



An Inter-Services Comparative Study on the Diversification of the Factors of Employee Retention in Bangladesh: Application of Structural Equation Modeling

Nigar Sultana¹, Mohammad Tauhidul Islam² and Md. Mahedi Hasan³

¹Department of Management Studies, Bangladesh University of Professionals, Bangladesh, ²Department of Peace and Conflict Management, Bangladesh University of Professionals, Bangladesh, ³Department of Business Administration (General), Bangladesh University of Professionals

Abstract

Despite a significant number of researches for finding the factors of employee retention and its short- and long-run impact on the organizations, a comprehensive comparison of the factors of employee retention among different types of organizations is yet to be undertaken in Bangladesh. The findings of those researches on the factors of employee retention rarely explicate their specification on different types of organizations, which is assumed to be different. Thus, we argue that a comprehensive study to find the factors of employee retention of the employees in different types of organizations is relevant and necessary. Such a study would allow reaching more explicit and comprehensive understanding on the specification of the factors of employee retention among different types of organizations and will help to make efficacious policy for employee retention in the organizations. We would like to address the research by means of a systematic and conceptual analysis of the responses on employee retention from the employees working in different types of organization such as “Private Universities,” “Private Banks” “readymade garment sector,” and “information technology” sector. In that regards, data have been collected from 270 employees, at least 50 from each type of organization by stratified random sampling technique with proportional allocation. This study has applied structural equation modeling to find the common and specific factors of employee retention among the studied organizations. We have found that the factors of employee retention are notably different in varying nature of organizations. Those identified factors of employee retention for each type of organization can be addressed to put into effect to reduce bad turnover (competent employees leaving) in the organizations. The contribution of this paper will also help the policy makers to devise an effective plan for the organizations to ensure retention of employees.

Keywords: Employee Retention; Turnover; Structural Equation Modeling; Bangladesh

1. Introduction

In the age of globalization, business environment is too competitive to survive. Competent manpower can create competitive advantage and the distinctiveness with competitors. As such, human resource must be considered the most critical resource of the company that can create core competence of the organization (Chi and Gursoy, 2009; Locke and Latham, 1994). In this regard, retention of employees is very important for any organization, but retention of employees is affected by the number of factors. Organization needs to address these factors; otherwise, organization will lose the competitiveness in the industry as competent employees are the most important determinant of success (Men, 2010). Organizations must have some retention strategies to retain the competent employees. If competent employees leave the organization, they leave with their expertise and experience that can be detrimental for the organization. As a consequence competitors can hire these experienced employees and can get the benefits. When an

organization loses this kind of employee that hinders maintaining consistent productivity. Replacement of an experienced employee causes productivity lose and it requires significant time to get back to the earlier productivity stage (Pritchard, 2007). Organization's good will can be hampered by turnover. Organizations need to think innovatively for creating such an environment where employees would be willing to stay. In this new global era, retaining the "knowledge workers" is the greatest challenge for the managers. Organizations must clearly identify the employees they want to retain as well as they need to identify whom they should get rid of for long-term sustainability (Ramlall, 2004). Organizations should focus on talent management. Hence, a key focus of human resource department should be "employee retention." If any organization does huge investment to train and develop its employees that investment will be ended in fiasco when employees leave that organization. When an employee works in an organization he/she always see the surrounding environments, cooperation of colleagues, opportunities that he/she can avail and all these work as influential factors for staying in the organization. Employees are also cautious about their prospect within the organization in the long run. If they find that they have good prospect, they become motivated to stay in the organization. Organization's prospect, as a whole, in the long run is also a vital factor for attracting the employees and also for retention of employees (Silbert, 2005). In this light, this study has identified the factors those are crucial for retention of employees within the organization. In today's global economy, to develop a competitive advantage, organizations must support the strategic plans and required actions for employee retention (Hytter, 2007; Kyndt, 2009). However, an important fact is, the retention factors are not same for all the organizations. Since different types of organizations require employees with different qualifications, the retention related factors are also expected to be different. Hence, if any organization could know the specific requirements for retention of its employees, it can take necessary measure for retaining its employees. In this study, we aimed to identify the important factors of employee retention within and among the studied organizations and that will help to devise a strategic plan for effective and specific retention policy.

