Employee Retention Practices of Multinational Companies

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Abstract

The purpose of this study was to assess the existing employee retention practices of selected multinational companies in United Arab Emirates as basis for an employee retention program. It compared the extent of use of employee retention tools and techniques such as, training and development, compensation and benefits, and career development. Mean was used for descriptive analysis, while one-way analysis of variance (ANOVA) was used to determine if significant difference existed between the extent of use of employee retention tools and techniques among the selected companies categorized as small, medium, and large. The study revealed that the extent of use of employee retention tools and techniques in training and development, compensation and benefits, and career development was to a Great Extent. The provision of variable pay and equity-based compensation was to a Moderate Extent. No significant differences were noted in the extent of use of employee retention tools and techniques when the selected companies were classified as large, medium, and small. It was concluded that selected multinational companies hardly ever provide performance-based bonuses and equity incentives. One of the recommendations cited therefore was that multinational companies should make provision of these forms of incentives, being an equally-important tool in the retention process and which play an integral part of the employee retention program.

Keywords: Training and development, compensation and benefits, career development
1. Introduction

Human resource management is a continuous process of effective people-development. One function leads to the other. The vital function of attracting and selecting talented employees gives rise to another function of employee retention. To be successful, companies should retain their best talent who can achieve high performance and productivity.

With the globalization of the world economy, companies do business operations abroad. Consequently, human resources must be managed globally. The world is reachable from any destination, and so the companies to the people and vice versa. While the human resource managers faced global HR issues with respect to selecting, training, paying, and repatriating employees, retaining them is also the biggest challenge.

Employee turnover entails cost. Whenever an employee, especially an expatriate resigns, a considerable amount of time and money is lost in hiring and training a new replacement. It is therefore a challenge to companies to retain right employees with right attitude for the right position so as to achieve organizational goals.

Thus this paper takes an in-depth assessment on the retention tools of multinational companies while having their retention practices for their employees, so they can come up with a basis for developing an effective employee retention program.

1.1 Statement of the Problem

The purpose of this study is to assess the employee retention practices of selected multinational companies in United Arab Emirates as basis for development of an employee retention program.

Specifically, this study aims to answer the following:

1. What is the extent of use of the following employee retention tools of selected multinational companies as perceived by HR officers?
   a) Training and development
      a.1) Training needs assessment
      a.2) Instructional design
      a.3) Implementation of the program
      a.4) Evaluation of the program
   b) Compensation and benefits
      b.1) Guaranteed pay
      b.2) Variable pay
      b.3) Benefits
      b.4) Equity-based compensation
   c) Career development
      c.1) Self-assessment
      c.2) Career awareness
c.3) Goal-setting

c.4) Skill development

2. Is there significant difference in the extent of use of employee retention tools when the selected multinational companies were classified as large, medium, and small?

1.2 Hypotheses

There is no significant difference in the extent of use of employee retention tools as perceived by HR officers when the selected multinational companies were classified as large, medium, and small.

1.3 Significance of the Study

The findings of this study may prove useful to the following:

Human Resource Management practitioners. Results of this study would be the basis of HR practitioners in developing an employee retention program for multinational companies tailored to their own organizations keyed for advisory and reference purposes.

Students of Human Resource Management. This study would provide students of the field of human resource management the knowledge on the practices and tools in retaining employees.

1.4 Definition of Terms

Some important human resource terminologies are defined as used in this study:

Training and development refers to imparting of specific skills and abilities to an employee, and providing learning opportunities to help the employee grow and improve performance.

Compensation and benefits as used in this study includes performance evaluation, administering and monitoring salaries and benefits package.

Career development is a lifelong series of activities that contribute to a person’s career exploration, establishment, success, and fulfillment (Dessler, 2008).

2. Review of Related Literature

This chapter provides a review of related literature on human resource management, particularly on its employee retention function of multinational companies.

