

An Analysis of the Effect of Employee Recruitment Strategies on Employee Retention at Equity Bank, Kenya

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Abstract

The main goal of strategic recruitment and selection is about finding the best recruitment sources, hiring the best talents and keeping the organisation competitive on the job market and retain its best employees. This process helps to set and achieve the right limits. This study sought to analyze the effect of employee recruitment strategies on employee retention at Equity bank in Kenya. The general objective of this study is to analyse the effect of employee recruitment strategies on employee retention at Equity Bank, Kenya. The study adopted descriptive survey design and the target population consisted of all managers at the head office, and managers at branches (branch manager, operations manager, credit manager, customer service manager, agent manager, and relationship manager) recruited or promoted over 2 years ago, categorized according to the recruitment strategy applied, as tabulated in the sampling frame below. The questionnaire was pre-tested on a pilot respondent who are not part of the study respondents but knowledgeable in the study aspects in order to ensure their validity and relevance. Secondary data was extracted from annual reports, publications and documentary analysis was used to gather background information by reviewing literatures relevant to the study. Reviews of the measures used to measure the study variables were also be used to construct the questionnaire to ensure face and construct validity. The data collected was then analyzed using descriptive and inferential statistics. Cronbach's alpha coefficient was used to measure the reliability of the scale, which will be used to assess the interval consistency among the research instrument items. Employee recruitment strategies were found by this study to have a positive and significant effect on the employee retention at Equity bank in Kenya.

Keywords: Employee Recruitment Strategies, Employee Retention, Equity Bank, Kenya

1. Introduction

Recruitment is the process of finding and engaging the people an organisation needs. Selection is the part of the recruitment process concerned with deciding which applicants or candidates should be appointed to jobs (Beardwell & Claydon, 2007). For recruitment to become strategic, human resource practitioners must determine and find whom to recruit, where to recruit, what resources to use in recruitment (the web, newspapers, head-hunting, and on-campus), when to recruit and what message to communicate (Breaugh & Starke, 2000). The main goal of strategic recruitment and selection is about finding the best recruitment sources, hiring the best talents and keeping the organisation competitive on the job market and retain its best employees. This process helps to set and achieve the right limits (Bates, 2003). A recruitment strategy is a policy statement describing the target positions on the job market and the main recruitment resources to be used. It defines the main goals for the recruitment process (Kwon & Banks, 2004). A recruitment strategy must identify strategic job positions which require unique skills and competencies and which are directly linked with the business strategy, and include them in the retention plan. Employee retention is the ability of a business organisation to maintain and retain the most desirable employees (especially those who occupy critical job positions) for a long time in the organisation. It involves the protection of the key employees with unique know-how from being hired by competitors (Barbara, 2002).

Several definitions of recruitment have been proposed over the last two decades. For example (Rynes, 2001) defined recruitment as encompassing all organisational practices and decisions that affect either the number, or types, of individuals that are willing to apply for, or to accept, a given vacancy. A similar definition has been offered by (Breaugh, 1992). Employee recruitment involves those organisational activities that influence the number or types of applicants who apply for a position and affect whether a job offer is accepted. Emphasizing the strategic importance of the recruitment function (Saks, 2007) put forward the following definition: "Recruitment involves actions and activities taken by an organisation in order to identify and attract individuals to the organisation who have the capabilities to help the organisation realize its strategic objectives. In particular, such activities should generate a pool of desirable candidates and enhance their interest in and attraction to the organisation.

