Role of Capacity Development, Employee empowerment and Promotion on Employee Retention in the banking sector of Pakistan

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Abstract

The research examines the role and impact of Capacity development, Employee Empowerment and Promotion in Employee retention. It is the quantitative study exploring various aspects of the focal area under taken. Self structured questionnaire tool has been used with a Cronbach’s Alpha Reliability score .872, sample size is n = 74 and Correlation and Regression analysis is applied to check the relationship and strength of the variables via well designed research software Statistical Package for Social Sciences (SPSS).The sector selected is the Banking sector because it is the backbone of any country’s economy and growth.

Keywords: Capacity development, Employee empowerment, Promotion and Employee Retention.

Introduction

Most of the HRM strategies are focused on employee satisfaction and retention as HR is the only active resource in an organization which brings competitive edge to the business. Organizations must provide employees the opportunities to groom their talents and knowledge for achieving the organizational goals for mutual benefit (Stephen Covey, 2012).

The organizations that have violated and ignored the humane aspect of their business have suffered heavy losses fine example is of Enron the largest energy providing company of United States of America knocked out because it did not follow the business ethics and exploited its people to follow mal practices of business. For more than a decade the Organization dynamics are the focus of HR practitioners hence providing the strong genesis to re research on the importance of training and development, people empowerment and management. Although much has been said and done on the aforesaid study but the results computed add fresh research flavor to the previous study.
Individuals keep on developing their capabilities with frequent exposure to variety of situations and added experience. This enhancement in the professional capabilities drives individual to secure more challenging jobs carrying higher professional and financial values. Organizations on the other hand apply all their resources and energy to acquire best of the best employee within their reach. This creates the need for integrating individual professional needs with organization need through T&D strategies. According to HR gurus’ T&D should bring some notable positive changes for instance professionalism seen in workers behavior or new skill learnt like computer and IT knowledge. Training and job rotation moving employee from one job to another enhances creativity and employees feel variety in their work. It improves employee performance leading to organization profitability. The Whole Job Concept or Job Enlargement allows employees to give suggestion in devising challenging jobs, increase motivation and organization commitment. Such a delegation aid in employees growth and quality of work (Kossen, 1994).

Employee binding programs is a healthy exercise for smooth business operation. Employee empowerment is employee participation in the organization matters, more importantly in decision making process.

Managers must share the information on organization performance, compensation management practices with their subordinates on the work done by them (Bowen & Lawler, 1992). Another approach to employee empowerment is to allow the workers to take initiatives for innovative practices on their own (Zemke & Schaff, 1989).

Promotion is an employee development strategy which is also considered as a reward of good performance and realization of employee's capabilities. It carries a high value in employee retention, as a clear succession plan keeps the employee motivated for good performance and long term commitment with the organization. This process also creates the sense of security among the existing employees.

Employee Retention is the most important aspect for the management. It is the trust and faith managers should have in the employees to build the air of harmony and peace for smooth business operations. The studies reveal that employees who are committed and dedicated to the organization are likely to perform according to the standards and demands of the job. They are stronger in dealing with the ups and downs of the business have polished stress handling skills (Hartline and Witt, 2004).

**Problem Statement**
How capacity development, employee empowerment and promotion effect employee retention?

**Research Objective**

1. To examine how capacity development help in employee retention.
2. To study the impact of employee empowerment on employee retention.
3. To study the strength of correlation between promotion strategy and employee retention.

Significance

A large number of studies have established the importance of training and development, employee empowerment and promotion in the employee retention for the companies to achieve edge over competitors. The current research is focused to establish that training and employee empowerment have significant role to play in employee retention.

Planning for future demands that employee empowerment is also applied with other HR strategies to beat competitors for business progression (Gates, 2012).

This means that the role of a leader will be delegate authority to their team members and in this process decision making is an important task of a leader, who will be delegating this authority to his/her team members to appropriately use this authority the employees will be needing to develop their capacity so as to carry out informed decision making.

Literature Review

To elaborate the topic an extensive study is carried out.

Capacity Development

Human beings have distinct qualities and needs. When the Human Capital is recruited in the business training starts the same day, workers bring in their knowledge, skills and experience related to the jobs they perform. Some workers rely on organizational knowledge and training to play the role, so companies must include in their SOPs and company manuals On the Job Training and Off Job Trainings. Managers who invest in the employees to change and adapt their behavior, skills and knowledge concerning the business would experience positivity and employee retention (Frazis, Gittleman & Joyce, 2000).

