

The Influence of Leadership on Employee Retention in Tanzania Commercial Banks

Kelvin M Mwita (Corresponding Author)

Assistant Lecturer

Mzumbe University

School of Public Administration and Management (SOPAM)

P. o Box 2

Mzumbe, Tanzania

Dr. Eliza Mwakasangula (PhD)

Senior Lecturer

Mzumbe University

School of Public Administration and Management (SOPAM)

Morogoro, Tanzania

Oscar Tefurukwa

Assistant Lecturer

Mzumbe University

School of Public Administration and Management (SOPAM)

P. o Box 2

Mzumbe, Tanzania

Received: April 1, 2018 Accepted: April 20, 2018 Online published: May 6, 2018

doi:10.5296/ijhrs.v8i2.12922

URL: <https://doi.org/10.5296/ijhrs.v8i2.12922>

Abstract

Leadership is one of important aspects in any form of activity that involves people.

Leadership may make employees either stay or leave the organisation hence it becomes one of factors that influence employee retention. Organisations spend and invest a lot in their employees and this starts from recruitment and selection, training and development, compensation and other Human Resource Management functions. This entails that letting an employee leave your organisation is a costly decision one can ever make. Various studies done in Tanzania have been investigating employee retention by associating it with other factors such as salaries, working hours, training and development, working environment and promotion among others. This study examined the link between leadership and employee retention. The study used Akiba Commercial Bank (Buguruni Branch) and Tanzania Postal Bank (Morogoro Branch) as the study cases and data were collected using questionnaires. Linear regression analysis was employed to examine the relationship between the variables. It was found that there is significant linear relationship between leadership and employee retention in Tanzania commercial banks. The study recommends provision of training to bank managers and supervisors on leadership skills since managing and leading go hand in hand. It further reminds managers and supervisors to seek for feedback from their subordinates on how they perceive leadership styles used in respective banks and make improvements before the employees decide to leave.

Keywords: leadership, organisational leadership, employee retention, commercial banks

1. Introduction

Leadership is one of important aspects in any form of activity that involves people. Leadership may make employees either stay or leave the organisation hence it becomes one of factors that influence employee retention thus it requires a very serious attention. Organisations are supposed to make sure that they identify and examine important catalysts for individual and organisational performance and ensure that they are proactively managed.

Organisations geared to attaining success, spend a lot in investing in employees and this starts from their recruitment and selection, training and development, compensation and other Human Resource Management functions. This entails that letting an employee leave your organisation is a costly decision one can make. This reason has made numerous researchers to get interested in studying the factors that influence employee retention. Like any other organisations in Tanzania, the banking sector has been affected by labour turnover as they fail to retain their employees for various reasons (Mwita, 2013). Long-term health and success of any organisation depends upon the retention of key employees. To a great extent customer satisfaction, organisational performance in terms of increased sales, satisfied colleagues and reporting staff, effective succession planning etc., are dependent upon the ability to retain the best employees in any organisation (Das & Baruah, 2013). Various studies done in Tanzania such as Mbwana, (2013); Mwinyimvua (2013) and Kweka & Sadoyeka (2014) have investigated employee retention by associating it with factors such as salaries, working hours, training and development, working environment and promotion. However, little attention has been given to leadership which plays a vital role in employee satisfaction which is one of determining factors for employee retention.

Sharma and Jain (2013) define leadership as a process by which a person influences others to

accomplish an objective and directs the organisation in a way that makes it more cohesive and coherent. According to Zaccaro and Klimoski (2001) positions of leadership are established in work settings to help organisational subunits to achieve the purposes for which they exist within the larger system. Organisational purpose is operationalised as a direction for collective action. Leadership processes are directed at defining, establishing, identifying, or translating this direction for their followers and facilitating or enabling the organisational processes that should result in the achievement of this purpose. This implies that leadership is an important vehicle to helping organisations reaches their intended goals, retaining employees being one of them since organisations cannot survive and sustain without the human resources.

1.1 Objective of the Study

This study aimed at examining the relationship between leadership and employee retention in Tanzania commercial banks.