Acquiring and retaining high-quality talent is critical to an organisation's success. As the job market becomes

increasingly competitive and the available skills grow more diverse, recruiters need to be more selective in their choices, since poor recruiting decisions can produce long-term negative effects arising from a high employee turnover (Ronald, 1996). Successful recruitment begins with proper employment planning and forecasting. In this phase of the staffing process, an organisation formulates plans to fill or eliminate future job openings based on an analysis of future needs, the talent available within and outside of the organisation, and the current and anticipated resources that can be expanded to attract and retain such talent. Also related to the success of a recruitment process are the strategies an organisation is prepared to employ in order to identify and select the best candidates for its developing pool of human resources. This will involve defining requirements, namely-preparing role profiles, person's specifications, and deciding on terms and conditions of employment. Recruitment planning is crucial and the human resources department should also come up with ways of attracting candidates by reviewing and evaluating alternative sources of applicants inside and outside the company through advertising, e-recruiting, agencies and consultants. Selecting candidates is the final phase in the process which involves short listing, interviewing, testing, assessing, offering employment, obtaining references and preparing contracts of employment (Schaltegger, Wehrmeyer, Wagner, & Pacheco, 2002). Thus, the recruitment process provides the organisation with a pool of potentially qualified job candidates from which judicious selection can be made to fill vacancies.

Equity Bank was first incorporated in 1984 in Kenya, as Equity Building Society. Later, Equity transformed into a microfinance institution and eventually into a commercial bank in 2004. Since then its regional expansion includes Uganda (2008), South Sudan (2008), Rwanda (2012), and Tanzania (2012). In the financial report for the FY 2013 released in February 2014, the Bank stated it had cemented its leading market position by growing its customer base by over 600,000 to 8.4 million customers and increasing its agent network to 10,260 from 6,300 in 2012 (Equity Bank, 2014). This growth has necessitated growth of the workforce in terms of numbers and competencies. The ability to attract and retain competent staff is a key feature of HR management.

1.1 Statement of the Problem

Recruitment strategy is an essential tool in assisting the human resource managers and the entire company to hire the right people and retain them (O'Brien, 2001). While it is understood and accepted that poor recruitment decisions continue to affect organisational employee retention, many organisations across diverse jurisdictions have not identified and implemented effective hiring strategies. In some companies, existing policies inhibit strategic recruitment; in others, the inhibiting factor is managerial inertia (Carrington, 2000). It is argued that mistakes are caused by the fact that organisations generally give little thought to the critical nature of staffing decisions and make little or no attempt to validate recruitment practices. Evidence reveals that HR managers tend to rely on feedback from line managers on probationary periods and disciplinary procedures to weed out mistakes; no attempt is made to analyse effects of recruitment and selection process on employee turnover. Thus, organisations are surprised and disappointed when an employee abandons a job appointment, and often the company spends a lot of money on repeated hiring of staff. (Rozell, 1993) found that firms that analyse recruiting sources for their effectiveness in generating high performance applicants had greater annual profitability in the manufacturing and wholesale and retail industries, greater overall performance in service and wholesale and retail industries, and greater sales growth in service industries. Another study by (Turban & Greening, 1996) showed that high pay or benefits levels may not be the only variables increasing an organisation's ability to attract and retain job applicants. Most of the studies undertaken are more concerned about how recruitment affects performance and less on employee retention. Therefore, this research aims to analyse the effect of employee recruitment strategies on employee retention, based on a case study of Equity Bank, Kenya.

2. Literature Review

2.1 Attraction-Selection-Attrition (ASA) Theory

If an organisation is able to find and employ the right people with the right knowledge, abilities and skills in the right numbers, the organisation is immeasurably better placed to deal with the opportunities and threats arising from their operating environment than competitors who are always struggling to build and maintain their workforce. Johnson and Scholes (2002) concurs that "the starting point of successful strategies is acquiring, retaining and developing resources of at least threshold standards and it is applied to people as a resource" Nzuve, (1997) emphasizes that recruitment is a search for qualified people to apply for existing job position or newly created ones. He further identifies the process of recruitment as critical "The process cannot be started until the organisation decides what type of employees are required and how many". Further, based on attraction-selection-attrition (ASA) theory (Schneider et al., 1995), argues that effective selection systems should produce high person-organisation fit, enhancing employee attachment to the organisation. Also, employee awareness of rigorous hiring and practice of due diligence during hiring may enhance personal competence perceptions, and evidence shows that perceived personal competence is strongly related to commitment (Matheiu and Zajac, 1990). This suggests that the process of recruitment can enhance employee commitment. Prior research supports

this prediction (Caldwell et al., 1990).

