



Human Resource Management

Elixir Human Res. Mgmt. 46 (2012) 8235-8239

Elixir
ISSN: 2229-712X

An investigation of organizational culture & employee retention in banking sector

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ARTICLE INFO

Article history:

Received: 19 March 2012;

Received in revised form:

15 April 2012;

Accepted: 8 May 2012;

Keywords

Organizational culture,
Work-life balance,
Employee turnover,
Employee retention.

ABSTRACT

This research investigates the impact of organizational culture on employee retention with special reference to Al-Dhahirah region (Sultanate of Oman). No doubt there is a horde of potential candidates available for banking sector but this is veracity that highly skilled and experienced professionals are limited. For this reason banks are facing setback in finding these professionals and if they find then real challenge comes across that is to retain them. In Omani job market, there is a shortage of highly skilled professional in banking sector that leads to an increased probability of turnover of highly skilled employees. Since Omanization is in practice in Sultanate of Oman, banks have to depend upon local banking professionals only. This dependency creates an intricacy in arranging professional people for banking sector. An attractive salary is not the only factor that can retain employees for a longer span of time in the same bank but organizational culture is a hardcore factor to retain employees. This is a quantitative research being done by surveys in Al- Dhahirah region (containing 3 cities and dozens of small towns & villages). For data collection, 120 respondents are selected through random sampling method. This research explores six key factors of organizational culture that contribute to employee retention in banking sector. These factors are career opportunity, work autonomy, fair pay, recognition for job, challenging job and work-life balance. According to findings of this investigation, employees are not much satisfied with prevailing organizational culture in the banks and investigation revealed that they have a high tendency to switchover the job and pertaining low level of satisfaction with organizational culture. Research indicates that the work-life balance is maintained and employees are pretty satisfied in this regard whereas employees are not much satisfied with rest of five factors of organizational culture. It is recommended for higher management of banking sector that they will have to focus more on these five factors to develop an attractive organizational culture in the banking sector that will help retain employees for a long term.

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Introduction

The study is being done on the banking sector of Al-Dhahirah region (Sultanate of Oman). Al Dhahirah is a widespread region that consists of three sub-regions - Ibri, Yankul, and Dhank.

There are many private sector banks that are growing very fast. In Dhahirah region there are few cities and dozens of small villages. Banking sector finds a good customer market in this region of Oman. A study of the impact of organizational culture on employees' retention is being done which will be useful for banking sector to cope with employees' retention related problems.

There are more than 30 branches of different well known banks. Private sector has more branches in this area. These banks have good business overall. This study is conducted on these banks to explore the relation of organizational culture and employee retention.

Before starting detailed review it is important to study about the related dynamics of organization. Every organization has its unique characteristics that are inherent and omnipresent. They come forth from the core values and norms of the organization and are formed over the time. These values and norms are part of the organizational culture. The culture thus influences the

way of working, the standards and the ethics of the business (*Hofstede, 2001*).

Organizational culture plays an important role in successful banking operations. Some organizations have strong culture while every organizational culture is not equally successful in enabling the achievement of business goals and shaping up a loyal customer and employee base (*Neuijen, 1993: 17*).

Organizational commitment is fuelled by some core factors like career opportunities, work autonomy, fair pay, recognition for job, challenging job and work-life balance. In proposed study a questionnaire that can evaluate the fulfilment of these factors was prepared and the result was concluded by making a statistical analysis of the survey.

In sultanate of Oman there are many emerging banks. Banking sector is developing day by day and usually employees working in banks have a couple of good opportunities in other banks too. Furthermore there is a shortage of highly skilled banking professionals that creates more demand and less supply of this kind of professionals. In this situation there are more chances that these employees can switchover the job and banks will face a severe problem of employee retention.

