

Human Capital Development and Employee Retention: Examining the Moderating Role of Corporate Culture in Nigerian Insurance Industry

Don-Solomon, Amakiri Ph.D & Michael Joshua Ayawei

Office and Information Management,
Niger Delta University, Wilberforce Island Bayelsa State, Nigeria
donamaco52@gmail.com

DOI: 10.56201/jbae.v8.no1.2022.pg35.43

Abstract

Human Capital Development and Employee Retention are major corporate challenges; hence, their link was investigated. Training and coaching were used as scope for the predictor variable to establish the extent of relationship with the mono-construct employee retention criterion variable. The study adopts the cross sectional survey design amongst 204 workers of 8 registered insurance firms through questionnaire. Spearman Rank Order Correlation Coefficient and Partial Correlation Coefficient were key statistical instruments used for analysis. Revealed result shows a momentous link in human capital development and employee retention. Training and coaching also strongly correlate with employee retention. Corporate culture equally moderates the association between human capital development and employee retention. On the above premise the scholars advice operators of firms to be deliberate by voting in reasonable fund to human capital up-scaling to enhance their commitment to firm, with scholarly evidence as an effective employee retention strategy; employees trained and developed by firms tend to feel indebted to the organization which make them normatively committed to the organization in essence disabusing their intention to leave the firm.

Keywords: Human Capital Development, Employee Retention, Training, Coaching.

Introduction

The retention of skilled employees in a dwindling economy paraded with employees hunt for better paying corporate firms has been a grim concern to leaders of public and private sector; especially in today's business environment with the intense competition of skilled employees as the determining differentiating denominator amongst firms. Organizations rely greatly on the proficiency of her employees to compete favorably. The dicey situation managers are confronted with in attempt to keep savvy skilled employees due to their high market demand has been well documented. Lee, (2006); Raub and Streit (2006) linked the much employee turnover to poor and faulty recruitment process. Hendricks (2006) equally echoed the much demand on skilled workers and encourages leaders to be proactive in managing employee's turnover when secured.

Patricia, Zingheim, Schuster and Marvin (2009), underpinned leaders' attitude in responding to the need to be agile in managing and treating essential talents of the employees as the way forward. Though, Abassi and Hollman, (2000); Sherman, Aiper and Wolfson (2006) underlined hiring praxis; leadership approach, inadequate compensation system and noxious workplace environments amongst others as basis for employee's turnover. Consequent upon these reasons, Goud (2014) expressed worries on the cost implication of employee turnover, noting that in cost firms twice the cost to secure new employee each time a skilled employee exits an organization.

Despite several attempts of scholars to curb employee's turnover, retention is still a challenge in the insurance industry. This study therefore seeks to ascertain the relationship between human capital development and employee retention with organizational culture as a moderating variable in the Nigerian insurance sector.

Study Focus

Major study focus is to examine the correlation between Human Capital Development and Employee Retention. The following concretized the focus in detail:

1. To examine the empirical association between training and employee's retention
2. To determine the link between coaching and employee's retention
3. To establish the extent to which corporate culture moderates the link between human capital development and employee's retention

Research Questions

These research questions would guide the exercise:

- 1 What is the extent training is associated with employee retention?
- 2 To what extent does coaching relate to employee's retention?
- 3 What is the influence of corporate culture on the association between human capital development and employee's retention?

Research Hypotheses

Tentative responses were proffered to questions asked above in the indirect negative approach.

H₀₁ There is no momentous link between training and employee retention

H₀₂ Coaching is not worthwhile empirically linked to employee retention

H₀₃ Organizational culture does not significantly affect the link between human capital development and employee retention

Methodology

Study adopts cross-sectional survey design. Owen (2002) explained this type of design to involve information gathering from an unbiased proportion of a population.

The population of the study is made up 705 employees from eight (8) insurance companies in Bayelsa State. The number distribution of the various organizations represented with alphabets for ethical considerations are shown in the table below.

Table 1 Total population

S/N	NAMES OF ORGANIZATIONS	POPULATION OF SUB-UNITS
1	S	125
2	T	110
3	U	35
4	V	45
5	W	120
6	X	135
7	Y	75
8	Z	60
Total		705

Field work 2022

Purposeful sampling technique was used on employees from each of the eight (8) insurance companies. 255 sample sizes were determined using the Taro Yemen's Technique.

Bowley's Proportional Allocation Technique (1967) was used to arrive at the number of respondents representing the various insurance companies.

$$nh = \frac{n(Nh)}{N}$$

Where; nh = number of units to be allocated to each sub-group

Nh=? Number of respondents in each sub-group

n= Total sample size

N= Total population

Illustration in calculating the company V.

$$nh = \frac{255 \times 125}{705} = \frac{31875}{705} = 45$$

Table2 Percentage Distribution

S/N	NAMES OF ORGANIZATIONS	POPULATION OF SUB-UNITS	Questionnaire distribution of sub- unit	Percentage (%)
1	S	125	45	18
2	T	110	40	16
3	U	35	13	5
4	V	45	16	6
5	W	120	43	17
6	X	135	49	19
7	Y	75	27	10
8	Z	60	22	9
		705	255	100

Spearman Rank Order Correlation Co-efficient was used to test the hypothetical statements while Partial correlation was used to test the moderating effect of corporate culture.

