



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**THE ROLE OF EMPLOYEE RETENTION MECHANISMS  
ON ORGANIZATIONAL PERFORMANCE: THE CASE OF  
COMMERCIAL BANK OF ETHIOPIA, NORTH ADDIS  
ABABA DISTRICT**

**BY  
SELAMAWIT MULUGETA**

**MAY, 2018  
ADDIS ABABA, ETHIOPIA**

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## DECLARATION

I the undersigned declare that this thesis is my original work conducted under the supervision of Goitom Abrham (Asst. Prof) and has never been submitted for an award of a degree in any other university or college.

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Name

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**St. Mary's University, Addis Ababa**

**May, 2018**

## ENDORSEMENT

This research project has been submitted for examination with my approval as the University adviser.

Goitom Abrham (Asst.Prof)

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**May, 2018**

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## **List of Abbreviations/Acronyms**

CBE	Commercial Bank of Ethiopia
HRM	Human Resource Management
HRMD	Human Resource Management Development
NAAD	North Addis Ababa District
PBC	Performance-Based Compensation

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## **Abstract**

*The purpose of this study was to assess employee retention and organizational performance in Commercial Bank of Ethiopia north Addis Ababa district. Also assessing employee retention strategies being implementing in CBE north Addis district, exploring contribution of employee retention for organizational performance, assessing employees' satisfaction with the retention strategies in place, exploring factors that affect the employee retention strategy, identifying solutions to further improve the retention strategy. A descriptive survey design was used and a purposive sample of two respondent groups was involved. Interview questions conducted for officials and experts of human resource management of Commercial Bank of Ethiopia and questionnaires were filled by employees of CBE. The purpose of the interviewing of the first respondent group was to discover what retention strategies are being practiced at commercial Bank of Ethiopia north Addis district and its contribution to achieve organizational goals and other related issues as they are responsible for designing and implementing the retention strategies. Questionnaire filled by employees of Commercial Bank of Ethiopia north Addis district to learn how the retention strategies are designed and implemented, its role in achieving organizational goals and employees satisfaction with the retention strategy. The result shows that there is a well-designed employee retention strategy in Commercial Bank of Ethiopia which made CBE north Addis district successful in meeting its objectives. More than seventy percent of the participants were satisfied with the overall employee retention strategy of their organization. However, both employees and officials of CBE north Addis still believe that there are some retention factors that affect employees on which CBE as a whole has to work. Both respondent groups believed that there is a direct relationship between employee retention and organizational performance and having effective employee retention strategies is vital for the success of the organization. It's recommended that the bank should give concern about the retention strategy and should make amendments if necessary.*

*Key words: organizational performance, employee retention*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

To a great extent customer satisfaction and organizational performance in terms of increased productivity, satisfied colleagues and reporting staff, effective succession planning etc., are dependent upon the ability to retain the best employees in any organization. Encouraging employees to remain in the organization for a long period of time can be termed as employee retention. It is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project (Maertz & Campion, 1998).

Butler (2001) defines retention as an obligation to continue to do business or exchange with a particular organization on an ongoing basis. Retention is “customer liking, identification, commitment, trust, readiness to recommend, and repurchase intentions, with the first four being emotional-cognitive retention constructs, and the last two being behavioral intentions. According to Fitzenz (1990), retention is driven by several key factors, which ought to be managed congruently: organizational culture, strategy, pay and benefits philosophy and career development systems. Day (2000) argued that if companies cannot retain their employees, the economic results could be devastating for an organization. A substantial amount of value could potentially end up employed by a competitor, or become the competition.

Human resource is a crucial aspect of Human Resource Management. Especially key or talent employees are destiny of the organization. The retention of those employees is one of the significant issues of contemporary context. Employee retention is the ability of the management to retain its employees for a longer period of time. It needs favorable policies and practices, which let the key employees stick to an organization. Organizations invest a lot of resources for employees to make them able or corporate ready. High employee turnover ratio or flyaway of talent employee is the greater loss of

the organization. It can be a problem because of increased recruiting, selection, and training costs and work disruptions (Robinson et al., 1996).

It is becoming more essential to secure and manage competent human resource as the most valuable resource of any organization, because of the need for effective and efficient delivery of goods and services by organizations, whether in public or private sector. Therefore, for an organization to realize its goals, appropriate strategies for employee recruitment and retention are prerequisites for enhanced performance. The employee's satisfaction and retention are critical to the conduct of business in the competitive market place and business environment today, and the banks enjoy no exception to it. The commercial banks have embarked on different management strategies as resorts to promote employees job satisfaction and thus employee retention (Olowu and Adamolekun, 2005).

Nowadays there are many more opportunities for talented skilled persons. There are many organizations which are looking for such employees to increase their performance. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. Therefore in today's environment it becomes very important for organizations to retain their employees. The reason may be personal or professional (Fombrun & Shanley, 1990).

Therefore, to achieve quality retention programs, organizations ought to determine the retention factors relevant to their employees and then focus strategies on these factors. For each employee group, information can be gathered from current and former employees on their perceptions of why people stay or leave. Exit interviews and follow-up surveys with former employees are being adapted to yield more accurate, useful information. Interviews, focus groups and surveys among current employees provide perceptions of the relevant factors and their importance. Finally, it is advocated that there may be a distinctive edge in simply doing all of the key things well. By providing a reasonably high level of attention to the factors important to employees, a strong organizational culture is built and maintained.

The Commercial Bank of Ethiopia (CBE) is the largest [commercial bank](#) in [Ethiopia](#). According to human resource management officials, it carries on its business more than 1233 branches spread throughout Ethiopia and still expanding. Currently all branches have been connected through T-24 Core Banking solution system. CBE has subsidiary office in South Sudan; it has been in the business since June 2009. The branches of all Commercial Bank of Ethiopia execute their functions under the supervision of 15 district offices. Addis Ababa divided into four districts (North, South, East and West). CBE had about 495.4 billion [Birr](#) in assets and held approximately 63.5% of deposits and about 38% of all bank loans in the country as of June 2017/18 first quarter report. The bank has above 33,000 employees, who staff its headquarters and it's over 1233 [branches](#) positioned in the main cities and regional towns. It is also the source of finance to major mega projects undertaking in different parts of the county and loan provider to domestic and foreign investors particularly who want to invest in government priority areas (manufacturing, export and agro-processing).

The bank provides all the banking service ranging from local to foreign banking. Local banking services are deposit, credit facilities and local transfer while 'Forex' (foreign exchange), trade service, Money transfer and correspondent banking are among foreign banking service of the bank. It is also prior in introducing youth account, women's account, interest free banking, internet and mobile banking services. CBE north Addis Ababa district found in the northern side of Addis Ababa with 105 branches with great contribution to the total performance of the bank. 2014/15 and 2015/16 the district awarded for great achievements 2017/18 north Addis is the leader.

In the process of carrying out this study, the researcher will try to answer the basic questions of the research. The relationship between employee retention and organizational performance, strategies being practiced to retain employees at CBE, the level of employees' satisfaction with the benefit package of the organization and factors affecting employee retention will be discussed.

## **1.2. Statement of the Problem**

In the global business environment, employee commitment, productivity and retention issues are emerging as the most critical workforce management challenges of the immediate future. A recent research on determinants of organization performance reported that High performance organizations are focused on maximizing the potential of their workforce and utilizing this for mutual benefit and competitive advantage responsibility and control (Ai, 2012). This is because HR resource determines whether the organization will succeed or fail. Surprise employee departures will therefore affect the organizations performance in term of productivity, profitability and growth. Therefore for organizations must develop proper retention practices in managing human resource to ensure they retain them for longer period to avoid the associated costs.

Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. Organizations tend to suffer in terms of retaining talented staff due to high employee turnover rates. In order to minimize this problem, employee retention practices should be developed and implemented in organizations. Therefore, organizations have to first find out the reasons as to why employees are exiting the company and then finding appropriate retention practices to adopt and retain the staff. The organization performance level drops as a key employee is not there to offer their expertise and experience in problems or decisions, (Arnold and Feldman, 1982)..

Many organizations formulate and implement different employee retention strategies in addition to financial benefits to make their employees satisfied and stick with the organization for a long period of time. There are also organizations who think that employees can be stick to the organization if they are satisfied with financial benefit only.

Many organizations formulate and implement different employee retention strategies and policies to make their employees satisfied and stick with the organization for a long period of time but there are other benefits that need to be considered.



With great achievement in CBE there is somehow a question of increasing salary and benefit if the problem remains unsolved the company will lose professional employees that are trained well. In the long run the company incurs the cost of training the new entrants since the company is trying to be a world class it could have big effect. Therefore, this study is proposed to see the reality (employee retention practice in commercial bank of Ethiopia (CBE) north Addis Ababa district from the point of view of its employees and officials of human resource management and what role retention plays in the performance of the organization.

### **1.3. Basic Research Questions**

The following are the basic research questions that the study tried to address

- What employee retention mechanisms are currently in place at CBE north Addis Ababa branch?
- To what extent are employees satisfied with the retention mechanisms in place?
- What relationship between employee retention practice and organizational performance?

