An examination of employee retention strategy in a private organisation in Zimbabwe

Malvern W. Chiboiwa, Michael O. Samuel* and Crispen Chipunza

Department of Industrial Psychology, Faculty of Management and Commerce, University of Fort Hare, P. Bag X1314, Alice 5700, South Africa.

Accepted 28 June, 2010

Worldwide, a number of factors have been attributed to the increase in the level of employee turnover. The way people are paid, recognised and achieve salary advancement are critical factors in attracting, retaining, and motivating employees. The challenge for most organisations today is the formulation of an effective employee retention strategy that will help in retaining employees that are considered critical in attaining organisational goals. The prevailing hostile economic environment in Zimbabwe has made the formulation of a realistic retention strategy particularly difficult for managers in the face of an ever changing economic environment that is characterised by hyper inflation with a depleted labour market occasioned by skill emigration. This research was a case study of a major private sector medical laboratory company in Zimbabwe and was aimed at achieving the following objectives: identify the causes of employee turnover in the organisation, examine the current retention practices in the organisation, establish the effectiveness of the practices, and attempt a workable retention practice that could reduce the high rate of employee turnover in the organisation. Qualitative research design was employed using structured interviews as well as administering research questionnaire to all category of employees. The total population of the organisation nationwide comprised of 3820 employees with a sample size of 2240 respondents. The result of the research showed that labour turnover is higher amongst non-managerial employees. Similarly, majority of the employees would soon quit the organisation and lastly, the high rate of employee turnover in the organisation is largely attributed to poor reward system administration.

Key words: Employee retention, employee turnover, retention strategy, volatile economic environment.

INTRODUCTION

The volatile economic environment in Zimbabwe has significantly impacted on the way business organizations are managed in the country. The new world of work puts the importance of human capital and indeed human capital development at the centre of organisational success or failure. One of the most important drivers of productivity and sustainable economic growth in developed economies is the quality and stability of its workforce. However, prevailing evidence from business organisations in Zimbabwe suggests a high rate of labour turnover which has negatively affected the country’s economic growth and stability. Apart from the inability of business organisations to retain their talent, the entire business environment in Zimbabwe is characterised by unprecedented hyper inflation, high interest rates, high import tariffs mostly occasioned by the devastating economic cum political sanctions imposed on the country by some developed countries. The Wikipedia report that the economy of Zimbabwe is collapsing as a result of economic mismanagement, resulting in 94% unemployment rate and hyper-inflation. The economy poorly transitioned in recent years, deteriorating from one of Africa’s strongest economies to the world’s worst. Inflation has surpassed that of all other nations at over 80 sextillion (10^{21}) % (although it is impossible to calculate an accurate value), with the next highest in Ethiopia at...
41%. It currently has the lowest gross domestic product (GDP) real growth rate in an independent country and 3rd in total (behind Palestinian territories). These factors have combined to create a highly hostile operating economic environment for businesses thus resulting in the inability of organisations to craft a sustainable retention strategy thereby resulting in aggravated employee turnover being witnessed in Zimbabwe today.

Studies such as Lee (2006); Raub and Streit (2006); Stovel and Bontis (2002) have variously linked employee retention and turnover to recruitment source, while others researched into the phenomenon under a relatively stabled economic environments in the western world. The thrust of the present study is to consider the effectiveness of employee reward system in a highly unstable economic environment such as the one we presently have in Zimbabwe. The study attempted to bring into the fore some of the retention strategies that might be appropriate in arresting the high rate of employee turnover in the Zimbabwean economy.

In view of the mass exodus of employees from a leading medical laboratory company in Zimbabwe due to the general unfavourable economic environment, the present study formulated the initiating research question as: can the present retention strategy employed by the medical laboratory company effectively reduce the high rate of employee turnover in the organisation?

REVIEW OF RELATED LITERATURE

Retention is a voluntary move by an organisation to create an environment which engages employees for a long term (Chaminade, 2007). According to Samuel and Chipunza (2009), the main purpose of retention is to prevent the loss of competent employees from leaving the organisation as this could have adverse effect on productivity and profitability. However, retention practices have become a daunting and highly challenging task for managers and Human Resources (HR) practitioners in a hostile economic environment like the one being witnessed in Zimbabwe. One of the traditional ways of managing employee retention and turnover is through organisational reward system. William and Werther (1996) explain reward as what employees receive in exchange for their contributions to the organisation. This reward could come in form of salary, promotion, bonuses and other incentives. When the reward system is effectively managed, it helps in achieving organisation's corporate objectives, and maintains and retains a productive workforce. If employees perceived they are inadequately rewarded, it is often likely that they will leave; and replacement can be costly and in most cases not readily available.