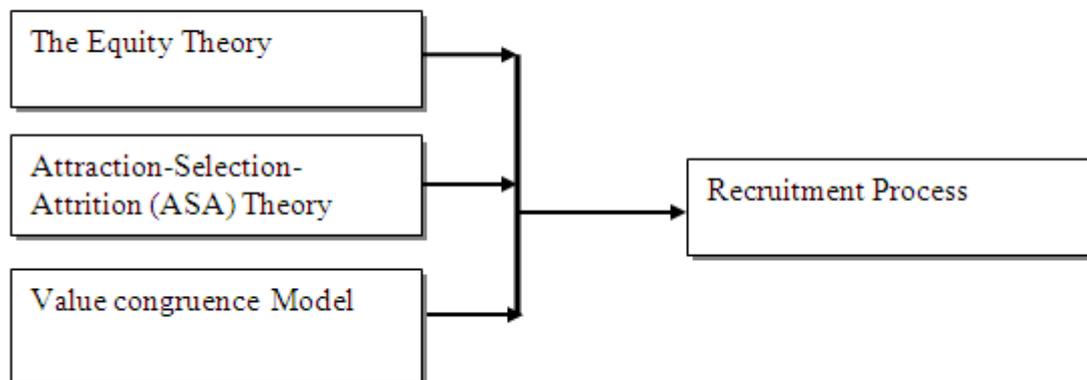
2.2 The Equity Theory

The equity theory argues that employees seek to maintain equity between the input that they bring into a job (e.g. education, time, experience, commitment, and effort) and the outcome they receive from it (e.g. promotion, recognition, increased pay) against the perceived inputs and outcomes of other employees. Equity theory proposes that individuals who perceive themselves as either under-rewarded or over rewarded will experience distress, and that this leads to efforts to restore equity within the organisation. Failing to find any, Messmer, (2000) argues that they may behave in ways that harm the organisation: For example, they may quit the organisation or if they stay, they may react by withholding effort in order to restrict output or lower quality, or embark on deliberate sabotage of equipment.

2.3 Value Congruence Model

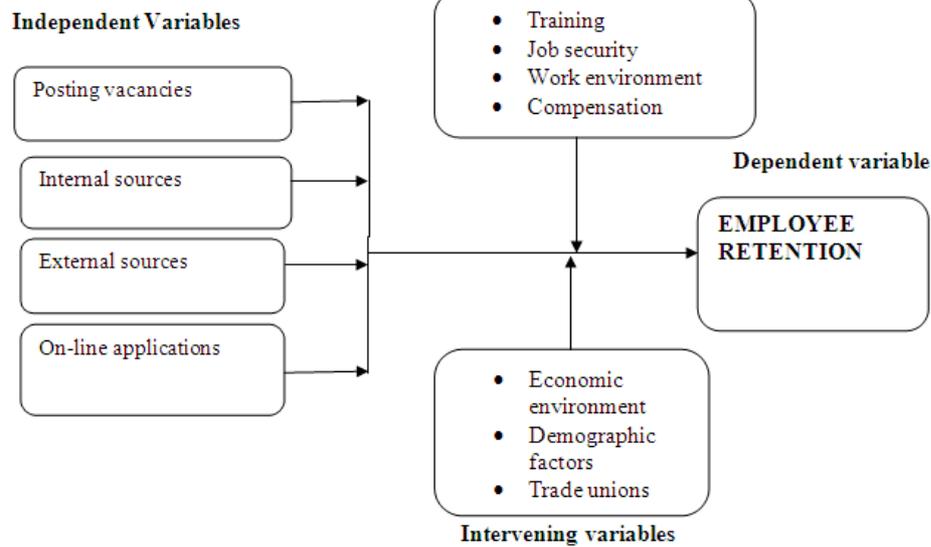
Value congruence model, measures the "fit" between the personal values of an employee's and those of co-workers and the company itself. Value congruence can be broken into three main subcategories: person environment ("P-E"), person-person ("P-P"), and perceptual fit ("PF"). Person-environment congruence refers to a harmony between the personal values of the employee and corporate culture of the company in which he or she works. Someone with a high P-E congruence feels personally in tune with his company's stated policies and goals. Conversely, someone with a low P-E congruence feels a sense of disharmony between his own values and the stated policies and goals of his company. A high P-P congruence indicates a sense of solidarity with one's co-workers in terms of shared values and goals. A low P-P congruence indicates a sense of isolation from co-workers brought about by an absence of shared values. Finally, strong PF suggests a strong correspondence between the values that an employee perceives his company to have (whether or not the company actually does) and the values that his co-workers perceive the company to have (again, whether or not it actually does). A weak PF implies that an employee's perception of his company's values differs significantly from that of his co-workers. Research has shown that P-E and PF congruence are important measures of employee satisfaction, commitment, and likelihood of turnover, although P-P congruence has little bearing on these parameters. Moreover, PF is especially important in establishing harmonious relations between workers and managers. These measures give corporations a robust paradigm on the basis of which to create long-term personnel plans and productivity growth targets: in particular, P-E and PF congruence allow companies to discover dysfunctional work relationships and clarify misperceived company policies and goals. With these tools in hand, companies can look forward to increased employee retention and, ultimately, improved company performance.