### **1.4. Objective of the Study**

The general objective of the study is assess employee retention mechanisms and their contribution on performance

Specific objective of the study is

- Determine the employee retention mechanisms currently in place at the organization
- Investigate how satisfied employees are with retention mechanisms in place and
- To see if relationship exist between employee retention practice and performance of the organization

## **1.5. Definition of Terms**

**Employee Retention:**-refers to the ability of an organization to retain its employees.

**Bank:** - a financial institution licensed as receiver of deposit

**Organizational Performance:**-refers to the actual output or result of an organization as measured against its intended output.

## **1.6. Significance of the Study**

This study result would be useful to policy makers and provide basic information to human resource management department of the Commercial Bank of Ethiopia. It would also help other researchers who might have interest in conducting detailed study on the issue. The researcher believes that the study would help to identify benefits and limitations of employee retention, to provide possible recommendations and provide an overall view of employee retention and organizational performance for those who take interest in further study.

## **1.7. Delimitations of the Study**

Within the valid scope of the research, following are the delimitations of this research the study is restricted to Commercial Bank of Ethiopia as the results of time bound and also private sector may vary. Moreover study is delimited to North Addis Ababa branches geographically. Methodologically the study is delimited to descriptive analysis and the measurement used include questionnaire interview and document analysis.

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

The study will contain five chapters. The first chapter is an introductory part which focuses on background of the study, significance, objectives, research questions, delimitations and organization of the paper. Chapter two deals with different literatures on the area of the study both theoretical and empirical, Chapter three talks about research methodology. Chapter four deals with data presentation, analysis and interpretation including the indicators of employee retention and the fifth chapter contains summary, conclusion and recommendation of the study

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1. Theoretical Literature Review**

#### **2.1.1. The Concept of Employee Retention**

Employee Retention refers to the ability of the organization to retain its employees and it's emerging as a big challenge to organizations. Organization culture, pay and remuneration, flexibility and job satisfaction highly influence the retention rate for any company (Zineldin, 2000).

Employee retention is beneficial for both the organization and employee. It refers to the various policies and practices which let the employees stick to an organization for a longer period of time. For retaining the most important asset, best human resource management practices need to be used.

Nazia and Begum (2013), defines employee retention as a business effort to retain its current staff. Retention is a complex concept and there's no single formula for keeping employees with an organization. Retention has been viewed as “an obligation to continue to do business or exchange with a particular company on an ongoing basis” (Zineldin, 2000).

#### **2.1.2. Reasons for Retention**

Potential Reasons for an Employee to Leave Job Key employee retention is critical to the long term health and success of company. Retaining our best employee ensures product sales, customer satisfaction, contented coworkers and reporting authority, effective progression planning and deeply embedded organizational knowledge and learning: Following are some potential reason for an employee to leave: Salary, Lack of challenge

or growth, lack of reorganization, Loss of religion in manager / supervisor for providing opportunity of self-growth, Lack of trust in senior management (Logan, 2000).

In the view of Acton et al., (2003), the Human Resource Department plays an active role in retaining its employees. It makes policies for employee betterment such that employee would be satisfied with the organization and stay with the firm for longer time and work for the success of the organization. This shows that it is not just retention of employees but also retention of valued skills.

### **2.1.3. Factors Affecting Employee Retention**

There are several factors that influence employees' decision to leave or stay with an organization. The decision to stay or leave an organization involves evaluating cost and benefits. If the present value of the returns associated with turnover exceeds both monetary and psychological costs of leaving, workers will be motivated to change jobs. If the discounted stream of benefits is not as large as costs, workers will resist changing jobs (Ehrenberg and Smith, 1994). The explicit and implicit benefits associated with staying/retaining a job will be reduced if a worker is unhappy in the current job, if the immediate cost of leaving is low, if the utility from the new job is great, or if the new job offers a comparable compensation package.

#### **2.1.3.1. Compensation**

The literature considered that compensation is one of the largest factors for the retention of employees. Compensation plays significant role in attracting and retaining good employees specially those employees whose gives outstanding performance or unique skill which is indispensable to the organization because company invest more amounts on their training and orientation (Lawler, 1990).

Some researchers argue that on the company side competitive compensation package is the only strong commitment and also build strong commitment on the workers side. However, the contribution of compensation towards retention, help in retention of employee respective of their skill and contribution to the company and it likely affect both turnovers desirable and undesirable. The total amount of compensation offered by

other companies also affects the turnover. Organization offered high compensation package is compared to others a large numbers of candidates applying for induction and have lower turnover rate.

Moreover high compensation package organizations also create culture of excellence (Lawler 1990). Milkovich and Newman (2004) have clearly stated that among all types of retention mechanism, monetary pay is considered one of the most important and significant factor in retention.

While there is general agreement about the importance of competitive compensation for employee retention, there is also a growing consensus that competitive or even generous compensation will not alone guarantee that a company will be able to keep its most valuable employees. The key issue in retention is the amount of total compensation relative to levels offered by other organizations. Organizations that have high levels of compensation have Lower turnover rates and larger numbers of individuals applying to work for them.

Whatever their circumstances, companies that successfully incorporate compensation and benefits into their retention efforts have a clear understanding of their business objectives and use compensation as a tool for influencing organizational and employee behavior, for example; pay systems and practices can have a major impact on employee retention by motivating membership-oriented behavior (commitment). Pay systems may also affect knowledge sharing and transfer if sharing, teamwork, suggestions, etc. are rewarded or recognized (Collins, 2007).

However, it is worth remembering that building “affective commitment” involves much more than paying well, and that retention based on the principle of compensation-based commitment is of course sensitive to changes in compensation within the company. Employers that base their retention on compensation-based commitment will always be vulnerable to the possibility that their competitors will be able to offer better wages and thus lure away their employees (Muchinsky, 1977).

Similarly, Staw (1980:253) argues that “money gets employees in the door, but it doesn’t keep them there.” Aquino, et al., (1997), classify money as a “satisfier,” meaning that it is a necessary but insufficient factor in employee retention. In such circumstances a wide number of factors are seen for successful retention of employees. The existence of other retention factors cannot be ignored. While Collins (2007) agrees that money is not the primary motivator for employees. In fact, many companies have done a very good job of retaining their employees without any pay-based retention incentives (Collins, (2007).

### **2.1.3.2. Employee Empowerment**

According to Hummayoun and Muhammad (2010) employee empowerment can create a sense of belongingness and ownership towards the current organization. They tend to be more confident and perform well. Indirectly, it will increase service quality and customer satisfaction. In this competitive market, retaining a competent and capable workforce is important in any organization. A high turnover rate in an organization may affect the reputation and image of the organization. Employee replacement is problematic and costly because the organization has to train a new employee if an experienced employee resigned.

Some studies have identified that lack of job dissatisfaction, low levels of empowerment and low levels of support of superiors may lead to turnover (Salman, Iqbal and Chandran, 2010). Human resources policies must focus at giving more self-governance to the employee to avoid turnover and job burnout. Huselid & Becker (2000) found that HR policies play a strategic role in employee retention through stimulating skilled labor. The goal-setting process that involves employee can enhance employee empowerment as the employee considers himself more empowered knowing his or her job.

Empowered employees tend to be more confident and try to give their best to their employer because they are given more authority in the decision-making process (Hummayoun and Muhammad, 2010). Employee empowerment can create a feeling of obligation among employees to stay in the organization. Hence, the employees tend to

remain in the organization even when facing pressure from others who intend to leave the organization because they feel that they are a part of the organization (Choong, Wong and Lau, 2011).

In essence, the intention to remain or leave the organization among the employees is based on the job satisfaction of employees. The individual with a higher job satisfaction tends to be more committed to the organization. They will be more likely to remain in the organization.

### **2.1.3.3. Employee Training**

According to Latham (1988), training is defined as the systematic acquisition and development of the knowledge, skills and attitudes required by employees to adequately perform an assigned job or task to boost performance in the job environment. If the training is relevant and if it is efficiently and effectively designed and delivered, it should impart new knowledge and skills as well as meet the employees' and organizational needs. When the results of training is reflected by improvements in relevant knowledge and the acquisition of relevant skills, employee job performance should also improve provided that the skills learned in training transfer to the job (Salas, 1999).

Improvement in performance such as productivity, quality and services are the training outcomes provided that the job is strategically aligned to the organization's needs. For an individual employee, if their desired needs are fulfilled through the training programs provided, there is no doubt that the desired outcome by the organization, retention on employees, will be reached. Huselid (1995) suggested that perceptions of HR practices such as providing training and job security by the company are important determinants of employee retention.

Moreover, some studies also state that HR practices such as benefits and training are positively related to retention because the practices motivate employees and "lock" them to their jobs which is so called employee retention. According to Landsman (2004), he suggested that training is a valuable activity for enhancing skills and improving staff

performance and that training can address some of the factors contributing to staff retention, such as perceived support from the supervisor, the agency and community. Training can define roles more clearly to employees thereby minimizing job stress. Organizations with sufficient training opportunities should thus have a higher retention rate. Training alone, however, cannot address all of the factors contributing to staff retention such as excessive caseloads and promotional opportunities within the organization. It is therefore reasonable to say that training can play a role in improving retention but it may not be sufficient to improve retention if other systematic barriers are not addressed.

#### **2.1.3.4. Performance Appraisal**

Performance appraisal is a process of inspecting and evaluating an individual's performance in his or her duty to facilitate the decision of career development of the individual. It evaluates the individual's overall contribution to the organization through assessment of his or her internal characteristics, working performance and his or her capability to pursue higher positions in organization (Gruman & Saks, 2011).