Managers who provide employees on job training and learn new things would have dedicated and trustworthy workforce (Benson, 2006). The training programs and its course modules should pay the company in terms of more skilled, learned, disciplined and punctual workers otherwise stop the training (Achard, 1938). Colleagues should also be acquainted with self development training to groom their talent and improve knowledge, skills and attitude (Truckenbrodt, 2000). According to him managers must acknowledge each and every employee’s specific abilities and ideas to generate productivity and creativity. Employees should feel that management is keen to develop them and rely on them then they would automatically apply extra efforts to meet organizational objectives and more likely to have life time relationship with the company (Belfour and Wechsler, 1996). The trainers also need to
learn new ideas, knowledge in order to provide quality workers to the companies (Roush, 1986).

**Employee Empowerment**

Encourage employee empowerment and self initiative would make employee work in accordance with department goals to sustain quality. Employees feel importance and motivated to attain organizational objectives (Loke, 2001). Employees self efficiency be enhanced such practices should be cancelled which pave authority and power in managers to ridicule and humiliate junior workers. Increase employee self efficacy need for the betterment of organization (Conger and Kanungo, 1988). Thomas and Velthouse (1990) provided another concept that it is an intrinsic task motivation. It entails four conditions i.e. meaningfulness, competence, impact and choice or self- determination. Deci, Connell and Ryan (1989) explained these terms. Meaningfulness is the value of the work given with respect to employees ideas. Competence is the ability of an individual to carry out desired job. Impact is the effect of the person’s behavior in organization in relation to achieving goals. Workers should be given confidence and practical appraisal system be designed regarding the job performance (Burke, 1986). Block (1987) asserts employees should have full autonomy on their jobs and their involvement be high in decision making. Benis and Nanus (1985) advised that jobs should be challenging and inspiring for employees to do better. Oldham (1976), Kanter (1979), Strauss (1977) and Hackman and Oldham (1975) shared that rewards should be according to the performance of the workers secondly, job enrichment and career development opportunities also empower employees for profitability. Mc Clelland (1975) and House (1988) added that proper recruitment and training programs imparting technical education and encouraging management also build empowerment.

**Promotion**

Employers who support career development and career planning of employees have educated and skillful workforce (Ahmed and Bakar, 2003) To ensure just employee promotion policy (JEPP), employee career appraisal be based on abilities, knowledge, effective accomplishment of tasks and time management (Lin and Yang, 2002). Major problem in employee promotion and management is the attitude of employees towards the older employees. The management from top to bottom should show respect towards senior employees, as they are the ones who can also be a source of positive change within the enterprise. Hospitality organizations should utilize this key work force of seniors. Their experience and knowledge add to refined taste to food. Seasoned employees can be trained to be coach or mentor to young employees and help in organization to sustainable success (Harris and Bonn, 2001). Researchers have revealed that not only promotion is a source of satisfaction among employees, there are other rewards also to retain and attract employees. The identified practices are decision autonomy, flexibility in the work schedules and task impact also are driver of employee performance efficacy. Female professionals as social worker highlighted that peer support and help is a key in the job (Carpenter, 1999). While evaluating employee performance for promotion the prerequisite is to establish an effective communication process to know where employee is lacking and what
should be done to attain results. Regular feedback regarding employee performance would provide the direction for maximization of profitability in the enterprise (Buford, 2006). Organization should facilitate employees in aligning their personal goals with organization’s goals in order to have “organization fit” in the company. Supervisors should promote employees on the basis of education, expertise and knowledge for justified promotions. Such measures would prevent employees in indulging in politics to exert pressure on managers for promotion and rewards (Sharabi, 2008). Similarly in education sector the emerging education dimension is Distance Learning, faculty members working on this aspect should be given proper rewards and promotion to make education common and accessible to everyone. So Distance Learning Evaluation should be a part of regular Faculty Compensation and Reward System (Wolcott, 1997).