Literature Review:

Culture usually refers to shared values and objectives in any country, organization or region. Organizational culture is about a way of working together and also comprises on a system of shared values and objectives in any work place. The rules and methods of dealing with regular problems that an organization faces and management problems about the tension between existing sets of values and desired ones define an organizational culture according to Trompenaars and Woolliams (2003: 101-103). Culture always evolves with interactions of people (Trompenaars and Woolliams, 2003: 103). Hofstede (2001) reveals that collective programming of mind makes an organization different from rest of organizations. If organizational culture is strong then there is a less need of policies, rules and regulations, manuals and written memos etc. Organizational culture is usually a major attraction for employees and a good reason to stay longer with commitment. It is a common saying that people don't leave organizations but they leave their bosses. A healthy, friendly and career oriented organization culture is desirable everywhere.

Leadership is very important in developing an organizational culture. The direction and way of managing people by higher management - the leaders is vital for culture development in the organization. Secondly the interactions among people (employees) and interaction between the groups shape up organizational culture. Then different dynamics such as size of organization and external environment also play a role in developing an organizational culture (Maarten 2009). Different symbols and heroes in any culture are also having influence on organizational culture. People talk about their heroes, share their stories and admire them. Every kind of humours which employees share with each other is manifest organizational culture of that particular organization. Organizational culture is important for organizations because it has an impact on organizational effectiveness, decision making, implementing human resource practices and responding to external environment. Organizational culture shows how employees interact with each other and how strong they are in making working relationships and what kind of vertical relationship between subordinates and bosses. (Trompenaars and Woolliams, 2003: 105-106).

Employee retention means the tendency of employees to remain in an organization. "Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. Also of concern are the costs of employee turnover (including hiring costs, training costs and productivity loss). Replacement costs usually are 2.5 times the salary of the individual. The costs associated with turnover may include lost customers, business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring, and training the new employee just to get back to where you started." (Workforce Planning for Wisconsin State Government, 2005)

It is seen that employees who are taking good financial rewards also tend to search another job or try to switchover if they are not satisfied with organizational culture. These days many banks are operating and giving attractive salary packages to their employees that causes high turnover rate of employees. In this dynamic environment banks should develop an organizational culture that will have an attraction for employees

and a good reason to stay in bank for a long period. Good organizational culture containing career opportunity, work autonomy, fair pay, recognition for job, challenging job, work-life balance can grab its employees in bank for many years. Younger work force is increasing and this workforce has more responsibilities in early stage of their career due to more competition. So organizations need to give more focus on retention of young key professional within the organization because they have several job opportunities (Gell, Schilling and Halliburton, 2008).

When employees leave the organization, another challenge occurs that is of knowledge retention in organization. Experienced employees take a bunch of knowledge and expertise from that organization. This knowledge flight causes many problems to organizations especially to banks. It becomes difficult to cater old customers with frequently changing employees because customers feel comfortable dealing with employees who are catering them for a long time. Another problem is that every bank has its own set of procedures and operations. When employees are changing frequently the smooth operation and systematic procedure is difficult to follow.

"The main costs relate to the loss of valuable knowledge and experience and established relationships with clients, who is important in the consultancy industry" (Mitchell et al., 2001; Kubr, 2002: 3). There are few other direct costs involved when people leave an organization that include management requirements, exit interviews, payout of unutilised vacations and overtime. After that replacement costs are also a problem for organizations for example advertising, processing of candidates and cost of interview, tests and selection.

There are many reasons of dissatisfaction of employees that cause employee turnover. One of the reasons of turnover is related to a feeling to be not recognized when an employee is not recognized according to his performance and perceived worth in result. Another cause is when employees compare themselves with others and they feel that there is a lack of justice and fairness. Weak and fragile interpersonal relationship is another cause of organizational difficulties and conflicts. A study reveals that 85% of difficulties are seen due to bad or weak interpersonal relationships or due to a failure to establish good relations inside as well as outside the organization (Kreisman, 2002; Simons and Roberson, 2003). For employee retention, job satisfaction is very important because it fuels organizational commitment that is a major factor of employee retention (Cohen, 1993, Tett and Meyer, 2006). Job retention is observed more in those organizations where fair remuneration, organizational goal, good HR practices, participative leadership, and promotion opportunities are found. This was concluded by researchers who worked for these dimensions on different professions (Wright, 2002; Ting, 2003; Mitchell et al., 2001).