In order to enhance organizations' ability to survive through turbulent environment, most top corporations take great care in managing the performance measures of their employees. It is common understanding that top talents are keys to business success today, but how a company manages its talents or human resources would be fundamental to the success where the effective structure of performance measurement would ensure that a company fully utilizes its competitive resources to a maximum.

Performance appraisal plays the role as a medium of communication between management and employee. An effective appraisal would result in enhanced employee development from feedback as well as better employee satisfaction comprehension by company.

However, if appraisal is simply applied as a tool of measurement and monitoring, problems would arise where tension would overwhelm both the evaluator and respondent.



Webster, Beehr and Love (2011) studied how work stressors cause role ambiguity and conflict and subsequently increased job dissatisfaction and turnover. Appraisal can be stressful to both evaluator and respondent if both parties do not take its importance seriously or a confusing message is produced from the appraisal.

Similar to a negotiation, stress can affect an employee's job performance where he or she might be too concerned with the effect of the appraisal to career development or compensation (O'Connor, Arnold & Maurizio, 2010).

### **2.1.3.5. Reward and Recognition**

Agarwal (1998) gave an explanation to the term reward as something that the organization offers to the employees in response of the work as well as performance and something which is desired by the employees. According to Walker (2001), recognition from bosses, team members, coworkers and customer enhance loyalty and encourage employees to work to the achievement of organizational goals. Akanbi (2005) highlighted that a reward is required to be given to an employee when the job is completed.

It is important to enhance employee performance through motivation and high productivity and efficiency will be improved. Staw, (1980) argues that reward systems ought to be a significant sphere of innovation for employers. The increasing diversity of the workforce, suggests the need for more creative approaches to tailoring the right rewards to the right people. It would, however, be impossible to list all of the various types of recognition and rewards that companies actually give their workers.

To function properly, rewards must be well justified, everyone must have a fair chance at getting one, and that reward must be something that the recipient employee values.

Everyone who keeps the company productive deserves a fair share of awards, interesting new assignments, honors or other motivational treats that the company hand out. Morale will plummet if employees see the employer as arbitrary, unfair or playing favorites

(Staw, 1980). Providing skill recognition of personal job accomplishments is an effective retention strategy for employees at any age.

Studies indicate fulfilling peoples need for acceptance by acknowledging individual work accomplishments prolongs employment of employees (Redington, 2007). A Study by Yazinski (2009) show trends of an increased number of job applicants seeking out companies that encourage and acknowledge employee input, growth, education, and teamwork, beyond the traditional compensation/benefit packages offered by employers. Organizational benefits of personal or skill recognition are priceless and enhance individual and organizational performance, yet statistics supports that the impact of verbal praise has the ability to enhance company loyalty, motivation, and perseverance at no extra charge.

Individual skill recognition is restricted by age, and motivates positive behavior, ethics, teamwork, confidence, and growth in all employees (Redington, 2007). Thus, both skill recognition and learning opportunities enhance individual performance, effectiveness, and retention (Agrela et al., 2008). Rewards can be financial or non – financial, intrinsic or extrinsic. It can be recognition such as naming a worker or employee of the year, and on the other hand a reward refers to a tangible incentive or a thing that an organization gives to the worker or employee in response of their contribution or performance so that they become motivated for future positive behavior and stay for maximum period of time with the organization. Attractive remuneration packages are one of the very important factors of retention because it fulfills the financial and material desires as well as provides the means of being social by employees' status and position of power in the organization. Many researchers demonstrate that there is a great deal of inter-individual difference in understanding the significance of financial rewards for employee retention (Pfeffer, 1998).

Watson (1999) highlighted the linkage between rewards and employee retention and give insights into what workers want to do, their words about the rewards and their feeling regarding the work and reward matters. The recent research studies on talent management

also support assumption that well and broad implemented reward practices help in talent retention and management.

#### **2.1.3.6. Work Environment**

Employees expect a work environment, where they can utilize their abilities and satisfy their basic needs. Workspace designs have a profound impact on workers and tend to live with job as long as satisfied. Work environment is one of the factors that affect employee's decision to stay with the organization (Brill. et al, 2001). An employee loves to work at a place, where he is given a proper environment to work. Many companies are providing flexible schedules and work arrangements and are experimenting with other ways to help individuals manage their work and personal life issues (Perry-Smith and Blum, 2000).

Organizations which have generous human resource policies, have a very good chance to satisfy and retain employees by providing them an appropriate level of privacy and sound control on work environment which enhances the motivation levels to commit with the organization for the long term. Employees expect a work environment, where they can utilize their abilities and satisfy their basic needs. Work environment is one of the factors that affect employee's decision to stay with the organization (Wells &Thelen, 2002).

There is also a growing body of evidence that workplace safety, health and wellness initiatives can make a fundamental contribution to business performance as well as the improved health and well-being of individual employees. An examination of the Human Resource literature tended to support this argument although most authors did not delve in to this area in any considerable amount of detail. Healthy workplace practices take on a variety of forms, including those directed at the physical work environment (safety, ergonomics,etc.); health practices (supporting healthy lifestyles, fitness, diet, etc.); and social environment and personal resources (organizational culture, a sense of control over one's work, work-family balance, etc.) (Low, 2003).

According to Ramlall, (2003), people are strive to work and to stay in those corporation that provide good and positive work environment, where employee feel that they are valued and making difference. Proficient employees of such organizations are dragging together to push the organization forward. Research conducted that physical & work environment play pivotal role in employee's decision whether to leave the job or stay and consider as a major factor in employee retention.

Workplace health and wellness initiatives are seen to reduce health and safety costs, facilitate good labour management relations, and improve profitability and customer satisfaction. They are also viewed as key factors affecting employee retention Edward, G.(2011).Thus, to the extent that emotional and mental wellness is important to good retention and other indicators of business performance, companies might be well-advised to turn their attention to factors in the workplace that cause stress in the workplace.

#### **2.1.3.7. Superior Support**

The leadership style consider affective factor in employee retention. The relationship between supervisor and worker play pivotal role in employee turnover intention. The organization "human face" is supervisors. Leaders are the human face of the firm. Eisenberger et al. (1990) suggested that employees view regarding organization is strongly concerned to their relationship with supervisor.

If supervisor support, open communication and have good relationship with employees, the employees turnover intention are likely less and more engaged with organization (Greenhaus, 1994).

Leaders interact as a bond to perform application between expectations and stated goals. By harmonizing the rivaling demands supervisor support and manage the inside / outside work environment. If the relationship among workers and supervisor is exceeding / strong the worker will never seek to any other new employment opportunity but stay in the organization and vice versa. Employees leave the leaders not jobs so leader support is also essential in this regard. (Ontario, 2004)

By having support, employees are less likely to leave an organization and be more engaged by having good relationship and open communication with the supervisor (Greenhaus,1987). According to Eisenberger et al. (1990), an employee's view of the organization is strongly influenced by their relationship with their supervisor. If the supervisor focuses towards the employee's progress, other than the formal evaluation process; this improves the employees' retention and commitment towards the organization.

Employees who are valued and they feel esteemed will take active part in the organization goals, show productive behavior, workplace and increased job involvements, which decrease absenteeism and turnover intention rates. The effective leadership style can be revealed by formal and informal acknowledgment. In organization employees responds to admire, support and encouragement, no matter the environment is profession or personal (Silbert,2005). To ensure accurate performance appraisal management leader must discusses the progress with employees outside the time of formal evaluation process. They assist workers to find the right place in the firm, not only move in the hierarchy next position (Freyermuth, 2007).

According to (Silbert 2005), well skilled and talented workers may easily find good job, position and workplace elsewhere however the effective way for retention these talented employees is to enhance friendly and close working environment and to promote leader support.

#### **2.1.4. The Relationship between Employee Retention and Organizational Performance**

When a business loses employees, it loses skills, experience and "corporate memory". The magnitude and nature of these losses is a critical management issue affecting productivity, profitability, and product and service quality. For employees, high turnover can negatively affect employment relationships, morale and workplace safety (Bratton & Gold, 2003).

Employee retention is vital in all organizations and therefore having in place employee retention strategies increases the chances of long term employees. By having employee retention strategies put in place in the companies policies and practices will enhance the company's profitability as the productivity level will increase due to having satisfied employees who are happy to work in such an organization. An increment in employee retention brings about a reduction in recruitment thus saving the organization time and costs in recruitment and training (Philips and Edwards, 2008).

According to Galbreath, (2010), the ability of a firm to be able to retain their employees is a signal of success and shows that the organization is not only a Valued place of work but also that there is positive consequences for the firm's performance and productivity.

The world is an integrated marketplace where comparative advantage lies on the skills, education and technical competence of a company's workforce. Therefore, highly skilled and educated labor force increases labor productivity and creates an access to global opportunities thus attracting foreign capital. Organizations that have been successful in retaining staff ends up saving costs of training new recruits thus ending up with employees who have greater skills and knowledge of the organization's products/service and internal processes as they have been working there for a long period as a result enabling the company to be more productive and attract foreign capital and competition (Scullion & Collings, 2011).