2. Rational of the Study

Bangladesh being a very vibrant country with a considerable gross domestic product growth has a considerable employment opportunity in a varied range. However, the dynamics of the employee retention is complex, where private and public domain has different approaches in deciding the criterion of employee retention and get maximum benefits from the analyzed outcome. The public sector is having less consideration in employee retention in Bangladesh, as job is guaranteed, and employee is satisfied with even less salary. The government being the employer, all the service holder is serving in the range of employee with varied experience range. But in the private sector, employers are having the freedom in employee retention considering the outcome from any employee. As the job security is not guaranteed, rate of job shifting is possible for different reasons. It may vary in different outfits in the private sector as well. Retention of employees is always vital for any organization, and there had been studies carried out to understand the different challenges thereof. However, the present dynamics of different private organizations in deciding the factors considering the employee retention needs in depth study. Different private sectors are having different kinds of challenges, the challenges of employee retention in banking sectors are different from the employee retention of universities. When employees leave any organization, they leave with their experience and expertise. All the investment for their development by the organization goes in vain. From Bangladesh perspective, we can say that employers are not that much concern for understanding the factors responsible for employee retention and that leads to a high turnover of employees, eventually that resulted into a huge loss of the organization, directly or indirectly. Besides this, if the authority of an organization cannot identify the specific measures they need to take to satisfy their experienced employees to be retained in the organization, they will not be able to formulate efficacious retention policy to retain them.

3. Literature Review

Research for retention of employees is not rare around the globe, and Bangladesh is no difference. However, finding the factors of employee retention for different types of organizations are rare in Bangladesh, and the

methods imparted on those researches are not up to the mark. In a study conducted by Raman et al. (2013), in the IT sector in India, revealed the clarity of role and adequacy of resources, nurturing employee loyalty, organizational inspiration as the key drivers against turnover intentions. Interestingly, the study found that work-family-conflict and work stress did not lead to turnover intentions. Although most of the organizations are found to be technology driven, still human resources are required to run the organization. They are the most vital and dynamic resource of the organization (Das and Baruah, 2013). Retention of them is also vital for long-run benefit and also for successful achievements of the organization goals (Gberevbie, 2008). If the organization cannot retain its prospective employees and if excessive turnover happens that can affect the morale of the existing employees as well as the reputation of the organizations (Mello, 2011; Olowu and Adamolekun, 2005; Gardner et al, 2004; Smit and Cronje, 2002). Employee retention factors are broadly classified into two groups; first is the intrinsic factors that are related to job satisfaction and second is the extrinsic factors which are related to job dissatisfaction (Herzberg, 1967). Herzberg also identified that motivation is internally generated and is propelled by the factors that are intrinsic to the work which he called “motivators.” These intrinsic variables include achievement, recognition, the work itself, responsibility, advancement, and growth. Extrinsic factors are company policies, salary, working environment, etc. (Herzberg, 1967). If these factors are adequate in a job, people will not be dissatisfied. In a study conducted in South Africa on private and public sectors to find the factors of job retention, found that both public and private sector employees are influenced by extrinsic and intrinsic motivational factors to stay in their organizations. The quantitative research design was used to survey 145 respondents. Motivational factors such as training and development, challenging or interesting work, freedom for innovative thinking and job security were found to have a significant influence on employee retention in both public and private sector organizations (Samuel and Chipunza, 2009; Fang et al, 2009). Burnout, loyalty, and turnover intent are indicator variables for latent retention. From the employee point of view, there may be differences between the reasons for choosing the organization as employer and reasons for leaving the organization. It may happen if the organization does not show the career path to its employees and employees get the feeling of being stuck in the organization and if there is no opportunity for personal development, employees may leave the organization (Eyster et al., 2008). The location of the company and its compensation package were the most common factors to remain with the company. In service industry, the satisfaction of the employees is a vital issue for better customer service because a satisfied employee can create a satisfied customer. Employees who are directly connected to end users need to be satisfied with their organization. Study conducted in Pakistan by Ahmad et al. (2012) found that internal communication, training, and motivation have positive impact on employee retention in banking sector. Effective leadership style is required for employee retention (Dochy et al., 2009). However, no such study has been found that dealt with the identification of employee retention factors for different organizations. In the death of the relevant literature on employee retention strategy for different nature organizations in Bangladesh, this study is going to be an addition.

4. Objectives of the Study

The general objective of this study is to identify and compare the employee retention factors among the Private Banks, Private Universities, readymade garment (RMG), and information technology (IT) sector of Bangladesh.

The specific objectives are:

- To identify the factors instrumental to the retention of employees within the organization
- To compare the factors for retention of employees in the studied organization in Bangladesh
- To rank the factors of retention in the organizations in terms of employees’ responses
- To provide suggestions to the policy makers to improve the situation.

5. Research Question

The following research questions have been answered by this study:

- i. What are the common factors of retention of employee in the studied organizations?
- ii. What are the employee retention factors that are distinctive in the studied organizations?