Figure 2.1 Theoretical Framework



The conceptual framework for this study is as illustrated below. It shows the relationship between the independent variables, i.e. the job advert internally, internal promotion, external sourcing and internet application and the dependent variable which is the employee retention. The framework also has some intervening variables (the internal factors) and moderating variables(external factors).

Figure 2.2 Conceptual Framework



3.0 Methodology

3.1 Research Design

This research was conducted using a descriptive research design. It involved assessing how recruitment strategies (independent variables) influenced employee retention (dependent variable). The target population consisted of managers at the head office, and managers at branches (branch manager, operations manager, credit manager, customer service manager, agent manager, and relationship manager) recruited or promoted over 2 years ago, categorized according to the recruitment strategy applied, as tabulated in the sampling frame below. In estimating total recruitments, a turnover rate was assumed for the finance industry benchmarked against available figures for the USA and Australia finance industry. In selecting sample of managers, a stratified random sampling technique was used to ensure all recruitment strategies are included. The ratio of the sample managers was similar to the population. To apply random sampling, employees were sorted by their first names. The sample size was calculated using the formula: $n = \frac{Z^2 pq}{d^2}$; where n = size of sample; Z = standard normal deviation at the required confidence level; p = proportion in the target population estimated to have the characteristic being measured (50% if no estimate); q = $1-p$; and d = the required level of statistical significance (Mugenda & Mugenda, 2003). The study used questionnaire to collect primary data from sample managers. Secondary data already held by Equity Bank head office was also collected. The relevant data items were encoded onto a questionnaire format. The questionnaire was designed as a 5-point Likert scale being the most commonly used rating scale for social research (Mugenda & Mugenda, 2003). The indicators therein were in declarative form. Provision was also made for additional comments to clarify a response.

3.2 Validity of Research Instruments

The manner in which the validity of the research instrument is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Both the questionnaire and the measurement process were guided by the conceptual framework in order to measure the key elements to ensure construct validity because they reflect the key components of the study variables. The questionnaire was pre-tested on pilot respondents who did not form part of the study respondents but knowledgeable in the study aspects in order to ensure their validity and relevance. All the aspects of the questionnaire were pre-tested including the question content, wording, form and layout. The feedback obtained were used in revising the questionnaire before it is administered to the study respondents.