Challenging job is considered one of the important factors for retaining employees in an organization by many researchers. Monotonous work and very easy work becomes a source of dissatisfaction of employees.

"The 'Incubator' organizations are more keen to serve its members needs, where responsibilities and tasks are assigned according to the member's preferences. The 'Guided Missile' organizations are very oriented towards achievement and effectiveness. Management by objectives is a common style, and pay for performance widely adopted. 'Family' organizations have autocratic leaders. There are very few rules and they are bureaucratic. Everyone tends to be near the centre, and such

organizations are thus also characterized by intrigue and manipulation. In contrast the ‘Eiffel Tower’ organizations work with strict rules and procedures and value predictability”. (Trompenaars and Woolliams, 2003:106-111). In modern organizations, work-life balance is given priority by HR departments to get most effective output from employees and making them satisfied for retaining them for a long period of time.

Work-life balance is lacking when work and family / personal life getting out of balance due to long working hours and lack of time for family and employee himself. There is common understandings that work and family / personal demands both need time reasonably but employees are unable to create balance between both of these (Jacobs & Gerson, 1998). Majority of employees who are doing nonstandard schedule (part time & flexible) jobs were under some compulsion such as child care or any other family obligation (Presser, 1995). It was found that employees attempt to achieve work-life balance by performing nonstandard in alternate shifts or part time (Becker & Moen, 1999; Staines & Pleck, 1986).

“Employees tend to have less control over decision making and management than they do over the conduct of their work. There are variables which influence the work performance and over workplace management and decision making. It consists of six variables - type of work, how the work was done, and the start and finish time, pace of work, management of workplace and decision making”. (Bill Harley, The University of Melbourne).

Employee empowerment is appropriate for all types of employees and will generate the promised outcomes. The existence of three facets of autonomy: Work method autonomy, work scheduling autonomy, and work criteria autonomy are available in the practical world. Work method autonomy was defined as the degree of discretion/choice that individuals have regarding the procedures/methods to use in going about their work. Work scheduling autonomy refers to the extent to which workers feel they can control the scheduling, sequencing, or timing of their work activities. Work criteria autonomy addresses the degree to which workers can chose to modify the indicators/standards used for evaluating performance. (David W. Denton - Transylvania University and Lawrence S. Kleiman, Bloomsburg University).

Career benefit enrichment satisfaction is considered to be an employee’s attitude towards organizational benefits focusing on employee employability and skill development needs. (Gary Blau, HRA, Department - Fox, SBM, Temple University, Philadelphia, Kimberley Merriman HRA, Department - Fox, SBM, Temple University, Philadelphia, Donna Surges Tatum, ASCP - Board of Registry, Chicago and Sally V Rudmann - Medical Technology Division, Ohio State University, Columbia).

Organizations in today’s environment seek to determine the reasonable balance between employee commitment and performance of the organization. The reward and recognition programs serve as the most contingent factor in keeping employees’ self-esteem high and passionate. There is a great impact of incentives, rewards and recognition on employees of various organizations. Employee’s participation in the decision making process will make them more courageous and enthusiastic towards working in the organization. On the other side the periodically salary increments, allowances, bonuses, fringe benefits and other compensations on regular and specific

periods keeps their morale high and makes them more motivated. (Rizwan Qaiser Danish, Chairman, Department of Business Administration, University of the Punjab, Gujranwala).

Significance of the Study:

At the end of this research the core factors of organizational culture those are important for employee retention are explored. The study helps to sort out the basis of employee commitment specially in banking sector of Dhahirah region (Sultanate of Oman). The study will have imperative significance for banking sector management as it will provide the direction to find out organizational factors that help in maintaining employee commitment and satisfaction leading to employee retention and the management can review its employee retention strategies for achievement of long term goals.

Problem Definition:

The proposed study will able to answer the following research question:

“What is the influence of organizational culture on the employee retention in banking sector with special reference to Al Dhahirah region (Sultanate of Oman)?”