6. Conceptual Framework

The aim of this study is to identify the factors of employee retention among the Private Bank, Private University, RMG, and IT sectors and to see the differences of the retention factors in these organizations. In this regard, an extensive literature review has been done, and the variables related to employee retention have been identified. According to different study, these variables are broadly classified into job satisfaction, motivation, working environment, organization's growth, and career prospect.

It is shown in the schematic diagrams (Figure 1) that under job satisfaction, we found four common observed variables, namely, salary of the employees, performance bonus, good terminal benefit, and job security of the employees. The second factor is motivation of the employees, and which is characterized by recognition or reward for the work of employees, sense of belongingness to the organizations, scope for innovative thinking, freedom of work, and the opportunity to take part in decision making. Third identified factor is working environment, and the variables under this factors are cooperation with the colleagues in the working place, interpersonal relationship with the superior, leadership quality of the superior, scope for work and personal life balance, and the organization's physical environment. The last identified factor is the prospect of the organization and the employees and the variables under this factor are the opportunities for training and development of the employees, freedom for doing challenging work and unhindered opportunities for promotion. In the first phase of the model, the magnitude of the observed variables has been identified, and in the second phase, the effects of the identified factors have been tested on the retention of employees. The same analytical model has been applied to the responses of the employees from the four types of organizations.

7. Methodology

7.1. Study area

The study area for this study is the private universities, private banks, RMG sector and IT sector of Bangladesh. The target population is the different level employees (e. g., entry, mid, and top) working in these organizations.

7.2. Data

This study is based on primary data. The employees working in the studied organizations are the unit of analysis of this study. A semi-structured questionnaire with 17 questions related to employee retention in Likert scale has been addressed to get the opinions and perceptions of the employee regarding their retention in an organization.

7.3. Sample design

Stratified random sampling technique has been used to determine the sample size, and an optimum allocation (proportion allocation) has been applied to select the number of respondents from the different types of organizations according to their size of employment. The sample size for the study has been determined by the formula; $n_0 = \frac{z^2 pq}{d^2}$ and the sample size is 270.

7.4. Data analysis techniques

7.4.1. Reliability analysis

A measure of scale reliability namely Cronbach's alpha (α) that measures the internal consistency of responses, that is, how closely related a set of variables as a group, has been used to analyze the reliability of the responses. The reliability coefficient can be written as a function of the number of test variables and the average intercorrelation among the variables. Mathematically, it can be written as:

$$\sigma^2 = \frac{N\bar{c}}{\bar{v} + (N-1)\bar{c}}$$

Where, N is the number of items in the data set, $\bar{c}$ is the average intercorrelation among the items and $\bar{v}$ is the average variance.

7.4.2. Methods

This research is a cross-sectional qualitative research. As research method, this study has used both descriptive and inferential analytical techniques. Although before imparting confirmatory factor analysis, it is needed to do an exploratory factor analysis to get the idea about the homogeneous groups of variables that determine the hidden factors from the observed variables. But in this study, we classified these homogeneous variables into four different groups based on the existing literatures. Thereafter, we have built a three-stage model, where, in the first stage, we placed the observed variables; in the second stage, we put the classified latent variables, and in the final stage, we have set the dependent variable, namely, intention of the employee to stay in the organization. Now, to identify the effect of the observed variables on the latent factors that eventually lead to the dependent variable; a structural model has been applied in two phases. In the first phase, the effect of the observed variables will be measured on the latent variables and in the second phase; the latent extracted factors will be regressed on the variable, employee retention.

8. Results and Discussion

8.1. Reliability analysis

Results (Table 1) for reliability analysis showed that the reliability coefficients for different types organizations and the coefficients are suggesting the reliability of the data as all the coefficients are 0.68 and above.