Retention of key employees is important in that it fosters customer satisfaction, increases sales, promotes working relationships, improves employee-manager relationships and enables valuable succession planning. In such a system, organizational knowledge and learning is successfully preserved and advanced. Failing to retain key employees is costly for any business. Gordon & Meredith, (2001) further emphasize that a company needs to invest in employee retention in order to be successful. In addition, creation and preservation of knowledge has become a key tool in accelerating competitiveness and enhancing organizational capabilities to respond to market changes.

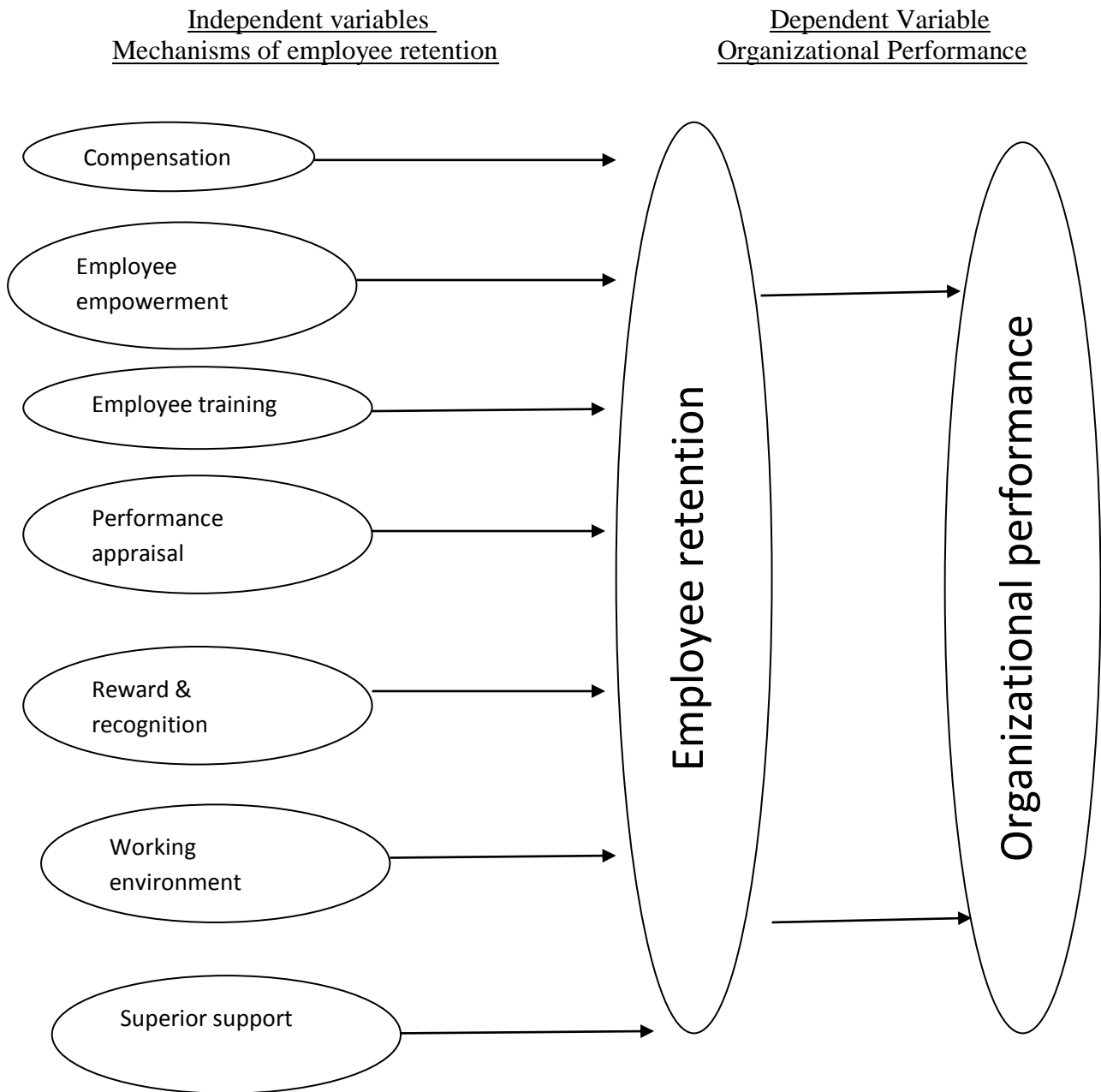
Engaging talented people in an organization facilitates achievement of the vision of their organizations that meet the organizational objectives who are innovative and can ensure global competitiveness. Retaining these experts should be marked by motivating them, and allowing them to apply their knowledge. Utilizing them has become critical for firms as they seek to adapt to the volatile commercial atmosphere (Mutsuddi & Mutsuddi, 2007).

Coetzee, (2004) explains that managers should then realize that recruiting and developing talented staff is of paramount importance to the success of their business objectives. Consequently, it is important for managers to seek out employees with competencies and abilities that will contribute significantly to their teams. A collection of these gifted workers will build teams that can achieve great results since it is a well appreciated fact that talent is what ultimately drives business success and creates value.

The resource-based theory, (Barney, 1991), stresses the importance of the intangible resources and capabilities of the firm in the context of the competitive environment. In this way, the firms that devote their internal forces to exploit the opportunities of the environment and to neutralize threats while avoiding weak points are most likely to improve its performance than those that do not do the same and they are able to build a good reputation.

## 2.2. Conceptual Framework

The following figure illustrates the conceptual frame work of the study.



**Figure 1: Analytical Model of Employee Retention and Organizational Performance**



This model shows that if an organization has attractive employee retention strategy, employees would be satisfied and retained and the organization in turn can be benefited and successful. If employees are satisfied with the mechanisms of the retention, they stay for a maximum period of time with the organization and they will be motivated to work for the success of the organization. The relationship between the independent and dependent variables is that the performance of the organization is dependent on the retention of employees. This indicates that if an organization formulates proper policies and strategies (independent variables) to retain its employees that can bring job satisfaction, employees are more likely to stay with the organization and they fully exert their effort to accomplish organizational goals.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

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

The research employed descriptive research design and used both quantitative and qualitative approach of research. The quantitative method addresses or tries to look deep into the employee retention mechanisms of the bank, employees' satisfaction with the retention mechanisms and other related issues. On the other hand the qualitative research design focused on the employees' attitude and opinion towards retention strategy of Commercial Bank of Ethiopia.

The data collected through the distribution of questioner were analyzed qualitatively using descriptive statics and those obtained by conducting interview and analyzing available documents analyzed qualitatively.

#### **3.2. Population and Sampling Technique**

The study population is the employees of Commercial Bank of Ethiopia working in selected branches of north Addis Ababa. In the process of carrying out this research simple random sampling will be used and questionnaires will be distributed to 120 randomly selected employees from eight selected branches of Commercial Bank of Ethiopia located in north Addis Ababa.

#### **3.3. Source of Data and Tools Used**

In the process of carrying out this study both primary and secondary data sources were used. The primary data were collected through questionnaires to randomly selected employees from Commercial Bank of Ethiopia in eight selected branches located in north Addis Ababa district. Interview questions will be developed for the concerned Human Resource Management department managers and officials. The questionnaire included questions mainly related to the employee retention strategy, employees' satisfaction with

the retention practices and its contribution on organizational performance, background of the respondents, and related issues. Besides, efforts were made to collect secondary data sources. In this respect the researcher will use books, annual reports of Commercial Bank of Ethiopia and different relevant documents.

Questioner was chosen for data collection because it reaches a wide range of respondents and it gives freedom to the respondents also helps to include important points to be investigated. The other tools were used to collect data which are not possible to be collected through interview.

### **3.4 Procedure of Data Collection**

This study collected primary data using interview and questionnaire. The questionnaire included open and closed ended questions for ease of administration. To enhance quality of data, Likert type questions were provided whereby respondents were required to indicate the extent to which the statements representing variables applied to their organizations.

The questions were used in an effort to facilitate easier analysis. The questionnaire was administered in person to assist the respondents if any misunderstanding. For the HRM the structured interview conducted.

### **3.5. Data Analysis Method**

It is vital to assess the role of employee retention on organizational performance through the descriptive analysis by using a likert scale type questionnaire, frequency distributions, percentage and measures of central tendency (mean). The method of analysis used both qualitative & quantitative in order to have a clear picture and to attain the stated objectives

The aim of this study is to examine the role of employee retention on organizational performance. The study also will discuss the level of employee's satisfaction with the retention strategies. In order to achieve the purpose the researcher will use questionnaire

to be filled by employees and interview questions will be developed to concerned officials and managers of human resource management of Commercial Bank of Ethiopia.

### **3.6. Assurance of Reliability and Validity of Measures**

The reliability and validity of the are measured before getting in to action

#### **3.6.1. Reliability**

In order to make the data collected reliable the researcher conduct test-retest on the data instruments to ensure that the items in the instruments are stated clearly and have the same meaning to all respondents means the questioners distributed twice for a group of employees and came up with the same response. The questionnaire was pre-tested on ten staff members. The purpose of pre-testing is that the researcher is able to assess the ease of use of the instrument.

#### **3.6.2. Validity**

The researcher uses construct validity that the experts in the area about the validity of the data collection instrument and get a feedback and discuss it with adviser.

