Talent Retention Strategy and Employees’ Productivity in Private Sugar Companies in Kakamega County, Kenya

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Abstract

Organizations that wish to be successful in this highly competitive world are those that systematically and proactively take necessary measures to ensure that they retain their talented workforce. This study is aimed at determining the effect of talent retention strategy on employees’ productivity in private sugar companies in Kakamega County, Kenya. The study used cross-sectional survey research design. A stratified sampling and simple random sampling technique were employed to enable the researcher to select the respondents from the two private sugar companies in Kakamega County. The target population was made up of 320 respondents comprising of 70 managers and 250 operative level employees’. A sample size of 178 respondents was selected out of which 133 respondents completed and returned the questionnaires giving a response rate of 74.72%. Interview schedule and questionnaires were used for data collection. Validity and Reliability of research instruments were guaranteed by a test re-test method. The computed Cronbach’s alpha reliability of the research instrument was 0.834 which is acceptable in social research because it is above acceptable Cronbach’s alpha of 0.7. The data collected was analyzed using descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS) version 20. Spearman’s rank-order correlation and linear regression model were used to test for relationships between the study variables. Research findings were presented in the form of frequency distribution tables and percentages. The study found that talent retention strategies had a positive and significant relationship on employees’ productivity. It is recommended that organizations should put in place and implement inclusive compensation and reward policies so as to retain its productive employees.

Keywords: Talent, competitive compensation, talent retention strategy, employees’ productivity

1. Introduction

Different scholars have defined the word talent in differently. Tansley (2011) referred to talent as “giftedness which is innate. He also define talent as natural aptitude and ability while Wikstron and Martin (2012) defined talent as greater mastery of developed knowledge and abilities in the field of human endeavor. According to Axelrod, Handfield and Michaels (2001), talent is the sum total of the person’s abilities; It entails his/her skills, intrinsic gifts, knowledge, experience, judgment, intelligence, attitudes, drives and character. Talent attraction strategy is thus the measures undertaken by the organization to encourage its workforce to remain and be loyal to the organization. This is achieved through giving employees compensation which is above and over what the competitors pay in the same industry (Echols, 2007). For an organization to be cost effective, it must avoid direct and indirect costs associated with lack of talent retention which is harmful to it. Direct costs entails; turnover cost, transition costs and turnover costs while indirect costs entails; loss in production, overtime which is unnecessarily, low morale and reduced performance level (Echols, 2007). Mendez and Stander (2011), argued that successful companies especially in this twenty first century need to invest heavily in their employees in order for them to retain talented workforce.

According to Vaiman and Vance (2008), organization can apply extrinsic and intrinsic incentives as talent retention techniques. Extrinsic incentives are monetary rewards which fulfill physiological needs of employees while intrinsic incentives are non-monetary rewards which satisfy psychological needs of employees. Vaiman and Vance (2008), noted that extrinsic reward are leads to high retention of talents as compared to
intrinsic reward. Organizations that wish to retain their talented workforce should offer better compensation packages that have such elements like; allowances, life and disability insurance, fridge benefits, better salaries and bonuses in order to increase employees commitment to the organization (Lockwood, 2006).

Gomez-Mejia, Balkin and Robert (2004) asserted that retention of employees is high when competitive compensation packages have elements of internal and external equity. Internal equity is the same pay packages that exist in organization among employees in the same rank while external equity is the same payment package that exist among employees doing the same job in different organization, but in the same industry. Horton (2002), also augured that compensation should be liked directly to the contribution employees in the organization so as to retain high caliber of employees. Competency-based compensation is essential because it has several benefits that entails; motivate talented employees for better performance, change of behaviour, workforce flexibility and propositional opportunities as a result of job progression (Horton, 2002). Bowden, Mactaggart and Martin (2006) used Abraham Maslow Hierarchy Theory of Needs and Herzberg Two Factor Theory as the major talent retention theories that motivates employees towards superior performance. These theories emphasizes on the extrinsic and intrinsic rewards as the main motivation elements which leads to employees job satisfaction thus retaining organization top talents.