A number of factors have been articulated in order to explain the reason employees leave one organisation for another, or in some cases, leave the country. Abassi and Hollman (2000); Hewitts Associates (2006); Sherman et al. (2006) highlights some of these reasons as hiring practices, management style, lack of recognition, lack of competitive compensation system, toxic workplace environment. Others include lack of interesting work, lack of job security, lack of promotion and inadequate training and development opportunities. These variables can be broadly classified into intrinsic and extrinsic motivational factors. Herzberg (1959) two factor theory as cited in Bassett-Jones and Lloyd (2005) argued that employees are motivated by internal values rather than values that are external to the work. In other words, motivation is internally generated and is propelled by variables that are intrinsic to the work which Herzberg called “motivators”. These intrinsic variables include achievement, recognition, the work itself, responsibility, advancement and growth. Conversely, certain factors cause dissatisfying experiences to employees; these factors largely results from non-job related variables (extrinsic). These variables were referred to by Herzberg as “hygiene” factors which, although does not motivate employees; nevertheless, they must be present in the workplace to make employees happy. The dissatisfiers are company policies, salary, co-worker relationships and supervisory styles (Bassett-Jones and Lloyd, 2005, p. 929). Herzberg argued further that, eliminating the causes of dissatisfaction (through hygiene factors) would not result in a state of satisfaction; instead, it would result in a neutral state. Motivation would only occur as a result of the use of intrinsic factors. Empirical studies (Kinnear and Sutherland, 2001; Meudell and Rodham, 1998; Maertz and Griffeth, 2004) have, however revealed that extrinsic factors such as competitive salary, good interpersonal relationships, friendly working environment, and job security were cited by employees as key motivational variables that influenced their retention in the organisations. The implication of this therefore is that management should not rely only on intrinsic variables to influence employee retention; rather, a combination of both intrinsic and extrinsic variables should be considered as an effective retention strategy.

THEORETICAL FRAMEWORK

Adams (1965) equity theory as presented in Spector (2008) and Herzberg’s two-factor theory provided theoretical background to the study. The equity theory posit that employees seek to maintain equity between the input that they bring into a job (e.g. education, time, experience, commitment, effort) and the outcome they receive from it (e.g. promotion, recognition, increased pay) against the perceived inputs and outcomes of other employees. Equity theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress, and that this leads to
efforts to restore equity within the organisation. Failing to find any, Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen (2008:276) argue that they may behave in ways that harm the organisation. For example, they may quit, and when high performers leave the organisation, the company loses its productive talent and the capacity to gain competitive advantage. If dissatisfied employees stay, they may react by withholding effort in order to restrict output or lower quality, or embark on deliberate sabotage of equipment. This may also put the organisation at competitive disadvantage. An under-rewarded employee tend to show feelings of hostility to the organisation and perhaps their co-employees which may lead to reduced productivity and this may impair the overall performance of the organisation especially when high performing employees are involved.

Similarly, Herzberg two-factor theory cited in Herzberg; Mausner and Snyderman (1999) considers the organisation-based motivational variables which are responsible for employees’ job satisfaction. Job satisfaction/dissatisfaction has long been recognised as a predictor of employee retention and turnover. The theory attempts to explain satisfaction and motivation in organisations by stating that satisfaction and dissatisfaction are driven by different factors (that is motivation and hygiene factors) respectively. Motivators are those aspects of the job that make people want to perform and inform their decision to stay or quit an organisation. These motivators are considered intrinsic to the content of the job and include variables such as achievement, recognition, the work itself, responsibility, advancement, and growth. Conversely, dissatisfying experiences, called “hygiene” factors, largely results from extrinsic, non-job related factors such as company policies, salary, co-worker relations and supervisory styles. Herzberg argues that eliminating the causes of dissatisfaction (through hygiene factors) would not result in a state of satisfaction; instead, it would result in a neutral state. Satisfaction (and motivation) would occur only as a result of the use of intrinsic motivational variables.