Content validity was utilized and Cronbach's Alpha with 0.71 benchmark Nunally (1978) was used for reliability testing.

Table 3 Reliability Result

Variable	Cronbach Alpha	No. of Items
Training	0.906	5
Coaching	0.865	6
Employee Retention	0.873	5
Organizational culture	0.950	6

Table 4. Questionnaire distribution and retrieval process

Number of Questionnaire Distributed	255	100%
Number of Questionnaire Retrieved	231	91%
Number of Usable Questionnaire	204	80%

Table 5 Descriptive Results

Variables	Mean Score	Standard Deviation
Human capital development (predictor)	4.0440	0.76394
Training	3.9990	0.93609
Coaching	4.0891	0.68855
Employee Retention (Criterion)	4.0281	0.65550
Organizational Culture	4.1185	0.82797

From the score table the least 3.9990 (training) was greater than the significant level of 1.00 show a level of agreement and ascertaining the reliability of the research instrument.

Test of Hypotheses

**Table 6 Showing the correlation between training and employee retention
 Nonparametric Correlations**

			Training	Employee retention
Spearman's rho	Training	Correlation Coefficient	1.000	.236 ^{**}
		Sig. (2-tailed)	.	.001
		N	204	204
	Employee retention	Correlation Coefficient	.236 ^{**}	1.000
		Sig. (2-tailed)	.001	.
		N	204	204

** . Correlation is significant at the 0.05 level (2-tailed).

HO₁: There is no significant relationship between training and employee retention rho: 0.236, p-value: 0.001 hence, null hypothesis one was rejected and we restate that There is a strong empirical link between training and employee retention.

**Table 7 Showing the correlation between coaching and employee retention
 Nonparametric Correlations**

		Coaching	Employee retention
Spearman's rho	Coaching	1.000	.417**
	Correlation Coefficient		
	Sig. (2-tailed)	.	.000
	N	204	204
	Employee retention	.417**	.000
	Correlation Coefficient		
Employee retention	Sig. (2-tailed)	.000	.
	N	204	204

** . Correlation is significant at the 0.05 level (2-tailed).

HO₂: there is no significant relationship between Coaching and Employee retention at a 95% confidence interval and (rho: 0.417, p-value: 0.000). Null hypothesis two was rejected hence, coaching has shown to be strongly linked to employee retention

Tests for Moderating Effects

In this section, the moderating effect of organizational culture on the relationship between human resource development and employee retention is examined. Using the partial correlation technique, at 0.05 level of significance in examining two relative models depicting association between the predictor and the criterion. The first instance or model examines the significance of a relationship between the predictor and the criterion variable, while the second instance or model controls for the moderating effect of the contextual variable in the relationship.

Table 8 Correlation of Human capital development and Employee retention

	Human Capital Development			Employee Retention		
	Correlation	Sig. (2-tailed)	N	Correlation	Sig. (2-tailed)	N
Human Capital Dev.	1		204	.797	.000	204
Retention	.797	.000	204	1		204

The table 8 shows the correlation between human capital development and employee retention; the relationship is significant with a correlation value of 0.797 and a p-value 0.000.

Table 9 Illustrating the moderating effect of organizational culture on the relation between Human Capital Development and Employee Retention

Control Variables	Human Capital Dev.	Employee Retention
-------------------	--------------------	--------------------

		Human Capital Dev.	Employee Retention	Human Capital Dev.	Employee Retention
Culture	Correlation	1.000	.559	.559	1.000
	Significance (2-tailed)	.000	.000	.000	.000
		0	201	201	0

The table 9 shows the relationship between human capital development and employee retention while controlling for the moderating effect of organizational culture. Based on the result of the analysis, when organization culture was introduced the correlation between human capital development and employee retention was .559. Therefore, based on these result we reject the previous null hypothesis and thus restate that:

The organizational culture significantly moderates the relationship between human capital development and employee retention.

Discussion of Findings

Based on the decision rule that if the rho value is greater than the p-value reject null hypothesis and accept the alternate hypothesis, the bivariate nonparametric analysis shows that the three research hypotheses were all rejected. This implies that human capital development dimensions; training and coaching shows significant relationship with employee retention. This means that organizations that invest in developing its human capital only succeed in committing them for a long-time engagement to contribute their services towards the organizational goals.

This finding is consistent with prior research. Asma, Shagufta and Tabinda (2015) research result reveal that good human resource practices such as training and development helps to minimize employee turnover. Also, Arthur, (1994); Huselid, (1995) Studies further revealed that human resource practices – training and development, compensation plans, has direct impact on employee’s behaviors and attitudes, which has a major toll on organizational outcomes.

Analysis on research hypothesis three also shows that organization culture significantly moderates the relationship between human capital development and employee retention. The implication is that if organization as a cultural norm that acknowledges the human capital as the most asset it would not neglect efforts to develop them to remain competitive.