1.1 Statement of the research problem

The rationale behind talent retention strategies is to retain the best employees to get superior business results. However, talent retention remains a big challenge for organizations that compete for the same talent pool (Gardner, 2002). Private sugar companies in Kakamega County, Kenya have continuously experienced acute shortage of talents especially in the top managerial position. This has resulted in poaching of talent from public sugar companies through promising of high payment which in the long run may not be the case (KSB, 2013). Private sugar companies have also lost some of its talented staffs to their competitors due to poor working conditions in the company, uncompetitive salaries and lack of learning and development opportunities for career prospects (Rapando, 2011). These challenges have resulted to low employees’ productivity in terms of few out grower farmers joining the company, a low number of tonnes crushed per month, constant customers’ complaints concerning poor service delivery and wastage of production time leading to low company performance (Rapando, 2011).

While previous studies conducted in sugar companies in Kakamega County concerned themselves with an effect of training and career counseling on the performance of private sugar companies (Egessa, 2005; Rapando, 2011) none of them examined the effects of talent management strategies on employees’ productivity in private sugar companies. Therefore, this study bridged the knowledge gap by investigating the effect of talent retention strategies on employees’ productivity in private sugar companies in Kakamega County, Kenya.

1.2 Research Objective

To determine the effect of talent retention strategy on employees’ productivity in private sugar companies in Kakamega County.

1.3 Research hypothesis

Ho: There is no significant effect of talent retention strategy on employees’ productivity in private sugar companies in Kakamega County, Kenya.

1.4 Conceptual framework

![Figure 1.1: Conceptual Framework showing Talent Retention Strategy and Employees' Productivity. Source: Researcher conceptualization (2016)](image)

2. Literature Review

2.1 Theory on talent retention

Employees retention concept was explained by Equity theory of motivation propagated by Adams in 1965. The theory is based on equity principles practiced by the organization in that for employees to be motivated in the organization, there must be justice and fairness in rewarding and promotion practices in the organization (Nzuve, 2007). If employees perceive organization to be fair in embracing their motivational practices, then they will be committed and loyal to the organization and thus are likely to be retained.

Equity theory is based on the assumption that major concern of employees is not only what they get as their own reward but what others in the same rank as their get. Another form of equity is associated with employees inputs against organization output. If employees work very hard which leads to organization profits and this is not translated to their salary increase, then there is no equity in the organization. Adam (1965) noted that increase in employees turnover and low performance is due to the perception of mismatch between job input of employees and their reward.
Drafke and Kossen (2002) also argued that inputs devoted by employees and output they get in terms of salary and other benefits must be inline. In this current study context, organization that wish to retain its talents need to have strategies and policies that are perceived to be fair and equitable. These polices need to address both internal and external equity for instance a competitive systems where are employees are involved.

2.2 Talent retention strategy and employees’ productivity

Baum and Kokkranikal (2005), defined employees’ productivity as the output per each unit of labour, that is, amount produced by each unit of labour or productive unit labour hours numbers. Organizations that utilize production inputs like labour increase their productivity thus creating competitive advantage in the global market. Organization with talent retention strategies in place to manage their talents creates a permanent competitive advantage which competitors cannot replicate and benchmark compared to innovations and technologies which are easily replicated (Heinen S. J and Colleen, 2004; Lawler, 2008). According to Davis (2007), talent retention strategies are necessary when the companies would like to build winning teams which will be formed by talented people. Collings and Mellahi (2009), supports this assertion by arguing that properly managed talent have a positive relationship with organization performance brought by employees performance.

Aberdeen Group Inc. /Human Capital Institute (2005) study covering 170 professional in human capital management and executives in the global companies found out the following; 57% of global companies respondents cited that the top overall challenge for the company was inability to get the needed talents over the next five years; 79% cited that implementation of succession planning was also a big challenge and 65% of the companies had formal retention plans for middle level staffs in management and 71% for executive staffs. Performance of the companies that implement talent management practices was found to be high.

Kahinde (2012) study on effects of talent management on organization performance in Nigeria found out that; 95% of the visited organizations apply completely or partially talent management strategies; there was a positive correlation between talent management strategies and return on investment, and profitability.