### **3.7. Ethical Consideration**

This study has fully considered the ethical matters of the organization. The study has observed the non-negotiable value of honesty and fairness. Respect for persons was maintained properly. Employees were informed about the research and there response is confidential and the research is for academic purpose.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This chapter presents the analysis, interpretation and discussion of the findings. Before processing the data, the completed questionnaire was sorted, checked and edited for completeness and consistency. The data then coded to enable the responses to be grouped into various categories using SPSS 20.1. Descriptive statistics was used to analyze the quantitative data. The data were analyzed and the output interpreted in terms of frequencies, percentages and likert scale mean values to show the degree of agreement/disagreement respondents represented their opinion to each questionnaire items and the finding is presented using tables..

#### 4.1. Response Rate

Response rate of respondents is a rate which shows how much questionnaire is given back after getting filled by respondents from the total sample. This study has total population of 260. From this total population, 140 samples were taken and fill the questionnaire but only 120 respondents were given back the questionnaire.

**Table 4.1 Response Rate**

<b>No of population</b>	<b>No of sample size</b>	<b>No of respondents who gave back the questionnaire</b>	<b>Response rate</b>
260	140	120	85%

#### 4.2 Respondents Demographic Characteristics

This part sought data on the respondent's gender balance, age, years of service, academic qualifications, job title they are based. This was meant to establish the suitability of the respondents to the study as these characteristics can influence the perception of the respondents on perceived relationship between employee retention practices and organizational performance at CBE.

Of the 120 participants who were contacted by a questionnaire, 58.3% were male and 41.7% were female. When the researcher examined the sample, it was found out that there were relatively more men involved in the CBE as shown in table 4.2 below.

The results of the study revealed that the age of sample respondents ranges from less than 25 years with the percentage of 10(8.3%). As can be seen from table 4.2, huge proportion 84(70%) of respondents fall within the age ranges from 26 – 35 years which is productive age group. 20(16.7%) of the respondents were between the age range of 36-45 while the remaining 6(5%) fall beyond 46 years of age.

Regarding educational level of respondents, 68.3% were first degree holders, which is the largest proportion. 6.7% respondents' have diploma, 16.7% of the respondents were two degree holders and the remaining 8.3% of participants were masters' degree holders.

Regarding the current position of participants, who were contacted by a questionnaire, 76.7% of the respondents were customer service officers (CSO). In every branch of Commercial Bank of Ethiopia, more than ninety percent of banking operation is performed by CSO. And 10% of the participants were customer service managers (CSM) and accountants 6.6%. The remaining 6.7% of the respondents were assigned for different positions at their branch.

The other variable of the respondents was time of employment in their organization. More than seventy three percent (73%) of the respondents had served from 4-9 years in their current organization. As can be seen from table 4.2 below, 12.5% of the respondents were served for less than three years and 10% of the respondents had 10-15 years of service and the remaining 4.2% of the respondents fall beyond 15 years of service

**Table 4.2 Respondents Demographic characteristics**

Item	Frequency	Percentage
<b>Sex</b>		
A. Male	70	58.3
B. Female	50	41.7
Total	120	100
<b>Age</b>		
A.<25	10	8.3
B.26--35	84	70
C.36-45	20	16.7
D.>46	6	5
Total	100	120
<b>Level of education</b>		
A. Diplomas	8	8.3
B. First degree	82	70
C. More than one degree	20	16.7
D. Masters and above	10	5
Total	120	100
<b>Current position</b>		
A. Customer service officer	92	76.7
B. Customer service manager	12	10
C. Accountant	8	6.6
D. Other specify	8	6.7
Total	120	100
<b>Time of employment</b>		
A.<3 years	15	12.5
B. 4-9	88	73.3
C.10-15	15	10
D.>15	5	4.2
Total	120	100

Source: own survey, 2018

As can be seen from the data gathered above that majority of the employees of Commercial Bank of Ethiopia are young and energetic age group. This helps CBE to achieve its plan to be world class commercial bank by 2025.

It can be inferred from the data gathered that majority of the employees of Commercial Bank of Ethiopia are degree holders and there are also few second degree and masters holders employees Having well educated and qualified employee's leads to achieve organizational goals.

### **4.3. Analysis of Data Collected for the Study**

In this section two major issues are raised these are

#### **4.3.1 Presentation and Analysis of Data Collected from CBE Officials**

The main objective of interviewing this group was to discover employee retention strategies which have been practicing at Commercial Bank of Ethiopia North Addis Ababa district and its role on the performance. Officials and officers working in human resource management (HRM) at head office were interviewed.

To achieve the objectives of the study, ten (15) CBE officials were interviewed who are working in HRM office. One of them was deputy director of human resource management and the remaining were experts and officers. All of the respondents contacted had first degree and above. More than Seventy percent (70%) of the officials who were interviewed had been in their present Office and different position for more than five (5) years. The remaining (30%) percent had been in their current organization for less than 5 years. Although they had been in their current position for less than five years, their understanding about the role of employee retention and organizational success is significantly useful because they deal with the issue under study in their day-to-day jobs.

#### **Employee retention strategies being practiced at CBE NAAD**

All of the Human Resource Management staffs agreed that the Commercial Bank of Ethiopia NAAD has employee retention strategy which has been implementing to attract



and satisfy its employees and to make them loyal to the organization and to meet organizational goals. All of the respondents said that the employee retention strategy of CBE is better as compared to its competitors (banks). They mentioned financial allowances (basic salary, house rent allowance, fuel allowance), twenty four hours life insurance, medical reimbursement, training and development, career growth (promotion), staff loan (emergency and mortgage loan) as an example of employee retention strategy. As officials of human resource management mentioned, employee turnover in Commercial Bank of Ethiopia NAAD and CBE as a whole is at a least level due to attractive employee retention strategy.

### **How retention strategies are designed and implemented**

Respondents were asked how retention strategies are designed and implemented at Commercial Bank of Ethiopia. They said that these employee retention strategies are designed by human resource management experts and approved by the board of directors of the bank. The implementation responsibility is given to human resource management department (HRMD) under vice President of Human Resource Management.

Participants who were contacted with interview also asked whether the management of CBE consult its employees while designing the retention strategies or not. All employees of commercial Bank of Ethiopia are members of the labor union of CBE and they have representatives attending regular meeting of the labor union. The respondents said that management of CBE consults the representatives of labor union not only while designing the employee retention strategies but also the implementation of it.

### **There are mostly effective and least effective employee retention strategies**

According to the respondents, monetary compensation (salary, fuel allowance, house rent allowance, staff loan), medical reimbursement and life insurance are among the mostly effective retention strategies. As participants who were contacted with interview said that, these effective employee retention strategies made Commercial Bank of Ethiopia preferred organization by employees and it is successful in meeting its target. However, respondents mentioned some retention factors like career growth or promotion, reward and recognition of employees on their job performance, training and development are

least effective because as the respondents said, in this area of employee retention there is a personal involvement which hampered the effectiveness of the strategy.

### **4.3.2 Presentation and Analysis of Data Collected from the Employees of CBE North Addis District**

One Hundred twenty (120) (100%) participants were contacted from eight branches of Commercial Bank of Ethiopia NAAD. The primary objective of contacting this group through a questionnaire was to collect information on the role of employee retention on organizational performance. The findings on participants have been presented using frequency, tables, percentages and mean. Finally, the report is organized in to findings, discussion and conclusion.

#### **4.3.2.1. Employee Retention Strategy Being Employed by CBE**

**Table 4.3 Employee Retention Strategy being employed by CBE**

ITEM	frequency	Percentage
Is there employee retention strategy being practiced by CBE NAAD?		
A. Yes	115	95.8
B. No	5	4.2
	120	100

Source: own survey, 2018

All of the Human Resource Management staffs contacted by interview agreed that the Commercial Bank of Ethiopia has employee retention strategy to attract and satisfy its employees, to make them loyal to the organization and to meet organizational goals. Out of the 120 respondents who were contacted by questionnaire, 115 (95.8%) of them answered that CBE NAAD has employee retention strategy to retain its employees.

It is clear from the findings that Commercial Bank of Ethiopia NAAD has employee retention strategies to make them satisfy and stay for a maximum period of time in the organization in turn to meet organizational performance.

#### 4.3.2.2. Implementation of Retention Strategies and its Effectiveness

Of 120 participants 26 (10%) of them responded as strongly agree and 64 (53.3%) of them agree that Commercial Bank of Ethiopia NAAD has fully implementing the employee retention strategies. As shown in table 4.4 below, 18(15%) respondents were neutral about the implementation of employee retention strategy at Commercial Bank of Ethiopia NAAD and only 12(15.8%) respondents responded as they disagree with fully implementation of employee retention strategies in their organization.

Regarding the effectiveness of the implementation of retention strategy, of 120 participants 76 of them are agreed that CBE NAAD has implementing employee retention strategy, of which 10(13.2%) responded as the employee retention strategy is highly effective and 40(52.6%) responded the implementation of employee retention strategy is effective, and 14(18.4%) were neutral about the effectiveness of the implementation of retention strategy, the remaining 12 (15.8%) participants responded the implementation of retention strategy is less effective.