Employee Retention

Employee Retention is the most vital factor leading to organization growth. Management should give employees the exciting and significant tasks in order to increase commitment (Steers, 1977). Job satisfaction is closely linked with staff turnover so employees motivation programs be developed in order to retain key employees (Sinclair, 1990). Managers should keep in mind the cost attached to the worker so proper employee funds and budget be prepared in order to fill their professional needs and demands (Hartline and Witt, 2004). Organization should provide proper job descriptions to the workers to avoid ambiguity and confusion. Such directions and guidelines facilitate and satisfy workers. Employee satisfaction leads to organization loyalty (Self and Dewald, 2011). Mentoring is the popular training method among employees so managers should pay attention to this training method to retain good employees (Musser, 2001). Friendly and candid environment fosters employee empowerment necessary in reducing staff turnover rate (Dermody, 2002). Career and training development opportunities must exist to increase employees abilities and value to attract and retain them for productive results (Thite, 2010). Trust is the significant factor in building employee-employer relation. This can be achieved if employers give ear to employees ideas and feelings to increase their commitment and loyalty (Tan and Lim, 2009). Studies in management prove that training is the most worth viewed management practice in the eyes of workers. Employees if trained well and knowledge imparted to them enhances their skills become devoted and loyal to the organization (Ahmed and Bakar, 2003). Tension and stress at work place also increase inemployees turnover rate and if environment is also not providing employees what they need make employees lose the organization (Todor,1980). If employees feel sense of belongingness towards company would work with efficacy resulting in high organization performance, less absenteeism and retention of best workers (Barrett and O’Connell, 2001). To gain employee commitment company’s goals, and employees goals of performance and achieving tasks should be coherent and in harmony with each other ( Truckenbrodt, 2000).
Research Methodology

Literature review has helped in the formulation of following theoretical framework:

![Theoretical Framework Diagram]

Figure 1 presents the theoretical model used for this research. According to the model there are three independent variables and one dependent variable.

Definitions of Variables

**Capacity Development**: It is the grooming and polishing of employees’ abilities, talents and knowledge with the help of training and development programs for the combined organization welfare.
Employee empowerment: To engage and involve employees in the decision making process related with their organizational role and jobs and allowing them use innovative and creative ideas to perform well and bring value addition in the business.

Promotion: It is a progression of employees moving from junior level to the senior level jobs within an organization and experiencing different career development and compensation stages.

Employee retention: Organization’s ability to retain and sustain employees commitment and trust for longer period of time for mutual benefit purpose.

Hypotheses

The theoretical framework has provided the basis of following hypotheses:

1. Capacity development is positively and significantly correlated with employee retention.
2. Employee empowerment is positively and significantly correlated with employee retention
3. Promotion is positively and significantly correlated with employee retention.

Nature of Research

The research is quantitative in nature. Computer statistics test is applied in order to check how the independent variables i.e. capacity development, employee empowerment and promotion play a role in dependent variable employee retention.

Sample

The audience or sample belongs to the banking sector of Pakistan. Researcher selected the audience using random sampling technique. The middle management and officers comprise the sample. The sample size is n=74.

Research Tool

The tool selected for the research is questionnaire. It is self structured and is base on Likert Scale i.e. 1-5. Strongly disagree is 1 value on likert scale and 5 is strongly agree. The reliability of the research tool is measured using Cronbach Alpha and value is .872 and it can be replicated for future research.

Correlation and Regression

The correlation means the relationship between the variables. If one variable is increasing and affecting other variable to be increased then the correlation is positive and significant. It means both the variables are moving in a same direction. Similarly, if one variable is increasing and
causing other to be decreasing then there is negative and significant correlation. Both the variables are moving in opposite direction.

**Regression**

This study has conducted regression analysis to see the interdependence of capacity development, Employee empowerment, promotion and Employee retention. Result of this analysis is listed in Table 4.

**Discussion and Interpretation**

**Reliability Test**

**Table 1:**

**Case Processing Summary**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases Valid</td>
<td>74</td>
<td>100.0</td>
</tr>
<tr>
<td>Excluded (a)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
<td>100.0</td>
</tr>
</tbody>
</table>

a. List wise deletion based on all variables in the procedure.

**Reliability Statistics**

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.872</td>
<td>14</td>
</tr>
</tbody>
</table>

**Scale Statistics**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Variance</th>
<th>Std Deviation</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>55.7162</td>
<td>72.507</td>
<td>8.51513</td>
<td>14</td>
</tr>
</tbody>
</table>

The space saver method is used. That is, the covariance matrix is not calculated or used in the analysis. The test indicates that the questionnaire is 87.2% reliable and can be replicated anywhere in the world with the average value of 55.7% of all items in the questionnaire.