The Research question is a base of the study that will enable to find all core factors that are contributing to employee retention in the banking sector of Al Dhahirah region. A structured questionnaire will serve the purpose to evaluate the influence of organizational culture on the employee retention.

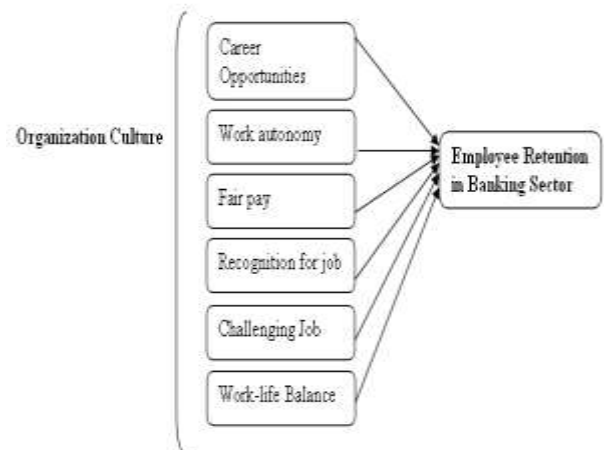
Proposed Research Model and Hypothesis:

In the proposed study the focus is on the influential part of organizational culture that is “Organizational Commitment”. There are 6 factors which are being used to demonstrate the level of organizational commitment by (Kaye, Jordan-Evans, 2005: 11). These factors are given below:

- Career opportunities
- Work autonomy
- Fair pay
- Recognition for job
- Challenging job
- Work-life balance

Here after a comprehensive literature review it was found that another factor is very important in organizational commitment i.e. “Work-life balance”. This factor has been used in many researches as a core factor for the purpose of organizational commitment leading to employee retention. But Kaye and Jordan-Evans did not use this factor in their study. Some of the prominent researchers who also utilized work-life balance as a major factor for organizational commitment are Bernthal and Richard (2001) and Green (2006)

Research Model



Variables:

Independent Variable: *Organizational Culture (Career opportunity, work autonomy, fair pay, recognition for job, challenging job, work-life balance)*

Dependent Variable: *Employee Retention*

Hypothesis:

Below is the hypothesis for the investigation.

H0 - Organizational Culture has no positive relation with employee retention

H1 - Organizational Culture has a positive relation with employee retention

Research Methodology & Statistical Analysis:

Proposed study is a quantitative research that is executed with the help of a survey as a research tool. In total 120 questionnaires are distributed among bank employees in different branches in whole region including Ibri, Dhank and Yankul. A questionnaire containing 20 questions is used for the purpose of collecting primary data that is collected through the *structured questionnaire*. *Random sampling* method is used for the data collection. For statistical analysis percentage method is used along with ranking method.

Findings of the Study

After conducting statistical analysis of the data, H1 is accepted that verifies the relation between organizational culture and employee retention. The study reveals that more than 40% of the respondents are in the age group of 30 – 40 years of age. Most of the respondents have completed only their diploma and are not interested in pursuing their studies further. Even though people hesitate to take up bank jobs, once they join they prefer to stay in the same industry. There are various reasons for them to stay in the same sector to perform their services. Most of the respondents (51%) have a salary range between OMR 500 – OMR 700.

Majority of the respondents are satisfied with their job profile. But still they are in look of other opportunities for better prospects. 63% of respondents want to leave their current bank for better career opportunity. Similarly 65% of respondents are not satisfied with the career growth available in their bank. It means retention tendency is not strong in banking sector. They feel that good performance is not rewarded well and there are more chances of career growth if they switchover the job. Everyone wants to come up in life and achieve greater heights in the ladder of their career. 55% employees think that their performance is not properly awarded. About sense of control over employees work area, only 41% are pleased with it. A large percentage (66%) of employees perceives that there is not proper recognition from their supervisors. 69% respondents feel monotony in their job. Merely 26% respondents feel that there is a culture of equality and fair treatment with all employees. Just 22% respondents have a view that their out of box performance is rewarded. Majority of employees (62%) sense that their abilities are not utilized in the bank at optimum level.