1.2 Hypotheses

The following hypotheses guided the study;

H₀ = There is no significant relationship between leadership and employee retention in Tanzania commercial banks

H₁ = There is significant relationship between leadership and employee retention in Tanzania commercial banks

2. Literature Review

2.1 Employee Retention

After recruiting an employee, an organisation has to ensure that the employee stays with the organisation to the maximum period of time possible. Employee retention involves a strategic process of ensuring that the organisation continually keeps her employees. According to Sandhya and Kumar (2011) employee retention is a process in which the employees are encouraged to remain with the organisation for the maximum period of time or until the completion of the project. Even though employee retention has now become a tough task, it is beneficial for the organisation as well as the employee. Ahmad and Azumah (2012) explain that the rate of retention is the inverse of the rate of employee turnover and expectedly if a relatively high number of employees stayed at post within a specified period then the retention rate is high and the turnover rate is low.

2.2 Leadership

There is no leadership in absence of a leader. Winston and Patterson (2006) define a leader as a person who selects, equips, trains, and influences one or more follower(s) who have diverse gifts, abilities, and skills and focuses the follower(s) to the organisation's mission and objectives causing the follower(s) to willingly and enthusiastically expend spiritual, emotional, and physical energy in a concerted coordinated effort to achieve the organisational mission and objectives. The above definition clearly gives a picture that a leader must have

special qualities or traits to make his leadership effective. It is fair to say that leaders have to be gifted to fit in the role. It is difficult and nearly impossible to find one universally accepted definition of leadership. Silva (2016) gives this argument a justification by saying that it is because leadership is one of the terms most widely used in many areas of human activity, including armed forces, business, politics, religion, sports, etc. Since this study is concerned with organisational leadership the definition has to be more specific to focus on an organisational context. Sansom (1998) as cited by Abbas and Asghar (2010) defined organisational leadership as an ability of management to get and protect the company benefits by realising employees need and company targets and bringing them together to work in a better environment to achieve the common goals.

2.3 Transformational Leadership

Transformational leadership is concerned with the development of the fullest potential of individuals and their motivation toward the greater good versus their own self-interests, within a value-based framework (Mary, 2005 in Middleton, Harvey and Esaki, 2015). According to Odumeru and Ogbonna (2013) transformational leadership enhances the motivation, morale, and performance of followers through a variety of mechanisms. These include connecting the follower's sense of identity and self to the project and the collective identity of the organisation; being a role model for followers that inspires them and makes them interested; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers; so, the leader can align followers with tasks that enhance their performance.

Northouse (2001) as cited by Sureshi & Rajeni (2013) identified six quality of a transformational leader which are;

- a) Empowers followers to do what is best for the organisation;
- b) Is a strong role model with high values;
- c) Listens to all viewpoints to develop a spirit of cooperation;
- d) Creates a vision, using people in the organisation;
- e) Acts as a change agent within the organisation by setting an example of how to initiate and implement change;
- f) Helps the organisation by helping others contribute to the organisation.

This theory aims at ensuring that there is unity and sense of belongingness to an organisation and therefore makes the organisation as a one happy family. Transformational leaders create friendly environment which creates a room for followers to interact with their leaders and hence be part and parcel of achievement of organisational goals. This theory satisfactorily explains the link between leadership and employee retention since employees tend to stay in an organisation where they are comfortable and feel attached to.

2.4 Leadership and Employee Retention

Ng'ethe, Namusonge and Iravo (2012) attempted to measure the influence of relationship of leadership style on academic staff retention in Public Universities in Kenya. The study found that the relationship between the two variables was significant. This implies that the perceived quality of a leadership style may influence employees either to stay or leave. The findings are supported by the study done by Nwokocha and Iheriohanma (2015) in Nigeria that aimed at examining nexus between leadership styles, employee retention and employee performance;- the study concluded that effective leadership style is crucial for achieving organisational goals. The study found that when management styles are considered repugnant by the subordinates, they undermine employees' performance and instigate their propensity to quit the organisation, and vice versa. It further argued that employees' retention and performance can be achieved through the adoption of appropriate leadership styles that will align business strategies with employees' motivation and morale. Contrary to the above findings the study of Long *et al* (2012) in Malaysia to academic staff found that there is no significant relationship between leadership styles and employees turnover intention. This also means that leadership styles do not influence employee retention. This result signifies that the relationship between leadership and employee retention has to be examined in various types of industries and organisations since working situations vary as well.