8.2. Overall model prediction based on the responses of the employees from four types of organizations

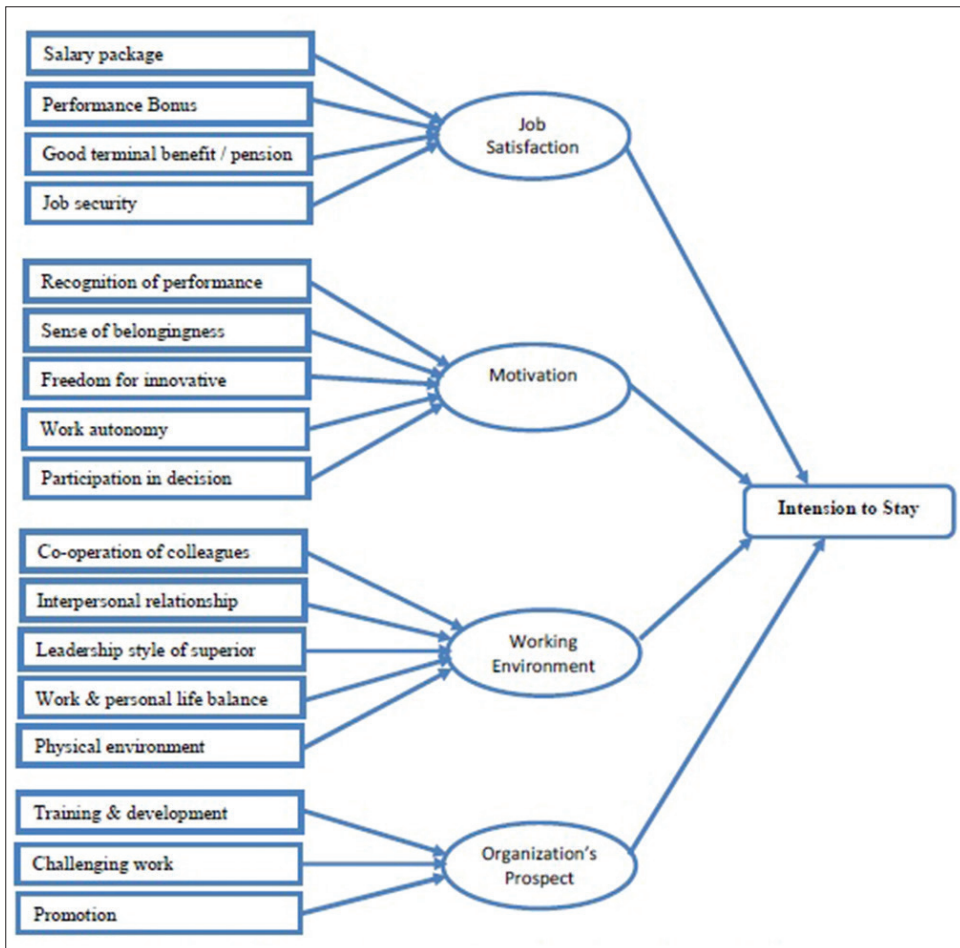
The first model of this study is based on the data collected from all four types of organizations and the predictions made for the retention of employees accordingly (Figure 2). The main objective of this study is to find and compare the employee retention factors in different types of organizations, and beside this, to see whether the factors of retention are different among the organizations. This overall model prediction indicates that motivation is the leading factor for retention of employees followed by working environment, job satisfaction, and the prospect of the organization and as well as the prospect of the employees. Among the motivation related variables, scope for participation in decision making is the leading factor for them to be motivated to stay in the organizations and that followed by the sense of belongingness of the employees. The rest of the factors for motivating the employees are almost equally important. Despite the speculation of the inclination toward the monetary issues, this model showed that the second choice of the employees to be retained is a good working environment. The main

Table 1: Reliability analysis for the different types of organizations

Nature	Reliability statistics	
	Cronbach's alpha	Number of items
Bank	0.78	18
RMG	0.68	18
IT	0.87	18
Education	0.75	18

RMG: Readymade garment, IT: Information technology

Figure 1: Conceptual framework for studying the employee retention



concerns are the scope to make balance between the work and personal life and the cooperation with the colleagues. About the prospect of the organization, employees want the opportunities to do challenging work to impart their innovative ideas that are followed by the proper training and development of the employees and their scope to be promoted.

8.3. Model prediction based on the data from the employees of the private banks

The finding of this model which is based on the data from private banks employees indicates that they prefer job satisfaction factor as the top priority to stay in the organizations (Figure 3). This reflects employees' intention toward the extrinsic values such as pecuniary issues and their job security. This may be because those who are working in private bank, most of them are doing this job not by choice rather by availability, so they are more focus to their economic solvency and they want to see that their job is secured. Employees in this field are more motivated to be retained by the bonus based on their performance followed by job security. The second leading factor for employee retention in the private banks is the working environment. After giving the satisfactory feeling about their job, if the organization gives a better working environment to its employees that motivate them to stay in the organization.