**CURRENT RETENTION PRACTICES AT THE MEDICAL LABORATORY COMPANY**

The retention strategy being used by the organisation under investigation consists mainly of non-financial rewards such as 70% medical aid contribution, subsidised lunch, uniforms, housing and educational loans and transport allowance to non managerial employees. For managerial employees, the organisation offer benefits such as 100% medical aid contribution, subsidised lunch, company car, transport and housing allowances, fuel, education and housing loans, company cell phones as well as holiday bonuses. Apart from this retention packages, the organisation has put in place a strategic recruitment plan by sponsoring students in tertiary institutions with the undertaking that beneficiaries of such sponsorship would be bonded to work for the organisation after completing their studies for the number of years such sponsorship lasted. For instance, a student who receives sponsorship for five years would be required to work for the organisation for at least five years before such employee could seek alternative job elsewhere. As part of the retention practices in the organisation, there is the practice of promotion within the organisation which fosters good succession plan and encourages employees to build a life-long career around the organisation. This will also foster commitment and loyalty amongst the employees.

**FINDINGS AND DISCUSSION**

The study found that labour turnover is very high amongst non managerial employees. This was manifested in the tenure analysis which put the average tenure of managerial employees at five years. Results of the interview conducted at the organisation attributed the high turnover rate amongst this category of employees mostly to poor remuneration, poor working conditions and job insecurity. Employees’ intention to remain and be committed to an organisation can be explained within the context of Abraham Maslow’s hierarchy of needs theory. According to Maslow as cited in Robbins (2005:60), people are motivated to satisfy five need levels and these include physiological, safety, social, esteem and self actualisation needs. At the bottom of the hierarchy are the physiological needs that represent basic issues of survival and include things like food, clothing and shelter. Others include safety and social needs. These needs can be satisfied through adequate salaries, job security and social affiliation. If these needs are not adequately satisfied, then the individual embark on the process of searching for alternative employment. The inability of the organisation under study to satisfy the lower level needs of its employees through provision of competitive remuneration, good working conditions and job security might have combined to account for the high rate of turnover amongst the organisation’s non managerial employees.

The use of money as a motivator has generated a lot of debate from researchers. For example, Kinnear and Sutherland (2001: 17) assert that managers should not be deceived that money no longer matters in retaining employees any longer. Kinnear and Sutherland (2001: 17) further reiterate the importance of money in attracting, motivating and retaining quality employees in the organisation and further concluded that skilled employees are achievement oriented and want their achievements rewarded with money. Locke (1980) cited in Tietjen and Myers (1998: 227) reviewed four methods of motivating employees toward improved performance.
as money, goal-setting, participation in decision making, and job redesign. Locke (1968) found that money was overwhelmingly the most important motivator. Robbins (1983) as cited in Meudell and Rodham (1998: 128) suggests that money can be considered to act as both a "scorecard" which enables employees to assess the value the organisation places on them in comparison to others, and as a medium of exchange in that an individual can purchase whatever he/she needs.

In a comparative analysis, organisational practitioners observe that in organisations experiencing turnover, compensation was the most common reason given for leaving. However, in organisations with low turnover, compensation was not the reason for staying – instead, most employees stayed because of intrinsic reasons such as job satisfaction and good relationships with their managers and other employees (www.reliable surveys.com). This suggests that the cause of dissatisfaction is not the same thing that determines satisfaction on the job. This assertion is consistent with both Herzberg’s and Maslow’s theories of motivation, which propose that compensation and other financial benefits satisfy only lower level needs, but motivation and satisfaction result from higher needs being met. Amar (2004: 96) argues that money has not remained as good a motivator as it was in the past. The efficiency of money as a motivator of skilled employees is quite low. Hays (1999: 48) advises that if managers reward performance with only money, they will be losing the substance of retention because there are other more powerful ways of motivating quality employees and these include freedom and flexibility in the organisation. It can be argued that the use of money as a motivator in the skilled labour environment would depend on how it is deployed. For employees to be effectively motivated, Karp, Sirias and Arnold (1999: 45) propose that the bulk of rewards that organisations offer their employees should be expanded to include non-financial incentives. These incentives should include issues such as work/life benefits, training and development opportunities, promotion and autonomy. Several authors have, however, expressed dissenting opinions to the argument of Kinnear and Sutherland (2001: 17). Money, in the opinion of Amar (2004: 96) has been the obvious and most important outcome from employment and, until a couple of decades back, was the only outcome that employers offered to their employees. That practice has changed. The efficiency of money as a motivator of talent is quite low. In contemporary organisations, Hay (1999: 46) contends that if managers reward performance with only money, in many ways, they lose the retention war, because there are other more powerful motivators of talent, such as freedom and flexibility in the organisation. Concurring with Hay (1999: 46), Dess et al. (2008: 127) state that money cannot be ignored, but it should not be the primary mechanism to attract and retain talent because employees who come for money will leave for money. The controversy surrounding the use of money as a strong retention factor will persist for a long time to come as most labour union agitations, for example in South Africa and other parts of Africa in recent times were motivated by pay rise.

