster the motivation and can be ordered in base on the importance that talented employees attach to them; recognition, the opportunity, the job satisfaction and money. Therefore, we can say that the key motivator of talented employees is recognition, which shows the necessity of all people to gain a reputation and to feel valuable because it reaffirm to them what they are. Cappelli (2008) established that the factors which are considered and have direct affect are: career opportunities, work environment, work life balance, organizational justice, and existing leave policy and organization image.

Fitz-enz (2005) recognized that only one factor is not responsible in management of employee's retention, but there are several factors that influence employee's retention which need to manage congruently i.e. compensation & rewards, job security, training & developments, supervisor

support culture, work environment and organization justice. Glen (2006) described another framework that manager can use when communicating with its employees to know that the cause of retention consist of nine different predictors: organizational processes, role challenge, values, work, life balance, information, stake/leverage/recognition, management, work environment and product or service.

## **RESEARCH METHODOLOGY**

Research design can be described as the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and control of variance (Kerlinger, 1994). It is a procedure that provides answers to issues such as techniques to use to gather data, the kind of sampling strategies and tools to be used and how time and cost constrain were dealt with (Cooper & Schindler., 2003). The target population for this study comprised of employees of Data Centre Ltd (DCL) as illustrated in table 1.

**Table 1: Target Population**

| <b>Staff</b>             | <b>Population</b> | <b>Percentage</b> |
|--------------------------|-------------------|-------------------|
| Management               | 19                | 25                |
| Supervisory              | 24                | 32                |
| Clerical and Secretarial | 33                | 43                |
| <b>Total</b>             | <b>76</b>         | <b>100</b>        |

Mugenda and Mugenda (2003) indicate the whenever the population is small of less than 200 members who are unique and having unique characteristics then applying a census where all members are picked for the study is ideal. Descriptive analysis was used to draw important conclusions and deductions with regards to the study objectives.

## **RESEARCH RESULTS**

### **Employee Motivation on Employee Retention**

Several statements on employee motivation on employee retention were identified against which the respondents were requested to indicate the extent to which it applies in their organization. A five point Likert scale was provided ranging from 1 to 5 where: 1= strongly disagree, 2= Disagree, 3= Neural, 4= Agree and 5=strongly agree. From the responses mean and standard deviation were used for ease of interpretation. The findings are shown on table 2.

As indicated in table 2, I am frequently recognized for my outstanding performance had a mean of 3.30 with a standard deviation of 0.879, there are opportunities for development for me in this organization had a mean of 3.74 with a standard deviation of 0.699, I am satisfied with my job in this organization had a mean of 3.81 with a standard deviation of 0.389, the monetary reward is admitted as an essential tool to retaining talent had a mean of 3.87 with a standard deviation of

0.840, the level of effort the employee will do is equivalent to the reward had a mean of 3.14 with a standard deviation of 0.848, satisfied employees are easy to retain in an organization had a mean of 4.58 with a standard deviation of 0.497, promotion scheme for employees is available in this organization had a mean of 2.41 with a standard deviation of 0.916 and the promotion process is fairly handled had a mean of 2.70 with a standard deviation of 0.711. The mean value for the findings ranges from 2.70-4.58 which shows that the respondents agreed with the statements which is in line with the findings of Chikumbi (2011) who posits that the most important aspect for retaining top talent is through motivation. This is the key for the success in the talent management strategy because the level of effort the employee will do is equivalent to the reward, which is not necessarily money

**Table 2: Employee Motivation on Employee Retention**

|  | <b>Mean</b> | <b>Std. Dev</b> |
|--|-------------|-----------------|
| I am frequently recognized for my outstanding performance                | 3.30        | .879            |
| There are opportunities for development for me in this organization      | 3.74        | .699            |
| I am satisfied with my job in this organization                          | 3.81        | .389            |
| The monetary reward is admitted as an essential tool to retaining talent | 3.87        | .840            |
| The level of effort the employee will do is equivalent to the reward     | 3.14        | .848            |
| Satisfied employees are easy to retain in an organization                | 4.58        | .497            |
| Promotion scheme for employees is available in this organization         | 2.41        | .916            |
| The promotion process is fairly handled                                  | 2.70        | .711            |

The study found out that the organization recognized the employees outstanding, there are opportunities for development in the organization, employees are satisfied with their job in this organization, the monetary reward was admitted as an essential tool to retaining talent, the level of effort the employee do was equivalent to the reward, satisfied employees are easy to retain in an organization, promotion scheme for employees was available in this organization and the promotion process was fairly handled.

## **CONCLUSIONS**

The study concludes that certain factors are crucial in influencing the employees' decision to either leave or remain in an organization. The organization provide a number of strategies to increase employee retention such as: developing a total reward system that contains more than compensation; giving constructive point of view on employee performance on regular basis; implementing flexibility programs in terms of work-life balance; building a culture of engagement, developing and refining management skills to be effective. Also, the organization

focused on issues and on the personal relationships they have with the employees to perform each function.

## **RECOMMENDATIONS**

The study recommends that organization should recognize and reward good performance to help motivate and enhance employee engagement. An employee that has performed well would feel that his or her effort is appreciated and recognized, as a result would remain committed and engaged.

The study recommends that training and development that focus on continuous learning, retraining and retaining knowledge should be applied as they decrease the time it takes to move the workforce from intermediate to expert competence, by bridging its technical skills gap. Job autonomy and skill variety are mostly considered as having a beneficial effect on career commitment since they provide individuals with opportunities to change their career.

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