The study by Khalid, Pahi, and Ahmed (2016) which was done in banking sector in Pakistan found a strong and positive relationship between leadership style and employee retention. In this study, job satisfaction and organisational commitment mediate the relationship between leadership style and employees retention. Surprisingly, in the study of Enu-Kwesi, Koomson, Segbenya and Annan-Prah (2014) which aimed at examining the determinants of employee retention in Ghana commercial banks it was found that there was low level of agreement that leadership is one of factors that influence employee retention. This implies that employees' perception on determinants of employee retention varies.

3. Methodology

The study used a case study design to collect data and hence two commercial banks were used which are Akiba Commercial Bank (Buguruni Branch, Dar es salaam) and Tanzania Postal Bank (Morogoro Branch, Morogoro). The study used two banks in order to have sufficient number of respondents for data analysis. Sample size between 30 and 500 at 5% confidence level is generally sufficient for many researchers (Altunışık *et al.*, 2004 in Delice, 2010). The Buguruni Branch had a total of 25 employees and Tanzania Postal Bank (Morogoro Branch) a total of 12 employees which made a population of 37 employees. The two banks' population was manageable and therefore the researchers did not find any need to do sampling hence all the employees were used for data collection. Questionnaires were used for data collection and administered to all the respondents. Out of 37 respondents, 30 respondents returned the questionnaires which equals to 81% response rate. According to Mugenda and Mugenda (2003) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a rate of 70% and over is excellent. This means that the response rate was sufficient for the study.

4. Findings

4.1 Respondents' Profile

Out of 30 respondents, 23 (43.3%) were males while 17 (56.7%) were females. The distribution of age groups is shown on Table 1.

Table 1. Demographic Profile of Respondents

Age (Years)	Frequency	Percent
18-25	1	3.3
26-35	25	83.3
36-45	4	13.3
Total	30	100

Source: Researcher's Primary data

4.2 Reliability and Validity of a Research Instrument

If a research tool is consistent and stable, hence predictable and accurate, it is said to be reliable. The greater the degree of consistency and stability in an instrument, the greater is its reliability (Kumar, 2011). This study used Cronbach's Alpha Coefficient to test how reliable the questionnaire was and the coefficient was found to be 0.762. According to Mugenda and Mugenda (2003) a coefficient of 0.70 or more implies high degree of reliability of the data. This indicates that the data obtained from the questionnaire were reliable. On the other hand, validity ensures the ability of a scale to measure the intended concept (Sekaran, 2003). In order to ensure the questionnaire used was valid the researchers used 5 people for a pilot study and improvements of the tool were made to ensure that the questions were clear and well understood by the respondents.

4.3 Linear Regression Analysis

The model tested in this study is represented as;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where;

Y= Dependent variable (Employee retention)

β_0 = Constant

X_1 = Independent variable (Leadership)

β_1 = Coefficient of independent variable

ε = error term

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.886 ^a	.784	.740	.467

a. Predictors: (Constant), Leadership style

From Table 2 above the R Square is represented by 0.784 which implies that 78.4% of the variation in employee retention can be explained by leadership. This clearly shows that leadership plays a vital role in employees' decision of whether they should stay with an organisation or leave.

Simple linear regression was used to test the influence of independent variable (Leadership) on the dependent variable (employee retention). Simple linear regression is a statistical method used to show and summarise relationship between two quantitative variables.