3.3 Reliability of Research Instruments

Reliability on the other hand refers to the measure of the degree to which a research instrument yields consistent results on across time and across the various items of the instrument (Sekaran, 2003). Reliability is the extent to which an instrument is predictable, stable, accurate and dependable to yield the same results every time it is administered. In order to assess the reliability of the research instrument, a statistical test for Cronbach's alpha coefficient was performed to determine how indicators correlate among themselves. That way, it was possible to conclude whether indicators on the questionnaire yield consistent results or data after repeated trials (Mugenda & Mugenda, 2003).

3.4 Data Collection Procedure

Primary data was collected from a sample of managers recruited or promoted within the scope of this study using

self-administered questionnaires. Secondary data was extracted from the recruitment database (in manual or electronic formats) at Equity head office. The data was then coded onto the questionnaire designed for the key informants in the HR Department.

3.5 Data Analysis and Reporting

Descriptive statistics were used to analyse the data to show, for example, central tendencies (e.g. mean, mode median) and dispersion (e.g. standard deviation). Correlational statistics were used to show the nature and magnitude of relationships between employee retention (dependent variable) and recruitment strategies (independent variables). A regression model was generated showing employee retention and the recruitment strategies. The regression coefficients were assessed for statistical significance. The relationship between employee recruitment strategies and employee retention was expected to follow a regression model of the nature $ER = \alpha + \beta_1 ERS + \varepsilon$.

Where;

- ER= Employee Retention
- α = Intercept term
- β_1 = Beta coefficients
- ERS= Employee Recruitment Strategies
- ε = Error term

4. Findings and Discussions

In order to determine the effect employee recruitment strategies on employee retention, the individual employee recruitment strategies were regressed against the aggregate mean score of employee retention. The regression results (Table 4.1) reveal that employee recruitment strategies overall effect on employee retention is statistically significant (overall p-value = 0.003). At the individual level, all the employee recruitment strategies had positive and significant effect on employee retention as follows, posting vacancies had positively influenced the employee retention ($R = 0.304$ and p-value = 0.000). Internal sources also positively affected employee retention ($R = 0.466$, p-value = 0.008). External sources on the other hand had a positive effect on the employee retention ($R = 0.035$, p-value = 0.006). The relationship between employee recruitment strategies and employee retention followed a simple regression model of the nature $ER = 1.326 + 0.705ERS + \varepsilon$

Where

ER is the Employee retention

1.632 is the y- intercept constant ($\alpha = 1.326$),

0.705 is the beta ($\beta = 0.725$) or the slope coefficient, OF is organizational factors

ERS is the employee recruitment strategies

ε is the slandered error term.

Table 4.1: Regression Results of Employee Recruitment Strategies against Employee Retention

Goodness of fit Analysis					
Sample size	R (Beta)	R Square	Adjusted R Square	Std. Error of the Estimate	
12	0.705	0.526	0.479	0.000	

Predictors: (Constant), employee recruitment strategies

Overall significance ANOVA (F-test)					
	Sum of Squares	Degrees of Freedom	Mean Square	F	Significance (p-value)
Regression	1.280	2	1.018	2.162	0.003
Residual	2.131	9	0.112		
Total	3.411	11			

Predictors: (Constant), employee recruitment strategies.

Dependent Variable: Employee retention.

Individual significance (T-test)					
	Unstandardized Coefficients		Standardized Coefficients	T	Significance (p-value)
	B	Std. Error	Beta (R)		
(Constant)	1.632	1.299		2.412	0.042
Posting vacancies	0.243	0.274	0.304	1.460	0.000
Internal sources	0.364	0.665	0.466	2.270	0.008
External sources	0.633	0.743	0.035	1.348	0.006
Culture of the council	0.474	0.434	0.430	0.357	0.009

Dependent Variable: Aggregate means of employee retention

• Level of significance, $\alpha = 0.05$

Source; Research data

Conclusion

The study assumed that employee recruitment strategies influence employee retention. The study results supported this premise in that the relationship between employee recruitment strategies and employee retention was found to be statistically significant. It was noted that the direction and strength of this effect vary across individual employee recruitment strategies.

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