Figure 2: Structural model prediction for employee retention for the employees of different organizations in Bangladesh

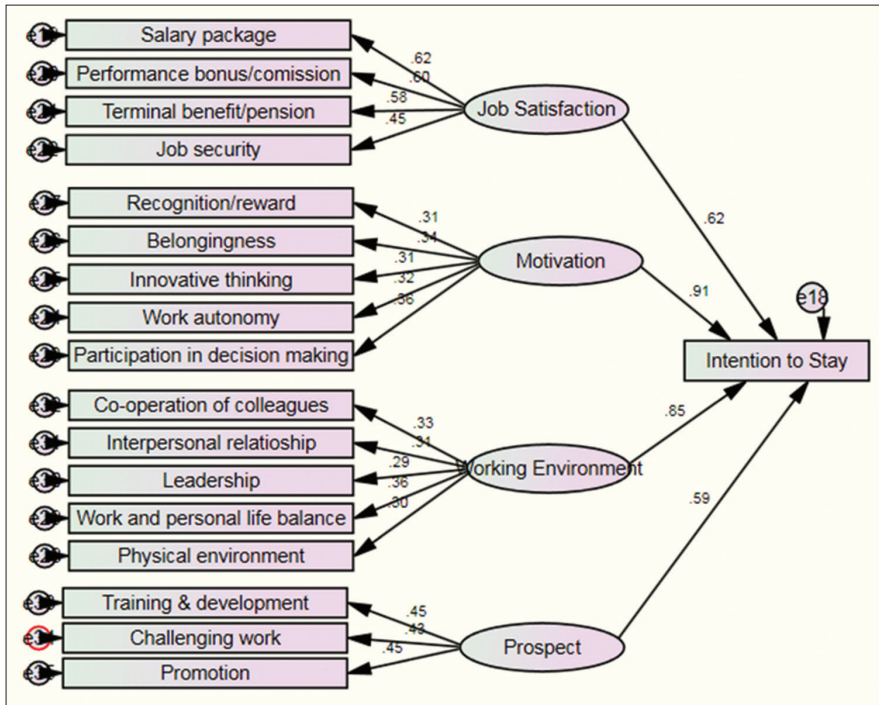
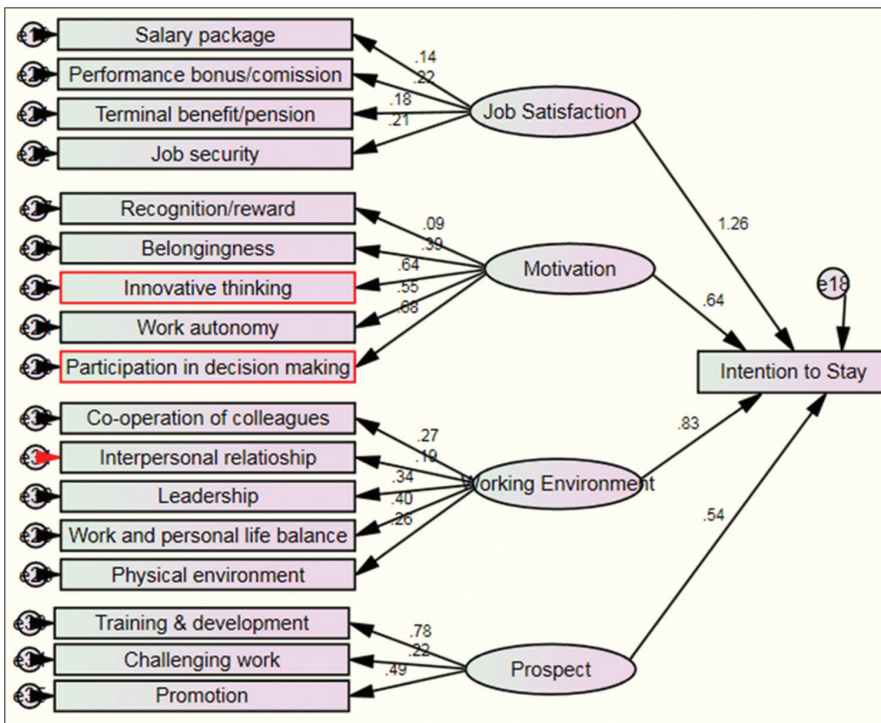


Figure 3: Structural model for employee retention for the employees of private banks in Bangladesh



