

THE EFFECTS OF EMPLOYEE VALUE PROPOSITION ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

As competition for talent intensifies, organizations not only face staff attraction challenges but also retention problems as competitors raise compensation packages with a view to poaching the best talents in the market (Corporate Executive Board, 2006). Employee Value Proposition (EVP) continues to be appreciated as a strategic framework for driving attraction and commitment in the labor market (Corporate Leadership Council, 2012). In spite of the concept of the EVP being around for more than a decade many organizations are yet to appreciate the importance of having a strong EVP as a strategy for increasing the attractiveness of the organization in the labor market. This study therefore seeks to investigate the effectiveness of EVP model in increasing employee attraction, retention and engagement in the Kenyan banking sector. The Research proposes to use descriptive research design. It targeted the forty three (43) Commercial Banks registered by the Central Bank of Kenya (CBK) that have implemented EVP (CBK Commercial Banks Directory, 2014). The undertook a multi-stage sampling procedure involving a survey of the 43 commercial banks to establish EVP practices followed by stratified random method to examine specific elements under the study. Primary data was collected using

a semi- structured questionnaire. Both descriptive and inferential statistics was employed. Quantitative and qualitative data was analyzed using SPSS software. Further the study found out that organization employs organizational analytics (i.e., business performance analytics, workforce demographics, workforce performance data) to test the effectiveness of total rewards programs. The study concludes that that company has a common job architecture that is used to define all jobs that reward and career programs at organization are linked to a common job architecture and that Pay progression is aligned with career progression at my organization. The study recommends that linking of strategic and tactical drivers as well as enablers since it is an excellent foundation for successful use of talent but an understanding of these drivers can help organizations to determine where on the continuum of ability versus experience their hiring practices.

Keywords: *Effects of Employee Value Proposition on Performance of Commercial Banks*

Introduction

For any organization, the challenge is to attract quality workforce – people with the right skills, knowledge, experience, competencies and values that matches organizational requirements i.e. a good job - person and organizational fit. Employee Value Proposition (EVP) is the balance of reward and benefit, work policies and practices, experienced by an employee in return for their work: it describes why the total work experience is better than at any other organization and accordingly it may be critical in attracting and retaining quality people (Hill & Tande, 2006). It defines “the give and the get” between company and worker, encompassing every aspect of the employment experience — from the organization’s mission and values; to jobs, culture and colleagues; to the full portfolio of total rewards programs.

An effective EVP must be employee-centered i.e. whilst it comprises a unique mix of

environment, policies, programs and processes (Hill & Tande, 2006) in the organization, it must be relevant to the employee, rather than focused on the employer. In addition, it must also be compelling for the employee as well as unique and relevant (Minchington, 2010). Finally, it must be built up from optional components, which can then be separated and re-mixed to provide unique combinations to meet the unique needs and values of each employee (Smith, 2011).

Statement of the Problem

In view of the increasing talent wars and employee attraction and retention challenges, EVP continues to be appreciated as a strategic framework for improving organizational performance (Watson, 2012), and driving attraction and commitment in the labor market (Corporate Leadership Council, 2012). However, in spite of the concept of the EVP being around for decades many organizations are yet to appreciate the importance of having a strong EVP as a strategy for increasing the attractiveness of the organization in the labor market making it possible for the organization to source from a deeper segment of the labor market (Corporate Leadership Council 2012).

A survey by People in Business Company found that 42% of the 104 survey participants (organizations that are currently developing employer brands) focus as much internal as external (People in Business, 2010). SHRM's survey in 2008 found that 61% of surveyed companies have had an employer brand, and that 25% were either developing or planning to do so within the next 12 months (SHRM, 2008).

Furthermore, most EVPs implemented by various organizations are not aligned with employee preferences. There exists a disconnect between what the labor market prioritizes and what HR thinks is most important, a situation which is further compounded by variation in what is most

important across segments. It is imperative for HR managers to understand the importance of certain attributes to employees in order to design and sustain an effective EVP initiative that will attract, retain employees.

Although many studies (Eshiteti et al,2013; Maluti, 2012; Mokaya, 2008; Waititu, 2010; Bula, 2012) have been conducted in the areas of employee attraction, retention, commitment and how to motivate staff, there seems to be no research study carried out to examine the relationships between EVP and employee attraction, retention and engagement in Kenya. Much literature relied on self-reported expert or individual perceptions of the extent of talent wars with limited focus on the value of EVP in increasing the attractiveness of the organization in the labor market making it possible for the organization to source from a deeper segment of the labor market. The study therefore seeks to establish the effects of EVP implementation on employee attraction, retention and engagement in the context of the Kenyan banking sector. It is on this premise that this study will be undertaken to provide managers with relevant information to inform the development and implementation of a strong Employee Value Proposition in Kenyan organizations.