2.1 Related Concepts

Selecting employees for assignments abroad, according to Dessler (2008), is testing them in adapting to new environments. He cited one study that asked 338 international assignees from various countries and organizations to specify which traits were important for the success of managers in foreign assignments. The research identified five indicators: job knowledge and motivation, relational skills, adaptability, extracultural openness, and family situation.
Bohlander and Snell (2004), on one hand, said there are training methods available to prepare an individual for an international assignment. Lack of training is one of the main causes of failure among employees working internationally. Training methods such as sensitivity training may well be a powerful technique in the reduction of ethnic prejudices. They added that compensation plans for expatriate managers must be competitive, motivating, fair, consistent with international financial management, and simple to communicate. On the other hand, they said that the increased threat of terrorism is affecting human resource activities both domestically and abroad. Employers have had to institute more comprehensive safety plans, such as, evacuation plans to get employees to safety.

2.2 Related Studies

The article “High Performers are Motivated by More than Money” on Report on Salary Surveys (August 2008) reports on the rampant trend of resignation among competent employees in the US in 2008. The survey results show that high performing employees actively seek to leave their current work hoping to find for greener pasture. This situation challenges employers on how to sustain competent employees and develop retention programs.

Stephen McNally (2001) on his article “Retaining Valued Employees” recommends employers on how to successfully sustain valued employees; importance of successful recruitment, development of an early warning system that identifies employees at risk of leaving, design of a competitive compensation program, and retention of employees as a prerequisite for corporate survival. Similarly, “Seeing Red” of Gross and Connor (2007) discusses the value of employee benefits to retention strategies of multinationals operating in China. It highlights the importance of employee training programs to the retention strategy in China. Denise Keating (2007) also discusses on his article “Improving Retention with a Recognition Overhaul” the efforts of Craegmoor Healthcare in Great Britain in re-evaluating its rewards and training program as a way of improving employee retention. Three key areas for improvement include management development, staff training and recognition.

The article “Design an Effective Rewards Program” of Kathryn Tyler (2011) suggests tips on developing an effective reward program for employees in the workplace. Steps include determining the desired result, the behaviors needed to achieve the goal, and rewarding desired behaviors accordingly. Moreover, Kenya McCullum’s “Talent Retention” in 2010 offers suggestions on implementing employee and talent retention programs. Companies are advised to provide benefits to employees, such as a competitive salary, vacation packages, flexible hours, tuition reimbursement, life insurance and disability policies. The management is also encouraged to offer continuing education opportunities for career and personal growth. Consistently, The article “Flexible Workplaces” of Kerry Liberman (2008) reports on his article “Flexible Workplaces” the benefits of flexible work schedules for employees in an
organization. Benefits of a flexible work schedule include increased employee productivity, improved member relationships and higher employee retention.

2.3 Theoretical Framework of the Study

This study adapts the Employee Retention Connection (ERC) model on retention by James Rollo and Ingrid Bens (2003). The model indicates the three primary drivers of employee retention: stimulating work, leadership, and recognition and reward.

Figure 1: Employee Retention Connection by James Rollo and Ingrid Bens

2.4 Conceptual Framework of the Study

The concept of this study consists of three broad identifiable elements, namely: input, process, and output. The input-output relationship (Kroeber, 1982) is more pronounced in Stufflebeam’s context-input-process-product model (CIPP) to which this study is anchored.

To provide a systematic structure in assessing the employee retention practices and of the use of tools by the selected multinational companies, CIPP evaluates its four major components: context, input, process, and product. Figure 2 below illustrates the CIPP model of evaluation.
Context evaluation identifies the selected multinational companies in United Arab Emirates. Input evaluation determines the existence of employee retention practices, and the extent of use of their tools. Process evaluation includes comparison of the existing employee retention practices, and the extent of use of their tools. Product evaluation establishes the results after the first three evaluations have been undertaken. Results of this study will then be feedbacked to the context as basis for development of employee retention program for multinational companies.

2.5 Synthesis

The ideas presented by several authorities and of the studies conducted were used to substantiate or negate the results of this study. This facilitated in assessing the employee retention practices of selected multinational companies, and formulating recommendations as basis for developing an employee retention program.