Poorhosseinzadeh and Subramaniam (2012) quantitative survey study of talent retention on Malaysian multinational companies found out that there was a significance and positive relationship between talent retention and organization performance (r=0.684 at a p-value of 0.000, p<0.05). Poorhosseinzadeh & Subramaniam (2012), in general concluded that talent retention leads to higher organization performance thus organizations that wish to be successful in this global competitive world need to invest more on talent development strategies.

3. Research Methodology

3.1 Research design

The researcher adopted cross-sectional survey design using both qualitative and quantitative approaches. Cross-sectional survey design is suitable because it gathers information on a population at a single point in time.

3.2 Target population

The target population was drawn from two private sugar companies in Kakamega County, that is, West Kenya and Butali sugar companies. The target population comprised of 70 managers and 250 operational level employees’ summimg up to 320 respondents. Managers were chosen for the study because they are instrumental in formulating, developing and implementing talent management strategies for effective organization performance. Operative employees were also relevance because they are the one directly affected with talent management strategies and thus are able to relate it with their productivity.

3.4 Sampling design and sample size

Purposive sampling was employed to select the two private sugar companies within Kakamega Company. The study adopted stratified sampling technique to categorize employees in two strata as managers and operatives and then used simple random sampling to select employees among these two categories.

Since the target population, N, is known, the study used Yamane, Taro (1967) formula to determine the sample size, n from the study population, N and e, is the probability of error (within the desired precision of 0.05 for 95% confidence level). For example, Target population of 320 employees’, implying will be approximately 178.

\[
N = \frac{1}{1 + N(e)^2}
\]

\[
n = \frac{320}{1 + 320(0.05)^2} = 177.78 - 178
\]

Table 3.1: Sampling frame

<table>
<thead>
<tr>
<th>Company</th>
<th>Target Group</th>
<th>Target Population</th>
<th>Sample Size</th>
<th>Percentage from target population</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Kenya</td>
<td>Managers</td>
<td>48</td>
<td>27</td>
<td>56.3%</td>
</tr>
<tr>
<td></td>
<td>Operatives</td>
<td>140</td>
<td>78</td>
<td>55.7%</td>
</tr>
<tr>
<td>Butali</td>
<td>Managers</td>
<td>22</td>
<td>12</td>
<td>54.5%</td>
</tr>
<tr>
<td></td>
<td>Operatives</td>
<td>110</td>
<td>61</td>
<td>55.5%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>320</td>
<td>178</td>
<td>55.6%</td>
</tr>
</tbody>
</table>

Source of target population: HRM departments: West Kenya and Butali Sugar companies (2016)

3.6 Data collection tools

The study used questionnaires for management and operational level employees and interview schedule for top management to collect data.
3.7 Pilot study

According to Cooper and Schilder (2011), researchers should apply thumb rule of 10% of the sample size in order to calculate the number of respondents to be used for pilot study. The pilot testing was conducted in Kibos Sugar Company Limited which is a private sugar company located in Kisumu County, Kenya. The study sampled 18 respondents for the study which is approximately 10% of the sample size, 178 respondents. 18 respondents composed of 14 operative level employees’ and 4 managers. Validity and reliability of the research instruments was realized through pilot testing.

3.8 Data analysis and presentation

After data collection, data was edited, coded and entered in SPSS. Descriptive and inferential statistic was used to analyze qualitative and quantitative data respectively (Oso & Onen 2008). Descriptive statistics was aided by use of frequency tables showing the mean, standard variation and variances. Quantitative data was analyzed using Spearman’s rank-order correlation to test the strength of relationship between talent management strategies and employees productivity. The research also used Multiple Regression Analysis that generated ANOVA, Coefficient of Determination (R2) and Correlation Coefficient (R).