Objectives of the Study

General Objective

The main objective of this research is to investigate the effects of employee value proposition on performance of commercial banks in Kenya.

Specific Objectives

- i) To find out the effect of employee attraction on performance of commercial banks in Kenya
- ii) To assess how employee retention affects performance of commercial banks in Kenya
- iii) To determine the effect of employee engagement on performance of commercial banks in Kenya

iv) To establish the extent to which employee involvement affects performance of commercial banks in Kenya

Literature Review

Concept of Employee Value Proposition

Employee Value Proposition is the set of attributes that the labor market and employees perceive as the value they gain through employment in the organization (Corporate Leadership Council Research, 2006). Value Proposition (EVP) is the balance of reward and benefit, work policies and practices, experienced by an employee in return for their work: it describes why the total work experience is better than at any other organization and accordingly it may be critical in attracting and retaining quality people (Hill & Tande, 2006). It defines “the give and the get” between company and worker, encompassing every aspect of the employment experience — from the organization’s mission and values; to jobs, culture and colleagues; to the full portfolio of total rewards programs.

In spite of the concept of the EVP being around for decades many organizations are yet to appreciate the importance of having a strong EVP as a strategy for increasing the attractiveness of the organization in the labor market making it possible for the organization to source from a deeper segment of the labor market (Corporate Leadership Council, 2012). Furthermore, most EVPs implemented by various organizations are not aligned with employee preferences i.e. there exists a disconnect between what the labor market prioritizes and what HR thinks is most important, a situation which is further compounded by variation in what is most important across segments. An organization’s EVP should be aligned to its strategic intentions. Critical is the need to align employee attraction and retention systems with overall strategy.

Signalling Theory

Organizations have always been concerned about attracting and selecting the "right types" of employees (e.g., Schneider, 1976 & 1987). However, the relative attention paid to attracting, versus screening, new employees depends on many factors such as the relative attractiveness of the vacancy and the general state of the labor market (Guion, 1976). With regard to pre-hire communications between applicants and organizations, at least two questions merit future attention. One concerns the signalling that occurs between applicants and organizations in the absence of perfect information (e.g., Rynes & Miller, 1983; Spence, 1973). Given imperfect information, interesting questions exist about the inferences drawn from observable characteristics (organization's product, applicant's GPA) to important "unknowns" (e.g., organizational growth potential, applicant motivation). Informational uncertainties also raise questions about manipulating the order of information presentation, as well as the techniques used to inform the opposing party about unverifiable attributes (e.g., applicant motivation, organizational career prospects). Because such issues are generally subject to substantial organizational and applicant control, they would appear to be fruitful areas for future research.

A Mixed Model of Employee Retention

Influenced by March and Simon's model of organizational participation and Lee and Mitchell's job embeddedness theory (1994), a mixed model, aiming to (1) Analyze factors within employee value proposition to show how important they are for employee retention and, (2) Show the relevance of employee retention so that the organization can strengthen and develop those factors that strongly contributes to retention opportunities. To gain a deeper understanding how to retain employees, it is important to identify the factors that influence employee value proposition since the relationship between employee value proposition and employee turnover is very strong

(Teeraprasert et al, 2012). The mixed model suggests that employee value proposition affects the desirability of movement. High employee value proposition equals low desirability of movement; low employee value proposition equals high desirability of movement. The desirability of movement in relation to the ease of movement, which is primarily determined by the labour market, affects the outcome. The employee weighs pros and cons, risks and opportunities to make a decision about the future in the organization, this decision will be decided whether employee turnover or retention occurs.

Employee Engagement models and Theory

In the limited research on the topic of employee engagement, there are streams that provide engagement models. In his study on the psychological conditions of personal engagement and disengagement at work, Kahn (1990) found that there were three psychological conditions associated with engagement or disengagement at work: meaningfulness, safety and availability. In the study to empirically test Kahn's (1990) model, May *et al.* (2004) found that meaningfulness, safety and availability were significantly related to engagement.

The second model of engagement comes from the burnout literature which describes job engagement as the positive antithesis of burnout noting that burnout involves the erosion of engagement with one's job (Maslach *et al.*, 2001). In their structural model, Maslach *et al.* (2001) hypothesized that the presence of specific demands (i.e. work overload and personal conflicts) and the absence of specific resource (i.e. control coping, social support, autonomy and decision involvement) predicts burnout, which in turn is expected to lead various negative outcomes such as physical illness, turnover, absenteeism, and diminished organizational commitment.