In the literature reviewed by the researcher, authorities in the area of human resource management presented insights in one of the most important functions of the field which is employee retention. For all the many reasons to employees, authorities in the field asserted the need for push factors in a retention plan, such as training and development, compensation and benefits, and career development.
3. Methodology

This chapter presents the research design, research instrument, subjects and respondents of the study, data gathering procedures and statistical treatment used to answer the problems presented in the study.

3.1 Research Design

This is a descriptive study utilizing self-made survey questionnaire (Appendix A). The descriptive aspect looked into the extent of use of the tools in existing employee retention practices of the selected multinational companies.

3.2 Research Instrument

The survey questionnaire gathered information on the extent of use employee retention tools. This is a Likert-type questionnaire with five options for the respondents to choose from. The options and their corresponding numerical equivalents are as follows:

- Very great extent = 5
- Great extent = 4
- Moderate extent = 3
- Negligible extent = 2
- Very negligible extent = 1

3.4 Validity of the Instrument

The survey questionnaire was presented to a jury of experts for their comments and suggestions. Each member of the jury was requested to determine whether the items included in the questionnaire are suitable or not in gathering the data for the study.

A five-point scale based from the criteria set forth by Carter V. Good and Douglas is established to rate each item as to its validity. The table of interpretation used is as follows:

- Excellent = 4.21 – 5.00
- Very Good = 3.41 – 4.20
- Good = 2.61 – 3.40
- Fair = 1.80 – 2.60
- Poor = 1.00 – 1.80

The obtained validity was 4.62 and according to the criteria set forth by Carter V. Good and Douglas Scates, the research instrument is Excellent (Appendix B).

3.5 Subjects and Respondents of the Study

The subjects of the study were determined by employing stratified random sampling method. In this method, the selected multinational companies were classified as large, medium, and small. The basis of their classification was the number of employees.

Based on the above strata, selected multinational companies in the United Arab emirates were classified and presented in Table 1. For ethical reasons, they were labelled with anonymity.

Table 1: Classification of Selected Companies by the Approximate Number of Employees
The respondents of the study, on the other hand, were the HR officers of the selected multinational companies.

3.6 Data Gathering Procedure
After validity measures of the research instrument have been established, communications (Appendix C) and copies were then sent to the respondents of the study. Objectives and significance of the study were laid down. The respondents were assured that the inquiry is solely for the purpose, and ensures confidentiality of the information collected.

3.7 Data Processing and Statistical Treatment
In the analysis and interpretation of the data, the following statistical tools were employed.

For objective 1, which determined the extent of use of the employee retention tools, the mean was used. Scale of the mean and corresponding description are as follows:

- **Very great extent** = 4.01 – 5.00
- **Great extent** = 3.01 – 4.00
- **Moderate extent** = 2.01 – 3.00
- **Negligible extent** = 1.01 – 2.00
- **Very Negligible extent** = 0.00 - 1.00

For objective 2 which compared the extent of use of employee retention tools when the selected multinational companies were classified as large, medium, and small, analysis of variance (ANOVA) was used.

4. Presentation, Analysis, and Interpretation of Data
This chapter deals with the presentation, analysis, and interpretation of data gathered through the research instrument. The following tables present the statistical relationship between the three groups of multinational companies on their employee retention tools.
The first objective of this study was to determine the extent of use of the employee retention tools and techniques of selected multinational companies. Table 2 to 4 present the extent of use of the employee retention tools of selected multinational companies.

Table 2: Extent of Use of Employee Retention Tools in the Aspect of Training and Development

<table>
<thead>
<tr>
<th>Training and Development</th>
<th>Mean</th>
<th>Descriptive Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S</td>
<td>M</td>
</tr>
<tr>
<td>Training Needs Assessment</td>
<td>3.75</td>
<td>3.6</td>
</tr>
<tr>
<td>Instructional Design</td>
<td>4</td>
<td>3.4</td>
</tr>
<tr>
<td>Implementation of Program</td>
<td>4</td>
<td>3.2</td>
</tr>
<tr>
<td>Evaluation of Program</td>
<td>4</td>
<td>3.4</td>
</tr>
<tr>
<td>Weighted Mean</td>
<td>3.94</td>
<td>3.40</td>
</tr>
</tbody>
</table>

It can be gleaned on the table that one hundred percent of the selected multinational companies, regardless of classification, implemented the training and development process. In order to have effective training programs, the systems approach is recommended. This approach consists of four phases: (a) training needs assessment, (b) instructional design, (c) implementation of the program, and (d) evaluation of the program (Bohlander and Snell, 2004).