The study utilized the following multiple linear regression models;

\[ Y = \alpha_0 + \alpha_1 x_1 + \epsilon \]

Where;

\( \alpha_0 \) = constant which is the value of the dependent variable when all the independent variables are 0; \( \alpha_i \); i = 1,2,3,4 is the regression coefficients which measures the change induced by \( x_i \); i=1, 2, 3, 4 on \( Y \). \( x \) = Talent retention Strategy; \( Y \) = Employees’ Productivity and \( \epsilon \) = error term.

4. Data Analysis and Discussions

4.1 Response rate

The researcher administered 178 questionnaires out of which 133 questionnaires were completely filled and collected back as shown on Table 4.1. This represents a 74.72% response rate which is very good as asserted by Bebbie (2004) that a response rate of above 70% is good.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful</td>
<td>133</td>
<td>74.72%</td>
</tr>
<tr>
<td>Unsuccessful</td>
<td>45</td>
<td>25.28%</td>
</tr>
<tr>
<td>Total</td>
<td>178</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (2016)

4.2 Descriptive statistical analysis

The study sought to determine the effect of talent retention strategy on employees’ productivity in private sugar companies in Kakamega County. The respondents responses were rated on a five point Likert Scale showing to what extent the respondents agree or disagree to the researcher statements on talent retention strategy, where: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. The researcher interpreted the data using mean (where <1.5=Strongly Disagree, >1.5-2.5=Disagree, 2.5-3.5=Neutral, 3.5-4.5=Agree, >Strongly Agree) and Standard deviation will be interpreted (where <1= no variation, >1=no consensus). The researcher generated the mean and standard deviation from SPSS as tabulated in Table 4.3.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and non-</td>
<td>133</td>
<td>1.00</td>
<td>5.00</td>
<td>3.6015</td>
<td>1.06558</td>
</tr>
<tr>
<td>financial reward</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>retains best talent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total reward strategy</td>
<td>133</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5714</td>
<td>1.16960</td>
</tr>
<tr>
<td>retains key workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive rates</td>
<td>133</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5188</td>
<td>1.15208</td>
</tr>
<tr>
<td>and benefits retain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>talent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and</td>
<td>133</td>
<td>1.00</td>
<td>5.00</td>
<td>3.2030</td>
<td>1.17911</td>
</tr>
<tr>
<td>reward policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>includes all types</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of rewards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data (2016)

Results in Table 4.3 shows that there was no outlier in respondents response because the minimum value illustrate that the least score, 1 represents strongly disagree responses and the highest score 5 represent strongly agree responses. The calculation of mean and standard deviation were therefore not affected by the extreme values. According to the study findings in Table 4.3, majority of respondents agreed that sugar companies with competitive compensation packages in place are able retain their talented employees. The level of retention as a result of competitive compensation strategy were ranked as follows; Financial and non-financial reward retains best talent, Total reward strategy retains key workers and Competitive rates and benefits retain talent represented with a mean of 3.60, 3.57 and 3.52 respectively.

However, the respondents were not sure if the sampled private sugar company’s compensation and reward policy includes all types of reward with a mean of 3.20.

This results shows that though the respondents were in agreement that good compensation packages will make them be retained in the company, the current compensation is not adequate hence only a few of employees are beneficiary. The results of standard deviation in Table 4.3 show that there was no consensus on the outcome of retention as a result of having
competitive compensation packages and not been sure if the company compensation and reward policy includes all types of reward, represented with a standard deviation of 1.066, 1.170, 1.150 and 1.179 respectively.

Overall, the competitive compensation packages leads to high retention of talents in the organization and there should be clear and inclusive policy on compensation and reward for effective retention of talents in the organization. The study findings concurs with Gomez-Mejia, Balkin and Robert (2004); Lockwood (2006); Mendez and Stander (2011) and Vaiman and Vance (2008) studies that observed that successful organizations offer competitive compensation packages because they are able to retain their talented employees.