**Table 2:**

**Descriptive Statistics**

<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>Employee</td>
<td>74</td>
<td>1.67</td>
<td>5.00</td>
<td>4.0135</td>
<td>.71607</td>
</tr>
</tbody>
</table>
This table shows the average response of the respondents on variables being asked in the questionnaire. Table represents the mean values of the variables.

**Table 3**

**Correlations**

<table>
<thead>
<tr>
<th></th>
<th>Employee Retention (ER)</th>
<th>Capacity Development (CD)</th>
<th>Employee Empowerment (EE)</th>
<th>Promotion (P)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Retention (ER)</strong></td>
<td>1</td>
<td>.731(**)</td>
<td>.638(**)</td>
<td>-.111</td>
</tr>
<tr>
<td>Pearson Correlation Sig (2-tailed)</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
</tr>
<tr>
<td><strong>Capacity Development (CD)</strong></td>
<td>.731(**)</td>
<td>1</td>
<td>.712(**)</td>
<td>.005</td>
</tr>
<tr>
<td>Pearson Correlation Sig (2-tailed)</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
</tr>
<tr>
<td><strong>Employee Empowerment (EE)</strong></td>
<td>.638(**)</td>
<td>.712(**)</td>
<td>1</td>
<td>.003</td>
</tr>
<tr>
<td>Pearson Correlation Sig (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.982</td>
<td></td>
</tr>
<tr>
<td><strong>Promotion (P)</strong></td>
<td>-.111</td>
<td>.005</td>
<td>.003</td>
<td>1</td>
</tr>
<tr>
<td>Pearson Correlation Sig (2-tailed)</td>
<td>.346</td>
<td>.967</td>
<td>.982</td>
<td>74</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
</tr>
</tbody>
</table>
**Correlation is significant at 0.01 level (2 tailed).**

**Table 4:**

**Regression**

To test the proposed hypotheses regression test was carried out to predict the impact of variables.

**Model Summary**

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted Square</th>
<th>R</th>
<th>Std. Error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.758 (a)</td>
<td>.575</td>
<td>.557</td>
<td>.47658</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors (Constant), Promotion (P), Employee Empowerment (EE), Capacity Development (CD).

**ANOVA (b)**

<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>1</td>
<td>Regression</td>
<td>21.532</td>
<td>3</td>
<td>7.177</td>
<td>31.601</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>15.899</td>
<td>70</td>
<td>.227</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>37.431</td>
<td>73</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors (Constant), Promotion (P), Employee Empowerment (EE), Capacity Development (CD).

b. Dependent Variable: Employee Retention (ER)

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Standard Error</th>
<th>Standardized Coefficients Beta</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Constant</td>
<td>1.368</td>
<td>.370</td>
<td>3.696</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Capacity Development (CD)</td>
<td>.522</td>
<td>103</td>
<td>.562</td>
<td>5.069</td>
</tr>
<tr>
<td></td>
<td>Employee Empowerment (EE)</td>
<td>.212</td>
<td>.099</td>
<td>.238</td>
<td>2.146</td>
</tr>
<tr>
<td></td>
<td>Promotion (P)</td>
<td>-.077</td>
<td>.053</td>
<td>-.114</td>
<td>-1.469</td>
</tr>
</tbody>
</table>
a. Dependent Variable: Employee Retention (ER)

The correlation analysis calculated that capacity development is .731 correlated with employee retention. The hypothesis capacity development is positively and significantly correlated with employee retention is proved. The correlation between capacity development and employee retention exist positively and significantly. If training and development is increased, employee retention would also increase and if there is no capacity development plan or procedure then the employee retention would also decrease.

The correlation of employee empowerment and employee retention gave a positive value of .638 indicating again that the relationship is positive and significant. The hypothesis that employee empowerment has a positive and significant correlation with employee retention is also proved. High the employee empowerment high the employee retention, low employee empowerment and low employee retention.

The correlation of promotion and employee retention is -.111 showing that there is negative and significant correlation between the variables. Hypothesis on promotion correlated with employee retention could not be proven. If promotion is high then the employee retention would be low.