**Table 4.4 Implementation of retention strategies**

ITEM		SA 5	A 4	N 3	DA 2	SDA 1	Total
CBE NAAD has fully implementing the retention strategy	F	26	64	18	12	0	120
	P	10	53.3	15	21.7	0	100
	M	3.9					
If you are Agree with the above question, how it is effective?		VE	E	N	LE	NEA	
	F	10	40	14	12	0	76
	P	13.2	52.6	18.4	15.8	0	100
	M	3.6					

Source: own survey, 2018

SA=Strongly Agree

A=Agree

N=Neutral

VE=Very effective

E=Effective

N=Neutral

DA=Disagree

SDA=strongly disagree

LE=Less effective

NEA=Not effective at all

It can be inferred from the information gathered above that there is employee retention strategy being implementing in Commercial Bank of Ethiopia NAAD. As majority of the respondents are agreed, it is possible to say that Commercial Bank of Ethiopia as a whole is effective in implementing employee retention strategies.

#### **4.3.2.3. Respondents Opinion on Retention Strategy for Organizational Performance and Contribution of Policies and Procedures for their Job Performance**

Regarding employees extent of agreement on the contribution of employee retention for organizational Performance, 44(36.7%) respondents were strongly agree and 58(48.3%) responded as agree that employee retention affects organizational performance. 14(11.7%) respondents were neutral and only 4(3.3%) respondents were disagree.

In the same table 4.5 below, participants were asked about policies and procedures of their organization. 18(15%) and 50(42%) respondents were strongly agree and agree respectively that the policies or procedures in their organization affect their job performance respectively. 26(21.3%) participants were neutral, the remaining 20(16.6%) and 6(5%) respondents were disagree and strongly disagree that policies or procedures of Commercial Bank of Ethiopia NAAD does not affect their job performance.

**Table 4.5 Respondents agreement on retention strategy for organizational performance and contribution of policies and procedures for their job performance**

ITEM		SA	A	N	A	0	Total
Retention strategy of employee at CBE NAAD affect organizational performance	F	44	58	14	4	0	120
	P	36	48.3	11.7	3.3	0	100
	M	4.2					
The policies and procedures at CBE NAAD affect your job performance	F	18	50	26	20	4	120
	P	15	42	21.3	16.7	5	100
	M	3.5					

Source: own survey, 2018

The finding as shown on table 4.4 that organizational performance can be affected by employee retention strategy being implemented in the organization. To achieve planned organizational goals, it is very important to have talented and skilled employees and to have such employees, it is inevitable to have good employee retention strategy to satisfy and retain talented employees. As indicated in the same table 4.4 above, it can be inferred that employees' job performance is affected by the policies and procedures of the organization. Having flexible policies and procedures can be the cause for employees staying in their organization for a maximum period of time.

**4.3.2.4. The Extent of Employees' Satisfaction with the Financial Benefits**

Regarding employee satisfaction with the financial benefits of their organization, 2 (1.7%) and 62 (51.7%) respondents were very satisfied and satisfied with basic salary of their organization respectively. 8(6.6%) respondents were neutral and 24(20%) respondents were not satisfied with the basic salary of CBE, the same number of respondents were not satisfactory at all.

No one respondent were very satisfied with the house rent allowance of the CBE NAAD. Only 16(13.3%) and 26(21.7%) of respondents were responded as they were satisfied and moderately satisfied with the house rent allowance respectively. Majority of the

participants (62(51.7%) were not satisfied 16(13.3%) respondents were not satisfied at all with house rent allowance.

When they are asked the extent of their satisfaction with the fuel allowance, 16(13.3%) participants were responded as they are very satisfied and 74(61.7%) respondents are satisfied with the fuel allowance of their organization. It is moderately satisfactory for 10(8.3%) respondents and for the remaining 20(16.7) respondents the fuel allowance is not satisfactory.

The same table 4.6 shows that the medical reimbursement is very satisfactory for 40(33%) respondents and 58(48.7%) of the respondents responded as medical reimbursement is satisfactory. 10(8.3%) moderately satisfactory and 10(8.3%) not 41 satisfactory. Only for 2(1.7%) of the respondents medical reimbursement is not satisfactory at all.

With respect to bonus, for 14(11.7%) of the participants, it is very satisfactory for 62(51.7%) respondents are responded that the bonus is offered by their organization is satisfactory. For 14(11.7%) participants, bonus is moderately satisfactory and for and 24(20%) respondents the bonus provided by their organization is not satisfactory. The remaining 6(5%) respondents were not satisfied at all with the bonus.

**Table 4.6 Respondents level of satisfaction with financial benefits**

Item		VS	S	N	NS	NSAT	TOTAL
Basic salary per month	F	2	62	8	24	24	120
	P	1.7	51.7	6.6	20	20	100
	M	3.2					
Housing allowance	F	0	16	26	62	16	120
	P	0	13.3	21.7	51.7	13.3	100
	M	2.3					
Fuel allowance	F	16	74	10	20	0	120
	P	13.3	61.7	8.3	16.7	0	100
	M	3.8					

Item		VS	S	N	NS	NSAT	TOTAL
Medical reimbursement	F	40	74	10	10	0	120
	P	33	48.7	8.3	8.3	0	100
	M	4.03					
Bonus	F	14	62	14	24	6	120
	P	11.7	51.7	11.7	20	5	100
	M	3.7					

Source: own survey, 2018

Based on the data above in the table 4.5, it is possible to say that majority of the respondents are satisfied with the basic salary and rent allowance offered by their organization except housing allowance. As shown on the table the level of dissatisfaction is also high so long as financial benefit is one of the major factors that affect employee retention, it can be inferred from the finding above that employees might not remain with the organization for a maximum period of time if they are not satisfied with the financial benefits even though other employee retention factors are remain constant.

#### 4.3.2.5. Reward and Recognition of Employees

Regarding reward and recognition, the large number of respondents /6(5%) and 50(41.7%) were responded reward and recognition on their job performance is not satisfactory at all and not satisfactory respectively. 32(26.7%) respondents were neutral about the issue and for the remaining 28(23.3%) and 4(3.3%) participants reward and recognition on their job performance is satisfactory and very satisfactory respectively.

**Table 4.7 Respondents satisfaction with reward and recognition**

Item		VS	S	M	NS	NSAT	Total
Rewards and Recognition on your achievements	F	4	28	32	50	6	120
	P	3.3	23.3	26.7	41.7	5	100
	M	1.98					

Source: own survey, 2018

From the findings gathered above is that many of the participants were not satisfied with reward and recognition provided by their organization based on their job performance. Since rewarding and recognizing employees based on their job performance is considered as one of the factors affecting employee retention, absence of it can hinder employee's motivation and satisfaction which in turn affect organizational performance.

#### **4.3.2.6. Respondents Satisfaction with the Superior-Subordinate Relationship at CBE North Addis District**

With regard to the extent of respondents' satisfaction of their relationship with their supervisor, as shown in table 4.8, of 120 participants, only for 10(8.3%) respondent responded that their relationship is very satisfactory and 56(46.7%) participants responded as their relationship with their supervisor is satisfactory. Their relationship with their supervisor is moderately satisfactory for 28(23.3%) participants, 20(16.7%) responded as not satisfactory and for the remaining 6(5%) respondents their relationship with their supervisor is not satisfactory at all.

Also with respect to the way their supervisor treats them, only 10(8.3%) of the participants are very satisfied and 52(43%) of the respondents are satisfied with the way their supervisor treats them. 22(18.7%) moderately satisfactory and for 24(20%) and 12(10%) respondents, the way their supervisor treats them is not satisfactory and not satisfactory at all respectively.

As can be seen in the same table 4.8, respondents were asked their satisfaction with support from their supervisor while undertaking their duty. Support from their supervisor while undertaking their duty is very satisfactory and satisfactory for 8(6.7%) and 42(35%) respondents respectively. 28(23.3%) responded as moderately satisfactory. For 30(12%) and 25(10%) respondents support from their supervisor is not satisfactory and not satisfactory at all.

Regarding participation and involvement in decision making process, 8(6.6%) respondents are very satisfactory, 20(16.6%) respondents responded as satisfactory and for 10(8.3%) participants it is moderately satisfactory. For the majority of the respondents



which is 66(55%) and 16(13.3%), participation in the decision making is not satisfactory and not satisfactory at all.

With regard to the employee satisfaction with working relationship b/n top management and their subordinates, for 10(8.3%) participants it is very satisfactory and 32(26.7%) satisfactory. 40(33.3%) responded the relationship is moderately satisfactory. As indicated in table 4.8 below, for the remaining 38(33.3%) respondents working relationship between top management and their subordinate is not satisfactory.

**Table 4.8 Respondents Level of Satisfaction in Superior-Subordinate Relationship**

Item		VS	S	N	NS	NSAT	Total
Your relationship with your supervisor	F	10	56	28	20	6	120
	P	8.3	46.7	23.3	16.7	5	100
	M	3.4					
The way your supervisor treats you	F	10	52	22	24	12	120
	P	8.3	43	18.7	20	10	100
	M	3.2					
Support from your supervisor while undertaking your duties	F	8	42	28	30	12	120
	P	6.7	35	23.3	25	10	100
	M	3.0					
Participation and involvement in decision making process	F	8	20	10	66	16	120
	P	6.6	16.6	8.3	55	13.3	100
	M	2.4					
Working relationship b/n top management and their subordinates	F	10	32	40	38	0	120
	P	8.3	26.7	33.3	33.3	0	100
	M	3.1					

Source: own survey, 2018

It can be inferred from the information gathered above is that employees have good relationship with their supervisor and they are satisfied with the support provided by their supervisor while undertaking their duties and with the way that their supervisor treats them. Based on the finding it is possible to say that in Commercial Bank of Ethiopia

NAAD there is a good superior-subordinate relationship. As it can be seen in the same tables 4.8 above, employees are not satisfied with participation and involvement in decision making process of the organization and they have fewer roles in decision making process, this implies that employees are passive and expected to accept the decision that the top management has decided.