In a non inflationary environment money may not motivate certain category of employees like those in managerial level. This may not however, be the case in a hyper inflationary environment like Zimbabwe where salary can be used as an effective retention tool. In such a situation, it is important that salaries be constantly and continually reviewed in order to match inflation trend. This can be achieved through periodic market surveys. Reward system in a hyper inflationary environment such as Zimbabwe could adopt a bi-monthly basic salary payment systems whereby a percentage of the organisation’s previous month’s salary is paid out in the middle of the month then the current month’s salary including the monthly increase and minus the advance made in the middle of the month is paid on the normal pay day (IPMZ, 2007). Furthermore, the IPMZ (2007) convention also outlined options of common benefits that organisations can use to reward their employees to include annual bonuses like the 13th cheque, Performance related bonuses, opportunity for further education, 100% medical aid contribution, education loan for dependants, housing allowance, subsidised meal per day and provision of essential commodities such as groceries.

William and Werther (1996) posit that employee turnover is accelerated when employees are dissatisfied with the reward system in an organisation. This is demonstrated in the model of the consequence of reward dissatisfaction by Lawler (1991) in William and Werther (1996) as presented in Figure 1. The outcome of reward dissatisfaction as shown in Figure 1 affects productivity and affects the quality of life. The desire for more rewards can have negative implications on an employee’s performance as it can lead to reduced performance which also has a negative bearing on the organisation production targets. Similarly, this desire for more rewards can lead to industrial disharmony in organisations with trade unions agitating for pay rise as presently witnessed in both the public and private sector organisations in South Africa. Reward dissatisfactory is also known to be a major predictor of employee turnover resulting in withdrawal behaviours such as absenteeism, lateness, withholding productivity and sabotage. Figure 1 further depicts a state of poor mental health and psychological withdrawal on the part of a dissatisfied employee which ultimately leads to turnover. This is a reflection of the general business environment in Zimbabwe where businesses cannot afford to pay competitive salaries to those obtained in neighbouring countries such as South Africa and Botswana which attracted most of the highly skilled Zimbabweans.

Job insecurity was also found to be a contributory factor to the high rate of turnover at the medical
laboratory company under survey. There was uncertainty surrounding job security as the organisation, like many others in the country, could not guarantee continuous employment of its employees due to prevailing uncertain economic conditions which places economic survival of business organisations on the balance. Empirical study by Samuel and Chipunza (2009) found a strong evidence of association between job security and employee retention. This is more so in under-developed and developing economies where job security presents an important factor in employment decision making of individuals. Employees place great importance on their jobs because it provides them with the source of income with which socio-economic stability and psychological well-being are achieved. However, regardless of the importance attached to job security, existing literature provides a contrary view. Some literature argues that job security at present has a different valence to different generations of employees. Supporting this assertion, Amar (2004: 97) posits that job security is not a retention antecedent for the new generation of skilled employees. Their expectations in the organisation do not include long-term employment. They see job security as a positive feedback of their labour market worth and therefore look for a daily proof that their work matters. In this way, skilled employees create for themselves a sense of security every day, meaning that, if they are doing a good job, they are secure, if not with their present employers, then with another one. Notwithstanding the position of these authors, job security will continue to be a crucial motivation and retention driver, particularly in under-developed and developing economies like Zimbabwe with high incidence of poverty.

Another major factor responsible for the high turnover rate at the medical laboratory company was opportunities for alternative employment outside the country. The global demand for skilled employees has greatly facilitated skill flight from Zimbabwe to other economies thereby leaving the Zimbabwean labour market grossly depleted with the attendant consequences on human resource practices in organisations. Lambert and Hogan (2009: 98) predicted external employment opportunities to have a direct positive effect on turnover intent. Concurring, Kiekbush et al. (2003); Trever (2001) state that employment opportunities are important because the ability to find a new job affects people's turnover intentions. Most employees are rational economic creatures who will not quit their jobs without feeling confident that they will be able to find a similar or better paying job (Lambert, 2001). Zimbabwe is reputed to have the highest number of emigrant skilled workers and professionals in South Africa. It is not only South Africa that receives Zimbabwean economic migrants, a sizeable number of these professionals are equally found in Botswana, Australia and Britain.