The regression analysis computed that capacity development impact on employee retention is .562 meaning that 56.2% capacity development affect employee retention.

Employee empowerment regression value on employee retention is .238. The affect of employee empowerment on employee retention is 23.8% and promotion has a regression value of -.114 the negative impact on employee retention. The impact of capacity development, employee empowerment and promotion on employee retention is R square= .557 or 55.7% changes in employee retention.

Conclusion and Recommendation

The data statistics revealed that training and development is the most important factor in employee retention. The employers should provide capacity development opportunities for employees to gain new and advance business knowledge and application for organizational development. In the changing and dynamic nature of business environment human work force is the source of competitive edge. So training and development not only enhances employees capabilities but also improve organizational performance. In employee retention capacity development plays an effective role which management should practice.

Employee empowerment is another important strategy which if applied carefully can lead to the retention of key employees. Employees are responsible to implement management policy and programs so their suggestions and ideas could help managers to take practical and relevant
decisions for profitability. Managers should empower employees to take necessary on job decisions which are pertinent to the business. Employees should be given importance in initiating their ideas to foster the culture of sharing and justice. If employees know that their voice is heard and taken in to account in implementation of business policy or plan they would be loyal and committed to the company.

The results show that promotions are not much valued by, infact the employees demand empowerment and training be also complemented with promotions or compensation. The study has revealed that promotion and employee retention are negatively and significantly correlated with each other. So employers should carefully design employees promotion strategy. In the research it is indicated that promotion is not the priority of employees the preference is awarded to training and development and empowerment practices. The study carried out on banking sector computed that promotions be supplemented with capacity development and employee empowerment if employee retention and loyalty is needed.

**Recommendation**

The major recommendation in employee keeping is organizations should give utmost important to training and development. Employee capacity building exercises and programs be introduced to increase knowledge, skills and abilities of employees. These things add the efficacy power of the employee and he performs to the best of his abilities. Employees work hard to make business successful so they be given full autonomy and empowerment to make on job decisions which yield better result.

Promotions of the employees be carefully designed in employee retention as promotion and employee retention have negative correlation with each other. Capacity development and employee empowerment has gained wider employee preference so managers should consider training and development and employee empowerment in retaining reliable work force.

**Acknowledgement**

The authors like to acknowledge the support and guidance of APCOMS, management and administration team to allow them carry out this research and all those bankers and managers who participated in the survey conducted for this study.

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Other Sources- Internet

http://humanresources.about.com/od/workrelationships/a/quotes_empower.htm

http://www.brainyquote.com/quotes/authors/b/bill_gates.html
Annexure 1: Questionnaire

Role of Capacity Development, Employee empowerment and Promotion on Employee retention

Note: Kindly fill out the questionnaire properly as the information given would be used for academic purpose and it would be kept confidential.

Name: __________________
Organisation: ___________________
Department: _____________________
Job Title: ______________________
Time spent on present job: _____________

Key: Please mark the number as per following options

Strongly disagree=1
Disagree=2
Neutral=3
Agree=4
Strongly agree=5

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I am being sufficiently trained by the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>My seniors properly guide me on the job.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>I am provided mentoring by the organization whenever required.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>I feel sufficiently skilled for the present job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>My organization encourage me to avail training opportunities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>My management motivates me for good performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CAPACITY DEVELOPMENT

EMPLOYEE EMPOWERMENT
<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>I am consulted whenever a decision is taken about my work.</td>
</tr>
<tr>
<td>8</td>
<td>My suggestions related to work are normally followed and appreciated.</td>
</tr>
<tr>
<td>9</td>
<td>I feel in charge of my work/job.</td>
</tr>
<tr>
<td>10</td>
<td>I feel ready for taking up higher positions.</td>
</tr>
<tr>
<td>11</td>
<td>I see opportunity of promotion in the present organization.</td>
</tr>
<tr>
<td>12</td>
<td>I plan to stay for more than one year with the present organization.</td>
</tr>
<tr>
<td>13</td>
<td>I feel I can contribute to the organization other than my work.</td>
</tr>
<tr>
<td>14</td>
<td>I am satisfied with my present job.</td>
</tr>
</tbody>
</table>

**PROMOTION**

**EMPLOYEE RETENTION**