4.3 Inferential statistical analysis

Table 4.3: Relationship between talent retention and employees’ productivity

<table>
<thead>
<tr>
<th>Spearman’s rho</th>
<th>Employees productivity</th>
<th>Talent retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation Coefficient</td>
<td>( r = 0.559^{**} )</td>
<td>0.131</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.3 shows the results of correlation between talent retention strategy and employees’ productivity. Results in Table 4.3 shows that there is a positive and significance relationship between talent management strategy and employees’ productivity at 99% confidence level (\( r = 0.559, p = 0.000 \) which is less than 0.01). The results reveals that sugar companies that embrace talent retention strategies reports improvements in their employees’ productivity. These results are consistent with the past studies carried out by Poorhosseinzadeh and Subramaniam (2012) which found out that talent retention strategies results to a positive and significance relation with employees performance.

Table 4.4: Model Summary for Talent Retention

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.525**</td>
<td>0.276</td>
<td>0.27</td>
<td>0.58116</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The researcher conducted regression analysis in order to find out if talent retention strategy can significantly determine employees’ productivity in private sugar companies in Kakamega County, Kenya. Table 4.4 regression results shows that there is a satisfactory goodness of fit between employees’ productivity and talent retention strategies. The R-Squared is 0.276 indicating that talent retention strategies accounts for 27.6% of the variability in employees productivity in private sugar companies. The regression results shows that there is a high significance influence of talent retention strategies on employees’ productivity. The correlation coefficient of 0.525 shows that there is a positive and significant relationship between talent retention strategies and employees’ productivity in private sugar companies in Kakamega County thus concurs with Poorhosseinzadeh and Subramaniam (2012) findings on positive and significant relationship between talent retention and employees performance.

Table 4.5: ANOVA for Talent Retention

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>16.849</td>
<td>1</td>
<td>16.849</td>
<td>49.885</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>44.245</td>
<td>131</td>
<td>0.338</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>61.093</td>
<td>132</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.01 level (2-tailed).

Table 4.5 examines the significance of the overall regression model in order to determine the feasibility or applicability of the model to measure the study variables. The results in Table 4.5 show that talent retention is significance (\( F = 49.885, P < 0.05 \)) the probability of 0.000 indicates that “overall regression model was insignificant” statement had a very low probability thus it is true that the overall regression model was significant.

Table 4.6: Regression Coefficient for Talent Retention

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>1.957</td>
<td>0.238</td>
<td>8.208</td>
</tr>
<tr>
<td></td>
<td>Talent retention</td>
<td>0.474</td>
<td>0.067</td>
<td>0.525</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.01 level (2-tailed).

Regression analysis results in Table 4.6 reveals to which extent talent retention strategies predict employees’ productivity. Based on the results in Table 4.6, the equation for linear regression model can be written as;

\[ Y = 1.957 + 0.474X + e \]

Beta of 0.474 means that every 0.474 units of use of talent retention strategies, leads to a corresponding 1 unit in employees’ productivity. The results also show that talent retention is statistically significant (\( p < 0.05 \)) in explaining employees’ productivity in private sugar companies in Kakamega County, Kenya. The study agrees with Poorhosseinzadeh and Subramaniam (2012) findings on the positive and significant relationship between talent retention and employees performance.

The results of the regression in Table 4.6 were used to test the research hypothesis, “Ho: There is no significant
effect of talent retention strategy on employees’ productivity in private sugar companies in Kakamega County, Kenya”. The null hypothesis of the study was therefore rejected at 0.05 significant level and the study accepted the alternative hypothesis that there is a positive and significant relationship between talent retention strategies and employees’ productivity.

Conclusion

The researcher concluded that private companies in Kakamega County, Kenya have no elaborate compensation and reward policy in place because most respondents were undecided on existence of such a policy. Respondents cited competitive compensation packages as the main ingredients which leads to retention of talents in organization. The packages include: Financial and non-financial reward; Total reward strategy; and Competitive rates and benefits. The study further concluded that talent retention strategy had a positive and significant influence on employees’ productivity.

Recommendations

The study recommends that sugar companies should put in place elaborate and inclusive compensation and reward policies in an organization so as to retain its talented workforce. The study also recommends that compensation and reward policies should be well communicated to the employees. Finally, the study recommends that organization top management should carry out close monitoring and evaluation of effectiveness of reward and compensation policies. This is meant to continuously retain talented workforce for superior productivity which will finally lead to organization performance in general.

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