Conclusion

The results show that there is a significant link between human capital development and employee retention. Specifically,

1. Effective management of the corporate human capital is a key strategy in achieving a more sustainable workforce.
2. Training is imperative in enhancing employee’s skills and competence thereby committing them normatively and retaining them on the long run.
3. Coaching is proven to be an effective employee retention strategy that integrates employee into the organization and retention.

Recommendations

The following recommendations were made:

1. Organizations should invest in the development of its human capital in order to make them committed to the organization normatively, because their commitment to the organization will retain them.
2. Organizations should make efforts to train and coach her employees as a human capital development strategy so they can be more efficient and useful to the organization.
3. Organization cultural practices should have employees at heart; this will go a long way in making them to build confidence on the organization to stay.

References

- Asma Z. Shagufta I.Tabinda M.I (2015).Impact of human resource management practices on employee retention in telecom sector of pakistan. *Journal of Resources Development and Management*, 12(1), 22-31.
- Abassi S.M, Hollman K.W (2000). Turnover: the real bottom line.*Public Personnel Management Journal* 2(3), 303-342.
- Arthur J.B. (1994). Effects of human resource management systems on manufacturing performance and turnover. *Academy of Management Journal* 37 (3), 670 – 687.
- Bayelsa Business Directory (2014).Find, rate, share information. Retrieved: <http://bayelsa.yalwa.com.ng/>
- Bowles S. (1967). The efficient allocation of resources in education. *Quarterly Journal of Economics*, 8 (2),189-21.
- Bontis, N., Dragonetti, N. C., Jacobsen, K., and Roos, G. (1999). The knowledge toolbox: a review of the tools available to measure and manage intangible resources, *European Management Journal*. 17 (4), 391- 401
- Bohlander, G. and Snell, S. (2007). *Managing Human Resources*, 14th edition. Mason, Ohio: Thomson-Southwestern.
- Brenya P. (2014).The effect of human capital development on employee commitment in the judicial service; a case study of western region. Kwame Nkrumah University of Science and Technology.
- Chadwick C. and Dabu A. (2009). Human resources, human resource management, and the competitive advantage of firms: toward a more comprehensive model of causal linkages.*Organization Science* 20(1),253-272
- Chaminade, B. (2007). *A retention checklist: How do you rate?* Retrieved from www.humanresourcesmagazine.co.au
- Davenport, H. and Prusak, L. (1998).*Working knowledge: how organizations manage what they know*, harvard business press - business & economics .
- Daft, R. (2004). *Organisation theory and design*. London: Thomson
- Griffeth R, Hom P.W, Fink L.S, Cohen D.J(1997). Comparative tests of multivariate models of recruiting sources effects. *Journal of Management*. 23(1), 19-36.
- Hatch N.W and Dyer J.H(2004). Human capital and learning as a source of sustainable competitive advantage.*Strategic Management Journal* 25(12),1155 - 1178

- Hendricks S (2006). Recruitment & retention of appropriately skilled people for the public service to meet the challenges of a developmental state. Conference of senior managers of the free state
- Hewitt & Associates (2006). Asia countries to battle rising attrition rates. www.hewittassociates.com/mtl/ap. Accessed 25 November, 2007.
- Hofstede, C. (1991). *Cultures consequences: international differences in work-related values*. Beverly Hills, California: Sage
- Huselid, A.M (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance, *academy of management journal*, 38(3), 635-872
- Lee G.J (2006). *Recruitment sources & employee turnover: a south african test of realism & job-fit hypotheses*. Johannesburg, University of Wits
- Litheko E (2008, 29 June). Training them young is the way to up the skills base. *Sunday/Business Times*, p. 26.
- Mac Duffie, J.P. (1995). Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry. *Industrial and Labor Relations Review*, 48, 197–221.
- Nunally J.C (1978). *Psychology Theory*, New York; Mc Grow-Hill
- Patricia K. Zingheim, Jay R. Schuster, and Marvin G. Dertien (2009). Compensation, reward & retention practices in fast-growth companies. *Worldatwork Second Quarter Journal*, 18(2), 22-39
- Raub S, Streit EM (2006). Realistic Recruitment: *An empirical study of Cruise Industry*. *International Journal of Hospitality Management*. 18(4), 278- 289.
- Sherman D, Alper W, Wolfson (2006). Seven things companies can do to reduce attrition.. *African Journal of Personnel Managemen*. 24(3), 8-11.
- Schuller, T. (2000). Social and human capital: the search for appropriate techno-methodology. *Policy Studies* 21(1): 25-35.
- Schultz T. (1961). Investment in Human Capital,' *American Economic Review* , 45(57).
- Stovel M, Bontis N. (2002). Voluntary turnover: knowledge management – friend or foe? *Journal of Intellectual Capital*, 3(3), 303-322.
- Zeynep Ton, Robert S. Huckman (2008), Managing the Impact of Employee Turnover on Performance: The Role of Process Conformance. *Organization Science*, 19(1).