According to a study undertaken by the scientific and industrial research and development centre (SIRDC) and funded by the UN development programme (UNDP) as reported by integrated regional information network (IRIN, 2003), Zimbabwe is experiencing a debilitating flight of
The research also found that most of the employees had intention to quit the organisation. In general terms, 'intention to leave' is simply referred to as a worker's intention to leave his or her present organisation. This concept is considered interchangeable with the term 'turnover intention'; however, intention to leave is distinct from defining actual turnover (Yoshimura, 2003). Specifically, intention to leave refers to the subjective estimation of an individual regarding the probability of leaving an organisation in the near future (Mowday et al., 1982) cited in Cho; Johanson and Guchait (2009). Intention to leave, Moberly et al., (1978) also cited in Cho; Johanson and Guchait (2009) explain, is considered as a conscious and deliberate desire to leave an organisation within the near future and considered the last part of a sequence in the withdrawal cognition process. The organisation does not however, pay serious attention to this concept, but rather dealing with actual turnover; which is a manifestation of intention to leave. It is perhaps cost effective to deal with intention to quit than managing the cost of turnover.

Studying turnover intention, rather than actual turnover, according to Lambert and Hogan (2009) is important in several ways. For example, turnover intent is often used as the final outcome variable in studies because it is easier to measure and tends to be more accurate. Also, Firth, Mellor, Moore and Loquet (2004) contend that it is difficult to gain access to people who have already left to determine why they really quit, thus making the study of intention to quit more appropriate than actual turnover. Similarly, administrative records are sometimes closed to outside researchers or may be incomplete or inaccurate (Mitchell et al., 2000). In addition, those employees who are thinking of quitting may still be swayed by changes in the work environment. It is too late to change the work environment for those who have already left employment. Advancing the justification for studying intention to quit rather than actual turnover further, Dalessio, Silverman and Schuck (1986) as reported in Lambert and Hogan (2009:98) submit: “More attention should be given to the direct and indirect influences of variables on intention to quit as opposed to the actual act of turnover. From the employer’s stand point, intention to quit may be a more important variable than the actual act of turnover. If the precursors to intention to quit are better understood, the employer could possibly initiate changes to affect this intention. However, once an employee has quit, there is little the employer can do except assume the expense of hiring and training another employee”. Dalessio, Silverman and Schuck’s submission is consistent with existing literature (Van Breukelen, Van Der Vlist and Steensma, 2004; Vandenberg, 1999) who found intention to quit being the best predictor of voluntary turnover among employees. It is therefore imperative for the medical laboratory company to initiate strategies that will not only stem the rate of turnover, but most importantly, devise a mechanism for understanding the concept of intention to leave which precedes actual turnover.

**IMPLICATIONS AND CONCLUSIONS**

Given the cost implications and destructive tendencies of turnover to organisations, it is important that more research be carried out in the area of intention to quit. When managers perfectly understand why employees want to leave, it is then that a workable retention strategy can be devised to arrest such intention. Stated differently, in order to respond to the problem of turnover, it is necessary to understand its causal process. There is also the need for organisations to properly align retention practices with the needs and values of employees. For example, while the management of the organisation studied crafted its retention strategy around non-monetary values, employees preferred pay rise that will commensurate with inflationary trend in the country. Money may not necessarily be a good retention variable (as variously argued), however, the unstable economic environment in Zimbabwe, and the research outcome of the survey suggest that money may significantly influence retention and may therefore explain why the retention practices at the medical laboratory company is
ineffective. The costs of high turnover can be considerable thus making it imperative for the organisation to appropriately redirect its retention intervention strategy in consonance with the valence of employees. Only then can the organisation retain a sizeable number of its high performing employees in the face of unabated economic woes in Zimbabwe. It would be too late and indeed counterproductive for managers trying to respond after employees have left. That will amount to a ‘fire brigade’ approach to managing a destructive organisational phenomenon such as turnover. Finally, it is envisaged that this study will lead to increased awareness of retention process among managers and the need for further research in the subject area.

REFERENCES