Empirical Review

Employee Attraction

Handler (2007) in his article on Hiring for Potential vs. Skill noted that “to create an effective hiring strategy, there is a continuum that dictates the attributes that should be measured in applicants. Finding the right point on this continuum is the key to ensuring that hiring supports an organization’s strategic goals and objectives.” Furthermore, linking of strategic and tactical drivers as well as enablers is an excellent foundation for successful use of talent but an understanding of these drivers can help organizations to determine where on the continuum of ability versus experience their hiring practices should be (Handler, 2007).

Employee Retention

Research suggests that employer brand reduces turnover and increase employee loyalty (Kucherov & Zavyalova, 2012). By comparing data from 113 companies across industries, the study found that the average turnover rate of the organizations with employer brand is 10%, while overall turnover average is as high as 16%. Furthermore, some scholars argue that employer branding reinforces and changes organizational culture. A study on the internal marketing campaign by People Energy Corporation found that as the branding campaign progresses, employees buy into the new corporate culture, align their behaviors with what was demanded, and thus developed the cultural norms based on the established expectations of the company (Bergstrom & Anderson, 2001). A study by Xia and Yang on Chinese market also shows that employer brand impacts organizational culture and organizational exchange, in that as employer brand fulfils employees' spiritual and material needs, employees reciprocate with higher motivation (Xia & Yang, 2010). Employer brand is recognized as a powerful tool to help employees to internalize corporate values (The Conference Board, 2001), to shape corporate

culture (Backhaus & Tikoo, 2004), to engage employees, and to align talent management with business strategies (Kunerth & Mosley, 2011).

Employee Engagement

A positive correlation between employer brand and employee engagement has been recognized by different academic studies. In 2007, Heger conducted an empirical study by using data from 614 respondents, to identify the relationship between strong Employment Value Proposition (EVP), the core component of employer brand, and respondents' level of engagement. The study recognized that employee engagement is largely influenced by an organization's EVP, in that EVP attributes (elements appealing to employees) serve to motivate a firm's workforce (Heger, 2007).

Data Analysis/Findings

This section presents a discussion of the results of inferential statistics. The researcher conducted a multiple regression analysis so as to investigate the effects of employee value proposition on performance of commercial banks in Kenya. The researcher applied the statistical package

Table 4. 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826 ^a	.80	.896	.522

Source: Research, 2014

a.Predictors: (Constant), Employee Attraction, Employee Retention, Employee Engagement and Employee Involvement

b. Dependent Variable: Employee Value Proposition (EVP)

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Employee Value Proposition (EVP)) that is explained by all the four independent variables (Employee Attraction, Employee Retention, Employee Engagement and Employee Involvement).

The five independent variables that were studied, explain 80.0% of variance in poverty alleviation as represented by the R^2 . This therefore means that other factors not studied in this research contribute 20.0 % of variance in the dependent variable. Therefore, further research should be conducted on to investigate the effects of employee value proposition on performance of commercial banks in Kenya.

Table 4. 2: ANOVA (Analysis of Variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.238	7	.267	67.0	.001 ^a
	Residual	5.335	180	.256		

Total	35.573	187
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Source: Research, 2014

a. Predictors: (Constant), Employee Attraction, Employee Retention ,Employee Engagement and Employee Involvement

b. Dependent Variable: Employee Value Proposition (EVP)

The F critical at 5% level of significance was 7.84. Since F calculated is greater than the F critical (value = 67.0), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables), explain the variation in the dependent variable which is Employee Value Proposition (EVP).

Table 4. 3: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.756	.78		6.645	0.005
	Employee Attraction	3.456	0.246	0.687	0.265	0.004
	Employee Retention	2.253	0.256	0.510	0.245	0.034
	Employee Engagement	2.256	0.667	0.316	0.156	0.002

a.Predictors: (Constant), Employee Attraction, Employee Retention, Employee Engagement and Employee Involvement

b. Dependent Variable: Employee Value Proposition (EVP)

Source: Research, 2014

From the regression findings, the substitution of the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$) becomes:

$$Y = 3.756 + 2.253X_1 + 3.456X_2 + 2.253X_3 + 2.256X_4$$

Where Y is the dependent variable (Employee Value Proposition (EVP)), X₁ Employee Attraction, X₂ is Employee Retention, X₃ is Employee Engagement and X₄ is Employee Involvement. According to the equation, taking all factors (Employee Attraction, Employee Retention, Employee Engagement and Employee Involvement.) constant at zero, impact of Employee Value Proposition (EVP) will be 3.756. The data findings also show that a unit increase in Employee Attraction variable will lead to a 3.456 increase in Employee Value Proposition (EVP); a unit increase in Employee Retention Will lead to a 2.253 increase in Employee Value Proposition (EVP); a unit increase in Employee Engagement Will lead to a 2.256 increase in Employee Value Proposition (EVP) while a unit increase in Employee Involvement will lead to a 1.964 increase Employee Value Proposition (EVP).

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