Table 3: Extent of Use of Employee Retention Tools in the Aspect of Compensation and Benefits

<table>
<thead>
<tr>
<th>Compensation and Benefits</th>
<th>Mean</th>
<th>Descriptive Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S</td>
<td>M</td>
</tr>
<tr>
<td>Guaranteed Pay</td>
<td>4.8</td>
<td>3.4</td>
</tr>
<tr>
<td>Variable Pay</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Benefits</td>
<td>4.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Equity-based compensation</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Weighted Mean</td>
<td>3.78</td>
<td>3.30</td>
</tr>
</tbody>
</table>

Table 3 shows that without regard to size, the selected multinational companies give rewards to their employees in exchange for their work. Compensation is a great factor in the retaining competent employees. It includes direct financial payments such as salaries, incentives, commissions, and bonuses, and indirect financial payments like insurance and vacations (Dessler 2008). The table however also shows that multinational companies hardly ever gave variable pay and equity-based compensation. They are still traditional on paying employees such as only the basic pay and some benefits.

Table 4: Extent of Use of Employee Retention Tools in the Aspect of Career Development

<table>
<thead>
<tr>
<th>Career Development</th>
<th>Mean</th>
<th>Descriptive Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S</td>
<td>M</td>
</tr>
<tr>
<td>Self-assessment</td>
<td>4.3</td>
<td>3</td>
</tr>
<tr>
<td>Career awareness</td>
<td>4.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Goal-setting</td>
<td>4.5</td>
<td>3.4</td>
</tr>
</tbody>
</table>
Regardless to their classification, selected multinational companies, as Table 4 presented, provided lifelong series of activities to their employees which focused on facilitating self-analysis, and career development and management to attain their personal goals (Dessler 2008).

On the second objective of this study which was to compare the extent of use of employee retention tools when the selected multinational companies were classified as large, medium, and small, Table 5 used the one-way ANOVA. As shown on Table 4, no significant difference was noted in the extent of use of employee retention tools among the selected multinational companies.

### Table 5: Difference in the Extent of Use of Human Resource Acquisition Tools When the Selected Companies were Classified as Large, Medium, and Small

<table>
<thead>
<tr>
<th>Variables</th>
<th>ANOVA</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and Development</td>
<td>Between Groups</td>
<td>.642</td>
<td>2</td>
<td>.321</td>
<td>.525</td>
<td>.605</td>
<td>No significant difference</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>7.342</td>
<td>12</td>
<td>.612</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>7.983</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and Benefits</td>
<td>Between Groups</td>
<td>1.036</td>
<td>2</td>
<td>.518</td>
<td>.898</td>
<td>.433</td>
<td>No significant difference</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>6.922</td>
<td>12</td>
<td>.577</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>7.958</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career Development</td>
<td>Between Groups</td>
<td>1.574</td>
<td>2</td>
<td>.787</td>
<td>2.009</td>
<td>.177</td>
<td>No significant difference</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>4.701</td>
<td>12</td>
<td>.392</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6.275</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 5. Summary of Findings, Conclusions, and Recommendations

This chapter presents the summary of findings of the study. Based on these findings, conclusions were drawn and pertinent recommendations were given.

#### 5.1 Summary of Findings

1. The implementation of employee training and development by the selected multinational companies was to a Great Extent.
2. Provision of basic compensation and benefits by the selected multinational companies was to a Great Extent. However, provision of variable pay and equity-based compensation was to a Moderate Extent.
3. Managing careers by the selected multinational companies was to a Great Extent.
4. There is no significant difference in the extent of use of employee retention tools and techniques among the selected multinational companies when they were classified as large, medium, and small.
5.2 Conclusions

1. Regardless of classification, all selected multinational companies, in retaining competent employees, recognized the importance of the conduct of employee training and development, provision of compensation and benefits, and fostering employee career development.