#### **4.3.2.7. Promotion, Training and Development Procedures of CBE NAAD**

With regard to regular training and development, majority of the participants 50(41.7%) and 42(35%) responded as they strongly agree and agree respectively with the availability of regular training and development program. 18(15%) respondents are neutral and the remaining 6(5%) and 4(3.3%) participants are disagree and strongly disagree respectively with the issue.

Respondents also put their response on selection criteria for training and development. 10(8.3%) participants strongly agree and 32(26.7%) agree that the selection criteria is fair and 18(15%) respondents are neutral. The remaining 6(5%) and 43.3 respondents are disagree and strongly disagree respectively with the selection criteria for training and development.

In the same table 4.8 below, participants were asked their extent of agreement on equal access to training and development, 6(5%) respondents are strongly agree and 44(36.7%) participants are agree that there is equal access to training and development. 22(18.3%) participants are neutral, 32(26.7%) and 16(13.3%) respondents responded that they are disagree and strongly disagree with the issue.

Regarding opportunity for career growth and promotion, large number of participants which is 62(51.7%) and 18(15%) respondents are disagree and strongly disagree respectively with opportunity for career growth and promotion, 12(10%) respondents are neutral, 20(16.6%) respondents agree and 8(6.7%) participants strongly disagree that opportunity for career growth and promotion is fair.

**Table 4.9 Responses related with Promotion, Training and Development procedures of CBE NAAD?**

Item			SA	A	N	DA	Total
Regular Training and Development program is available	F	50	42	18	6	4	120
	P	41.7	35	15	5	3.3	100
	M	4.0					
Selection criteria for Training and Development is fair	F	10	32	18	32	28	120
	P	8.3	26.7	15	26.7	23.3	100
	M	2.7					
There is equal access to training and development	F	6	44	22	32	16	120
	P	5	36.7	18.3	26.7	13.3	100
	M	2.73					
Opportunity for career growth and promotion is fair	F	8	20	12	62	18	120
	P	6.7	16.6	10	51.7	15	100
	M	2.48					

Source: own survey, 2018

It is clear from the above table that there is regular training and development program to improve the skills and talents of employees at CBE NAAD. The finding also shows that the selection criteria and access for training and development is fair.

Promotion is one of the major factors that affect employee retention. However, as it can be seen in the same table 4.9 above, opportunity for career growth and promotion in CBE is not satisfactory. As majority of the respondents are not satisfied with career growth and promotion in their organization, it may be the cause turn over and seeking another job.

#### **4.3.2.8. Employees Satisfaction with the Overall Retention Strategy**

As shown in table 4.13 below, 14(11.7%) respondents were strongly agree and 54(48.3%) responded as they agreed with the overall retention strategy of their organization. 20(16.7%) participants were neutral on the issue. As indicated in this table, 30(25%) participants were not satisfied and the remaining 2(1.6%) respondents were not satisfied at all with overall retention strategy of Commercial Bank of Ethiopia.

**Table 4.10 Respondents satisfaction with the overall retention strategy of CBE**

Item		SA	A	N	DA	SDA	Total
Employees Satisfaction with the Overall Retention Strategy	F	14	54	20	30	2	120
	P	11.7	48.3	16.7	25	1.6	100
	M	3.5					

Source: own survey, 2018

As indicated in the above information gathered by participants, it can be possible to generalize that employees of Commercial Bank of Ethiopia are satisfied with the overall retention strategy of their organization. But there are also dissatisfactions that the table shows which need attention.

#### **4.3.2.9. Retention Strategy and Organizational Performance**

Participants were also provided with the other variables that affect organizational performance and their extent of agreement on each variable. And they were also asked whether the retention strategy of Commercial Bank of Ethiopia NAAD improve their job performance and satisfaction or not. 18(15%) were strongly agree and 58(48.3%) responded as they are agree that retention strategy improves their job performance and satisfaction and 8(6.7%) respondents were neutral. While the remaining 30(25%) and 6(5%) participants were disagreed and strongly disagree respectively.

With regard to organizational performance improvement of Commercial Bank of Ethiopia NAAD due to its employee retention strategy, 32(26.7%) employees were strongly agreed and 48(40%) employees agree that the employee retention strategy of Commercial Bank of Ethiopia NAAD improves its organizational performance. 14(11.7%) respondents were neutral, 20(16.6%) and 6(5%) employees responded as they are disagree and strongly disagree that the employee retention strategy did not improve its organization performance.

In the same table 4.11 below, 58(48.3%) participants are strongly agree and 46(38.3%) respondents agree that having an effective employee retention plan will help CBE NAAD to sustain its leadership and growth in the marketplace. 10(8.4%) respondents are neutral and only 6(5%) participants were disagree.

**Table 4.11 Retention Strategy and Organizational performance**

Item		SA	A	N	DA	SDA	Total
The retention strategy of CBE improve your job performance and satisfaction	F	18	58	8	30	6	120
	P	15	48.3	6.7	25	5	100
	M	3.4					
The retention strategy of CBE improve its organizational performance	F	32	48	14	20	6	120
	P	26.7	40	11.7	16.6	5	100
	M	3.7					
Having an effective employee retention plan will help CBE to sustain its leadership and growth in the marketplace	F	58	46	10	6	0	120
	P	48.3	38.3	8.4	5	0	100
	M	4.3					
Organizational success is dependent on the retention of its employees	F	60	52	6	2	0	120
	P	50	43.3	5	1.7	0	100
	M	4.4					

Source: own survey, 2018

Based on the data gathered from the participants, it is possible to say that employee retention strategy of Commercial Bank of Ethiopia NAAD caused for job performance improvement for most of its employees and over all organizational performance is improved as a result of employees' job performance improvement. It is also clear from the finding that if organizations have effective employee retention strategy, employee would be satisfied with the organization and stay with the firm for longer period of time and work for the performance of the organization and organizations can maintain their leadership and competency in the market.

The respondents were also provided with an open-ended question to give comment on different questions. The respondents had several comments:

- Respondents forwarded their comment that policies and procedures at Commercial Bank Ethiopia affect NAAD their job performance positively if it is flexible, and it can also affect negatively if it is rigid.
- Most of the respondents forwarded that they are satisfied with the overall employee retention strategy of Commercial Bank of Ethiopia NAAD because it has better retention strategy.. But with the growing economy and the life expanse they need the bank to consider the increase in salary and the allowances.
- To improve the employee retention strategy of Commercial Bank of Ethiopia NAAD has to change its retention strategy with the changing situation of the environment.
- Employees should be given access to participation and involvement in the process of designing employee retention policies and strategies.

#### **4.4 Secondary Data Analysis**

From CBE official website we can get review of performance 2016/17 fiscal year the district mobilized 20.2 billion birr in deposit which is 19.5 rises from last year. The last fiscal year CBE NAAD awarded among the whole districts.2016/17 fiscal year with aching its target it takes the third place. The e-payment performance also rise card, mobile, internet recruits were 120 thousand card were delivered.50 thousand mobile banking and 25 thousand internet banking service were given.

2017/18 first, second, third quarter performance commercial bank of Ethiopia NAAD has managed to mobilized saving collect credit and mobilize loans that exceed the plan set for 2017/18 three quarters. According to the report by office of strategic management the bank collect 17.5 billion birr of deposit collected. Customer base is also increased to 250,240 in relation to this the e banking 410.8 new cards were delivered to customers. Mobile and internet banking service were also responded as planed 153.8 mobile banking services and 3.8 internet banking service. The district is leading this fiscal by the end of the fourth quarter the district is expected for award.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This chapter presents the Summary of findings of the research generated from data analysis. The conclusion is drawn in line with the objective of the study. It then gives recommendation and finally gives suggestions for further studies.

#### **5.1. Summary of the Findings**

Commercial Bank of Ethiopia NAAD has employee retention strategy comprises of different variables like financial allowances (basic salary, house rent allowance, fuel allowance), twenty four hours life insurance, medical reimbursement, training and development, career growth (promotion), staff loan (emergency and mortgage loan). According to the interviewees' response, these employee retention strategies make the employees satisfied and motivated to work towards organizational performance.

Majority of employees of Commercial Bank of Ethiopia NAAD are satisfied with the overall employee retention strategies offered by their organization. Basic salary, superior-subordinate relationship, availability of training and development program, bonus, etc were among the variables on which employees were satisfied. Employees are not satisfied with some of benefits and employee retention factors offered by their organization. Promotion and career growth, participation in decision making process and participation in the designing process of retention policies and strategies in their organization are some of the factors to mention on which employees are not satisfied.

Majority of human resource management officials and employees at CBE NAAD believe that there is direct relationship between employee retention and organizational performance and the consistent achievement and success of Commercial Bank of Ethiopia is dependent on the effective employee retention strategy. Among organizational resources, skilled and talented manpower is the most important resource for the success of the organization.