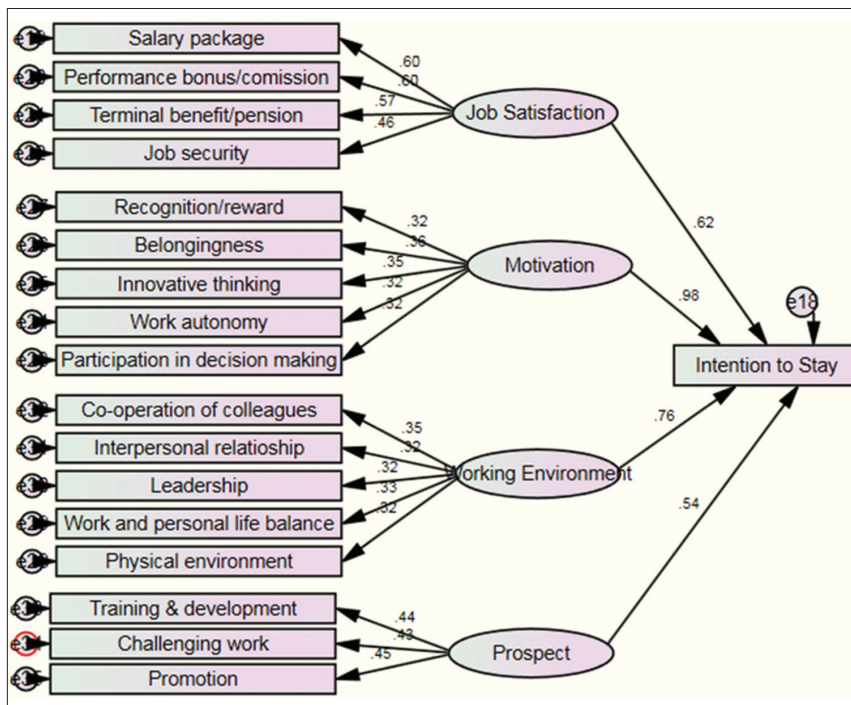
The factor which is at the prime importance among the working environment related factors is the scope to lead a balanced work and personal life. Employees are also concern about the leadership style of the managers of the organization and the interpersonal relationship among the employees working together. Since the working regulations and opportunities are made by the leaders, so a good leader can give a congenial environment for employees. Motivation is playing the third influential role for employee retention of the organization. If the employees get the scope to take part in the decision-making process, they own the organization gives the feeling of belongingness and want to stay in that organization. Sometimes they want to have the scope to be innovative and that also motivates them to stay.

8.4. Model prediction based on the data from the employees of the private universities

In the private universities, employees are more concern about the intrinsic factors of retention over other factors (Figure 4). It has been found that the motivation is the leading factor of retention for the employees in the private universities. Although all the motivating factors got almost equal importance by the respondents from the private universities, sense of belongingness has got the most importance. It is may be due to the nature of the job. Those who are working in the private universities, usually they hold good credentials, at least in terms of their academic records and to some extent they have more opportunities to switch their job. In most of the cases, they are in this profession by choice, so they want such an environment which gives them good feeling apart from earning money. According to the findings of this research, it is clear that the faculty members of the private universities want to have the scope of doing something new; they want to impart their ideas want to do research to development themselves.

If they find these factors are available and they are encouraged to do so they get motivation to stay in that place. At the same time, they want recognition of their work, not always by the monetary values,

Figure 4: Structural model for employee retention for the employees of private universities in Bangladesh



sometimes by other means, such promotion and authority to take decision. The second important factor for the employees of private universities is the working environment. And among the factors, cooperation with the colleagues has got highest concentration followed by work and personal life balance and physical environment.

8.5. Model prediction based on the data from the employees of RMG sector

A good number of RMG organizations are running in this country, and they are contributing significantly in the economy of the country. The perception and the dynamics of retention are also found different in this particular field according to the responses of the employees working in this industry. The findings suggested that the employees of RMG sector are more concern about the extrinsic means of the retention to remain in the organization (Figure 5). Since the employees' salaries are consolidated in most of the cases, so they want performance bonus for their accomplishments. Scope to get a good terminal benefit also encourages them to stay in the organization. The second leading employee retention factor is motivation where innovative thinking and freedom of work are playing leading role followed by belongingness and participation in decision making. Working environment and prospect of the organization are at the third and fourth place are, respectively, for motivating the employees to stay in the organizations.

8.6. Model prediction based on the data from the employees of the IT sector

The fourth sector that has been analyzed to identify the retention factor in Bangladesh is the IT sector (Figure 6). Here, we found that the motivation related factors are the prime concern for employee retention. The motivation related factors are scope for innovative thinking; belongingness, freedom of work, etc. The second leading factor is job satisfaction. Performance bonus got highest concentration among the job satisfaction related factors followed by terminal benefits and salary package. Working environment and prospect of the organization is the third and fourth factor for employee retention in this organization.

9. Conclusion

It is proved that the factors for employee retention are not same in the different organizations rather it is significantly varying according to the nature of the organizations. According to the model prediction based on the combined data from the four different types of organizations, good working environment is the major concern for the employees regarding their intention to stay in the organization followed by job satisfaction and motivation. However, when the model has been built separately for each type of organization based on the data from the respective organization that shows different outputs about retention. The leading factor for retention is different in different organizations though a similarity has been found about the least important factor which is the prospect of the organizations. Hence, it is proved that we should not determine the same policy for the retention of employees in all types of organizations rather we need to focus on the policies for employee retention according to the nature of the organizations and the employees working there.