Only 24% of the respondents feel that there is a scope for innovation in their work. The employees are not satisfied with their remuneration. More than 67% of the respondents believe that they have adequate time to spend for themselves and their family members. Most of the time the employees leave bank on time. They are able to balance between their official and personal work.

Conclusion

This study conducted with the null hypothesis that there is no relationship between organizational culture and job retention,

by analysing the following factors - Career opportunities, Work autonomy, Fair pay, Recognition for job, Challenging job and Work-life balance. Based on the study conducted among the banks, the researcher found that there is a relationship between organizational culture and job retention. When a bank is not providing strong organizational culture then employees always strive for a better job opportunity in some other bank.

As a conclusion of this study, the researcher proposes that there is a relationship between organizational culture and job retention. In banking sector of AL-Dhahirah region (Sultanate of Oman) preponderance of the respondents are not satisfied with the overall organizational culture of their banks. They do not find control and autonomy over their work area. A very less percentage of respondents believe that their abilities are utilized at optimum level in the banks. A part of respondents are satisfied with the remuneration but majority thinks that there is less and rare reward for out of box performance that will lead to dissatisfaction. A large percentage of employees are also not satisfied with the nature of work and they sense that there is a series of monotonic work in their current job. Regarding work-life balance majority of respondents are satisfied that they find even handed time for their work, self and families. It means other factors like career growth, work autonomy, fair pay and career opportunities are also significant for employee retention.

The results revealed that a large number of respondents are also not committed with their current employer and striving for a better job opportunity. They don't consider that they will stay for long term career in their current organization. The probability of respondents' retention is very low. Overall situation of work-life balance is pretty fine. But rest of five factors are not illustrating a favourable condition for a strong organizational culture in the banks. A highly competitive and supportive organizational culture is enviable in the banks to increase the employee commitment resulting in employee retention in the banks.

Limitations and Recommendations:

Organizational culture is a dynamic term. It is not that easy and simple to measure the influence of organizational culture. Even then an attempt is made to ask those questions that have more relevance with the subject. Being the quantitative research it's difficult to evaluate organizational culture in exact figures. It will also be a little difficult for the respondents to answer the questions related to commitment level in terms of quantity. This research was done on employees working in banks. Previously all literature is available for other professions only and not for banking professionals. In literature one can find this research for Consultants of private firms, nurses and medical professionals. Considering time and distance constraints, this study focused on Al Dhahirah region. Although this is a widespread region and representing ample respondents it was not possible to cover the whole country (Oman).

Another limitation is that the external factors that influence employee commitment is not covered because it's very difficult to consider external factors side by side. For that matter future researchers have a room to study this topic under external factors because those also have an equal importance. Future researchers can also do research on the same topic but in some other region of Oman and that would be able to get some synchronization of results that will make the validity of the topic stronger.

It is recommended to higher management of the banking sector of Al-Dhahirah region (Sultanate of Oman) that for

attaining better employee retention they will have to focus more on improving the organizational culture. That can be achieved through developing five factors of organizational culture which are not yet so strong. First of all employee should be provided with better 'career opportunities' in the form of defined promotional criteria, clear career path and special training and development programmes. Delegation of authority is another vital recommendation for developing an attractive organizational culture in banks that will result in more 'work autonomy'. In this way employees feel a sense of ownership in their working area and they will think to work with the same bank for a longer period of time because they enjoy work autonomy.

For 'fair pay' a transparent appraisal system should be developed so all employees will be given reward for their performance without any discrimination. Out of the box performance must also be rewarded in financial terms which will create a sense of enthusiasm in the employees to work with more zeal and efficiency in a rewarding organization.

'Recognition of job' can be given in financial and non-financial methods. Every time an employee must be encouraged for his extra mile performance by few encouraging words, a friendly meeting with supervisor for appreciation and making employees realize that their each efforts is valued by management. It is also important to give little 'challenging work' to employees in the bank. This will help employees to get a psychological edge of achievement and it will also refrain them from unchallenging and boring tasks that create a dull feeling of monotony. In this way employees will remain satisfied with the job and committed with the bank and demonstrate more retention.

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