With regard to comparing mean of each variable, most of the mean averages of variables are above the mid-point (2.5) of the scale. In this research, participants' satisfaction with different employee retention variables they are already experiencing and its role on organizational performance was rated. From the employee retention variables provided by Commercial Bank of Ethiopia to its employees, employees' satisfaction with salary, medical reimbursement, fuel allowance, bonus, superior-subordinate relationship, availability of training and development are among the variables with mean average of above 3.0, and the mean average of the role of employee retention for organizational performance was rated the highest mean average which is 4.4. This indicates that employees of CBE NAAD are satisfied with the retention strategy and its contribution to the performance of the organization is high. However, there were some variables those mean average was rated below the mid-point of the mean. Employees' participation in the process of decision making, reward and recognition on employees job performance, house rent allowance and opportunity for promotion and career growth, selection criteria for training and development program were rated by participants below 2.5, which is the mid-point of the mean. There were also other variables those mean average was between 2.5 and 3.0.



## 5.2. Conclusions

In this section, the main findings of the study have been summarized in line with the objectives of the study. From the analysis of descriptive statistical values of percentages and mean, most of the variables implied a positive assessment of the issues as indicated from findings. Only a few variables were assessed with lower employee satisfaction. The following conclusions are drawn from the finding:

Based on the findings it is possible to conclude that in Commercial Bank of Ethiopia NAAD, there is a well-designed employee retention strategy which made bank competitor and brought job satisfaction to employees. Commercial Bank of Ethiopia NAAD is effective in implementing its employee retention strategy. Due to the effectiveness of the implementation of retention strategy, the bank could satisfy its employees and make them stick to it for a long period of time.

It can be concluded that most of the employees of Commercial Bank of Ethiopia NAAD are satisfied with the overall employee retention strategies provided by their organization. These include basic salary and other financial benefits, superior-subordinate relationship..

But there is somehow dissatisfaction opportunity for career growth and promotion is not effective. In this respect, officials of human resource management agree that there is personal interference in the selection of employees to career growth and promotion. Employees do not participate in decision making process while designing employee retention policies and strategies as they are very much concerned about it. This hinders their ideas that could make contribution to HRM.

It can be concluded from the information gathered by the study that Commercial Bank of Ethiopia NAAD is not effective regarding reward and recognition of its employees based on their performance. This hinders innovation and generating new ideas. Regarding selection criteria for training and development, it is not satisfactory even though respondents agreed with the availability of training and development program. The employee retention strategy of Commercial Bank of Ethiopia NAAD improved job

performance and satisfaction of its employees and organizational performance as a whole.

It can be concluded that human resource is the most important resource to any organization. Without having skilled and talented employees, it is difficult to attain planned goals by the organization. Therefore, organizational performance is dependent on retention of its talented employees. Rewarding and recognizing employees on their job performance is considered as one of factors affecting employee retention. However, most of the respondents were not satisfied with reward and recognition offered by their organization.

Organizations established for a planned purpose and have objectives to be achieved in a given period of time and resource. As indicated in many literatures, skilled and talented manpower is the most important resource for the success of any organization. Therefore, based on the finding above, it is possible to generalize that the performance of any organization is directly related with the retention of skilled and talented employees.

### **5.3. Limitation of the Study and Implication to Further Research**

In the process of undertaking this research, there were problems which create some difficulty to accomplish the study. Some of the reasons were: absence of concerned managers and staffs of human resource management, shortage of time for respondents to provide the necessary data.

## **5.4. Recommendations**

Commercial Bank of Ethiopia NAAD should be aware of skilled and talented manpower and current competition among many organizations particularly private banks to take this skilled and talented manpower. Therefore, it should strongly work on retention mechanisms like increasing salary and allowance, encouraging employees to participate in decision making process of the organization, arrange good working environment, giving promotions, rewarding and recognizing employees based on their performance, providing clear path for career advancement, strive to equal access for good training and development programs to all employees, etc.

A large percentage of respondents were satisfied with majority of retention strategies offered by their organization like basic salary, bonus, job security, work environment, medical reimbursement, etc. Therefore, Commercial Bank of Ethiopia NAAD should keep them in that way and it should take into consideration additional factors that affect employee to leave or stay. Giving employees' access to participate in the process of designing the employee retention strategy and other decision making process creates belongingness and employee feel that they are part of the organization and their contribution is valued by the management.

Therefore, Commercial Bank of Ethiopia NAAD should create conducive environment to employees' participation on different decision making processes. Since superior-subordinate is considered as one of factors that affect employees to decide to stay with their organization or to leave, supervisors of CBE NAAD should work closely with subordinates and arrange flexible and friendly working condition to retain employees.

With the growing economy and inflation the organization should consider increasing the salary of employees the last time they had incremental is 7 years ago since the bank is planning to be world class 2025 it should give credit to its employees.

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# ANNEXES

## Annex 1

### St Mary's University

#### School of Graduate Studies

#### Questioner Distributed To Employees

Please put a tick mark (✓) on the correct answer bracket to the following questions then give explanation where needed.

1. Sex: (a) Male  (b) Female
2. Age:  
(a) less than 25 years  (b) 25-35 years  (c) 35-45 years  (d) More than 46 years
3. Level of Education: (a) Diploma  (b) First Degree  (c) more than one Degree   
(d) Post graduate/Masters and Above
4. Current Position-----
5. Employment status (a) Permanent  (b) temporally
6. Time of employment (Service Years in CBE)  
(a) Less than 3 years  (b) 4-9 years  (c) 10-15years  (d) More than 15 years

#### Section 2: Employee Retention Strategies Being Employed by CBE

Please put a tick mark (✓) on the correct answer bracket to the following questions then give explanation where needed.

1. Is their Employee retention strategy being practiced in CBE? Yes  No
2. CBE has fully implementing the retention strategy  
Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree
3. If your answer is “Agree” for the above question, how it is effective?  
Highly effective  Effective  Neutral  Less effective  Not at all
4. Retention strategies of employee at CBE affect Organizational performance.  
Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree
5. The policies or procedures at CBE affect your job performance.  
Strongly Agree  Agree  Neutral a Disagree  Strongly Disagree

6. If your answer for the question ‘6’ is ‘Agree’, how? Please Explain \_\_\_\_\_

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**Section 3: Questions Related to Employee Satisfaction with the Retention Strategy**

7. Here under, you are provided with a number of different retention strategies. You are required to analyze these things to the extent that you are satisfied by putting a tick mark (✓) on the box provided to indicate your opinion. 1 = Very satisfactory 2= Satisfactory 3 = Moderately 4= Not satisfactory 5 = Not satisfactory at all.

Retention Strategies	5	4	3	2	1
A The salary and other financial benefits					
B Rewards and Recognition on your achievements					
C Availability of Training and Development					
C Availability of Training and Development					
D The selection criteria for training and development					
E Promotion and Opportunities for your Career development provided by the company					
F Working environment					
G Superior Support					
H Work-Life Balance					
I the Level of Job Security					
J Mentoring and Coaching					
K Participation and involvement in different decision making processes					
L Job Content					
M The Social Atmosphere					
N Working relationship between top management and their subordinate					

**8. Your satisfaction with the Financial Compensation at CBE**

5= Very satisfactory 4= Satisfactory 3 = Moderately 2= Not satisfactory 1 = Not satisfactory at all.

Financial Benefit	5	4	3	2	1
A Basic Salary per month					
B I louse rent allowance					
C Fuel allowance					
D Medical reimbursement					
E Bonus					

**9. Your satisfaction with the Superior-Subordinate Relationship at CBE**

5= Very satisfactory 4= Satisfactory 3 = Moderately 2= Not satisfactory 1 = Not satisfactory at all.

Superior-Subordinate Relationship	5	4	3	2	1
A Your relationship with your supervisor					
B The way your supervisor treats you					
C Support from your supervisor while undertaking your duties					
D Participation and involvement in decision making process					
E Working relationship b/n top management and their subordinates					

**10. What do you think about the Promotion, Training and Development procedures of CBE?**

5 Strongly Agree  4 Agree  3 Neutral  2. Disagree  1 Strongly Disagree

11. You are satisfied with the overall retention strategy of your organization

5 Strongly Agree  4 Agree  3 Neutral  2. Disagree  1 Strongly Disagree

12. Would you explain the reason why you are agree/disagree? \_\_\_\_\_

\_\_\_\_\_

13. What should be done to improve the retention practice? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### **Section 4: Retention Strategy and Organizational performance**

14. The retention strategy of CBE improves your job performance and satisfaction

Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree

15. The retention strategy of CBE improves its organizational performance

Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree

16. Having an effective employee retention plan will help CBE to sustain its leadership and growth in the marketplace

Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree

17. Organizational success is dependent on the retention of its employees

Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree

**Thank you!!**



## **Annex 2**

### **St Mary's University**

#### **Department of General MBA**

#### **Interview Questions for CBE Officials**

Educational level \_\_\_\_\_

Position \_\_\_\_\_

Work Experiences \_\_\_\_\_

1. What retention strategies are being practiced at commercial Bank of Ethiopia?
2. How retention strategies are designed and implemented at Commercial Bank of Ethiopia?
3. Does the management of CBE consult its employees while designing retention strategies?
4. Which ones do you think are the most effective and which ones are the least effective?
5. How do you link the relationship between retention of employees and organizational performance at CBE?
6. Do you agree that the process of employee retention in CBE will affect employee turnover?
7. Do you believe that having an effective employee retention plan will help CBE to sustain its leadership and success in the market?