10. Recommendations

In lieu of imparting, the same retention strategy organizations should follow different types of retention strategy according to the nature of the organizations. As per the findings of this research, the following recommendations can be made;

- i. The employee retention policy should not be same for all types of organizations.
- ii. The private bank should focus on the job satisfaction of the employees followed by good working environment.

Figure 5: Structural model for employee retention for the employees of readymade garment sector in Bangladesh

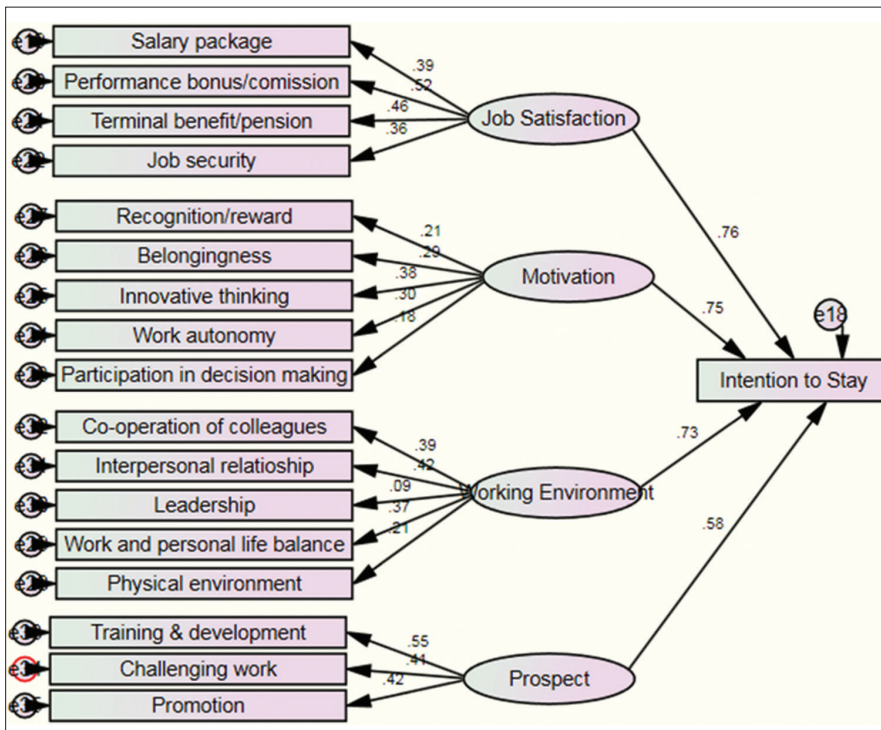
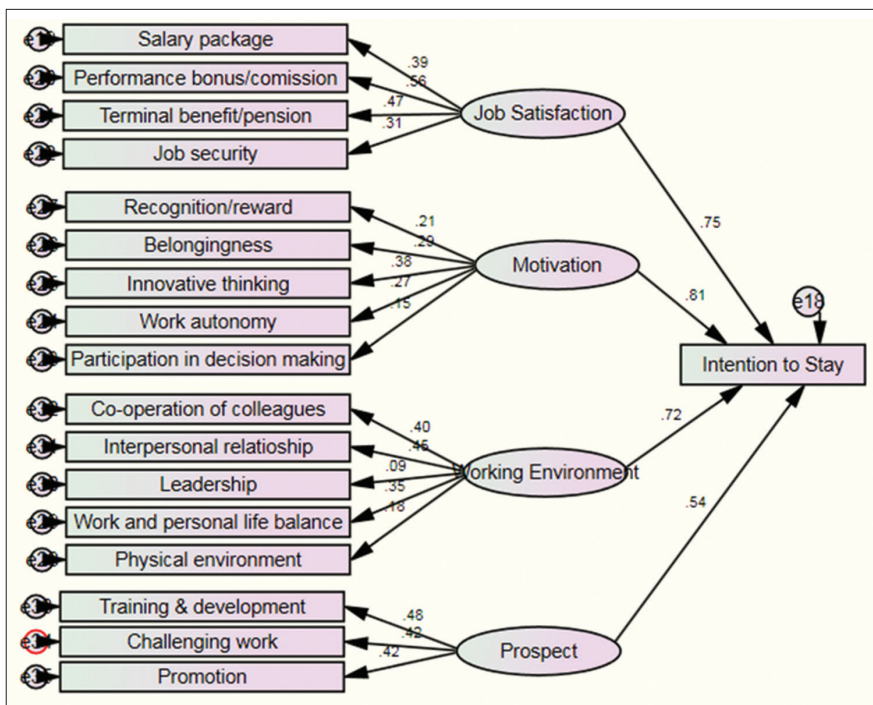


Figure 6: Structural model for employee retention for the employee of information technology sector in Bangladesh



- iii. For private universities, focusing on the motivational factors is important for motivating them to stay in that university.
- iv. For RMG sector, the job satisfaction related factors are the most important followed by the motivational factors.
- v. For IT sector, motivation related factors should get the highest priority followed by job satisfaction related factors for the retention of employees.