2. Selected multinational companies, however, hardly ever provide variable pays such as bonuses and equity-based compensation. It is just enough for the employers to pay the basic compensation as mandated by law. Likewise, they believed that paying employees equity-based compensation is like giving up control to them and accounting them to minority shareholders.

5.3 Recommendations

1. To include variable pay such as performance-based bonuses to retain valued employees, and

2. To create equity incentives for the executive position to attract and retain top management posts.

References


Keating, Denise, Improving Retention with a Recognition Overhaul, Strategic HR Review; Jan/Feb 2007, Vol. 6 Issue 2.


Tyler, Kathryn, Design an Effective Rewards Program, HR Magazine; October 2011, Vol. 56 Issue 10.
Appendix A

SURVEY QUESTIONNAIRE

Extent of Use of Employee Retention Tools

NAME OF RESPONDENT:
POSITION TITLE:
NAME OF COMPANY:
TOTAL NUMBER OF EMPLOYEES:

DIRECTIONS: This is a survey on the extent of use of employee retention tools and techniques. Rate each of the following items on the extent to which it is used in your organization. Encircle the number in the graduation scale corresponding to the item for your rating. Your responses will be dealt with strict confidentiality.

RATINGS:

5 – Very great extent  4 – Great extent  3 – Moderate extent
2 – Negligible extent  1 – Very negligible extent

1. Training and development
   a) Training needs assessment
   b) Instructional design
   c) Implementation of the program
   d) Evaluation of the program

2. Compensation and benefits
   a) Guaranteed pay
   b) Variable pay
   c) Benefits
   d) Equity-based compensation

3. Career development
   a) Self-assessment
   b) Career awareness
   c) Goal-setting
   d) Skill development

Appendix B

VALIDATION OF SURVEY INSTRUMENT

<table>
<thead>
<tr>
<th>CRITERIA FOR VALIDITY</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>INTERP’N</th>
</tr>
</thead>
<tbody>
<tr>
<td>The questionnaire is short enough that the respondents respect it and it would not drain much of his precious time.</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4.4</td>
<td>Excellent</td>
</tr>
<tr>
<td>The questionnaire is interesting and has a fair appeal such that respondents will be induced to respond it fully.</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4.4</td>
<td>Excellent</td>
</tr>
<tr>
<td>The questionnaire can obtain some depth to the responses and avoid superficial answers.</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4.4</td>
<td>Excellent</td>
</tr>
<tr>
<td>The items / questions and their</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>Excellent</td>
</tr>
</tbody>
</table>
### Interpretation Guide:

<table>
<thead>
<tr>
<th>Quality</th>
<th>Score Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>4.21 – 5.00</td>
</tr>
<tr>
<td>Very Good</td>
<td>3.41 – 4.20</td>
</tr>
<tr>
<td>Good</td>
<td>2.61 – 3.40</td>
</tr>
<tr>
<td>Fair</td>
<td>1.81 – 2.60</td>
</tr>
<tr>
<td>Poor</td>
<td>1.00 – 1.80</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score</th>
<th>Score</th>
<th>Score</th>
<th>Score</th>
<th>Score</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>alternative responses are not too suggestive nor too unstimulating.</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4.6</td>
</tr>
<tr>
<td>The questionnaire can elicit responses, which are definite but not mechanically forced.</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4.6</td>
</tr>
<tr>
<td>Questions items are formed are stated in such a way that the responses will not be embarrassing to the person/s concerned.</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Questions / items are formed in such a manner as to avoid suspicion on the part of the respondents concerning hidden responses in the questionnaire.</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4.4</td>
</tr>
<tr>
<td>The questionnaire is not too narrow now restrictive or limited in its philosophy.</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4.6</td>
</tr>
<tr>
<td>The respondents to the questionnaire when taken as a whole could answer the basic purpose for which the questionnaire is designed and therefore considered valid.</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>MEAN</strong></td>
<td>5</td>
<td>4.55</td>
<td>4.67</td>
<td>4.67</td>
<td>4.62</td>
<td><strong>Excellent</strong></td>
</tr>
</tbody>
</table>

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