References

- Ahmad, N., Iqbal, N., Sheeraz, M. (2012), The effect of internal marketing on employee retention in Pakistani banks. *International Journal of Academic Research in Business and Social Sciences*, 2(8), 270-272.
- Chi, C.G., Gursoy, D. (2009), Employee satisfaction, customer satisfaction, and financial performance: An empirical examination. *International Journal of Hospitality Management*, 28(2), 245-253.
- Das, B.L., Baruah, M. (2013), Employee retention: A review of literature. *Journal of Business and Management*, 14, 8-16.
- Dochy, F.K.E., Michielsens, M., Moeyaert, B. (2009), Employee Retention: Organizational and Personal Perspectives. *Vocations and Learning*. DOI:10.10.07/s12186-009-9024-7.
- Eyster, L., Johnson, R., Toder, E. (2008), Current Strategies to Employ and Retain Older Workers. Available from: http://www.urban.org/uploadedPDF/411626_Olderworkers.pdf.
- Fang, C.H., Chang, S.T., Chen, G.L. (2009), Applying Structural Equation Model to Study of the Relationship Model among leadership style, satisfaction, Organization commitment and Performance in hospital industry.
- Gardner, D.G., Van Dyne, L., Pierce, J.L. (2004), The effects of pay level on organization-based self-esteem and performance: A field study. *Journal of Occupational Organization Psychology*, 77(3), 307-322.
- Gberevbie, D.E. (2008), Staff Recruitment, Retention Strategies and Performance of Selected public and Private organizations in Nigeria. Ph.D. Thesis. Collage of Business and Social Science, Covenant University, Ota.
- Herzberg, F.I. (1967), *Work and the Nature of Man*. Cleveland: World Co.
- Hytter, A. (2007), Retention strategies in France and Sweden. *Irish Journal of Management*, 28(1), 59.
- Kyndt, E., Filip, D., Maya, M., Bastiaan, M. (2009), Employee retention: Organizational and personal perspectives. *Vocations and Learning*, 2(3), 195-215.
- Locke, E., Latham, G. (1994), Goal-setting theory. Chair in Human Resources at the State University of New York-Buffalo and was Faculty Director of the Center for Entrepreneurial Leadership there. Previously he was Research Professor of Management at Georgia State University. He Has Written Over Fifty Books and Over 135 Other Publications. p159.
- Mello, J.A. (2011), *Strategic Management of Human Resources*. Australia: South-Western Cengage Learning.
- Men, L.R. (2010), Measuring the Impact of Leadership Style and Employee Empowerment on Perceived.
- Milkovich, G.M., Newman, J.M. (2004), *Compensation*. 8th ed. Burr Ridge, IL: Irwin McGraw-Hill.
- Moncraz, E., Zhao, J., Kay, C. (2009), An exploratory study on US lodging properties organizational practices and employee turnover and retention. *International Journal of Contemporary Hospitality Management*, 21(4), 437-458.
- Olowu, D., Adamolekun, L. (2005), Human resource management. In: Adamolekun, L., editor. *Public Administration in Africa: Main Issues and Selected Country Studies*. Ibadan: Spectrum Books.
- Pritchard, C.W. (2007), *101 Strategies for Recruiting Success: Where, When, and How to Find the Right People Every Time*. New York: AMACOM.
- Raman, R., Bharathi, S.V., Sessa, V., Joseph, S. (2013), Use of structural equation modeling to empirically study the turnover intentions of information technology professionals in Pune city. *Indian Journal of Science and Technology*, 6(12), 5612-5624.
- Ramlall, S. (2004), A review of employee motivation theories and their implications for employee retention within organizations. *Journal of American Academy of Business*, 5(2), 52-63.
- Samuel, M.O., Chipunza, C. (2009), Employee retention and turnover: Using motivational variables as a panacea. *African Journal of Business Management*, 3(9), 410.
- Silbert, L.T. (2005), The Effect of Tangible Rewards on Perceived Organizational Support. *Management Sciences*. p34.
- Smit, P.J., Cronje, G. (2002), *Management Principles*. Lansdowne: Juta and Co., Ltd. p139.