 Table 3. ANOVA^a

Model			Df	Mean Square	F	Sig.
	Regression	19.063	5	3.813	17.472	.000 ^b
1	Residual	5.237	24	.218		
	Total	24.300	29			

a. Dependent Variable: Employee retention

b. Predictor: (Constant): Leadership

The model analysis of variance (ANOVA) indicates $F(5, 24) = 17.472, P < .05$. From the F statistics table the critical value is 2.26 hence the null hypothesis is rejected and the alternative hypothesis accepted since tabulated value (2.62) is greater than the level of significance (0.05). It is hereby concluded that there is statistically significant evidence at $\alpha = 0.05$ that shows a linear relationship between leadership and employee retention.

5. Conclusion and Discussion

This study concluded that there is a significant linear relationship between leadership and employee retention in Tanzania commercial banks. These findings are consistent with those by Ng'ethe, Namusonge and Iravo (2012); Izidor and Iheriohanma (2015); Khalid, Pahi, and Ahmed (2016). Their findings indicated that there is a significant relationship between leadership and employee retention. The findings of this study clearly remind managers and supervisors in Tanzania commercial banks to ensure that leadership is given special attention in order to retain their employees. The focus should not be on compensation, promotion and working conditions only but also how leadership is exercised since employees find it comfortable working for a bank that has good and friendly leadership.

Managers should also be regularly trained in order to improve their leadership skills because managing and leading go hand in hand. Bank managements should make efforts to seek for feedback from employees to see how they perceive respective leadership styles in banks. This will help to notice how comfortable or uncomfortable employees are with leadership styles

used before they decide to quit.

In reflecting the transformational leadership theory individuals who are offered leadership and managerial role have to ensure that they let employees be part and parcel of their leadership process. This means that employees have to be allowed to give ideas on how an organisation should achieve organisational goals. This is one of the best ways to win their heart and make them loyal to the company. This goes hand in hand with having an effective communication system that allows two-way flow of information; managers should not only focus on giving information but also they should seek feedback from their subordinates.

Since commercial banks strive for both survival and sustainability, they should also have special strategies that will help in training and mentoring junior staff that are expected to take management and leadership roles in the future.

Lastly, although leadership plays a significant role on employee retention, yet commercial banks have to pay attention to other factors such as financial incentives that are important in retaining employees.

References

- Abbas, W., & Asghar, I. (2010). The Role of Leadership In Organisational Change: Relating the Successful Organisational change to Visionary and Innovative Leadership. Master Thesis: University of Gavle.
- Ahmad, K., & Azumah, K. K. (2012). Employee Retention Strategies: The Case of a Patent Firm in Australia. Master Thesis: Blekinge Institute of Technology.
- Das, B. L., & Baruah, M. (2013). Employee Retention: A Review of Literature. *IOSR Journal of Business and Management*, 14(2), 08-16. <https://doi.org/10.9790/487X-1420816>
- Delice, A. (2010). The Sampling Issues in Quantitative Research. *Marmara University Faculty of Atatürk Education*.
- Enu, K. F., Koomson, F., Segbenya, M., Annan, P. E.C. (2014). Determinants of Employee Retention in Ghana Commercial Bank, Kumasi. *European Journal of Contemporary Economics and Management*, 1(1), 81-91.
- Khalid, N., Pahi, M. H., & Ahmed, U. (2016). Losing Your Best Talent: Can Leadership Retain Employees? The Dilemma of the Banking Sector of Hyderabad Sindh, Pakistan: A Mediation Investigation. *International Review of Management and Marketing*, 6(3), 608-616.
- Kweka, N., & Sedoyeka, E. (2014). Labor Turnover in Tanzania – Telecom vs Banking Sectors. *International Journal of Computing and ICT Research*, 8(2), 65-82.
- Long, C. S., Thean, L. Y., Ismail, W. K., & Jusoh, A. (2012). Leadership Styles and Employees' Turnover Intention: Exploratory Study of Academic Staff in a Malaysian College. *World Applied Sciences Journal*, 19(4), 575-581.
- Mbwana, E. G. (2013). Factors Influencing Employees' Turnover in The Banking Industry: The Case of The National Microfinance Bank (NMB). Master Dissertation: The Open

University of Tanzania.

Middleton, J., Harvey, S., & Esaki, N. (2015). Transformational Leadership and Organisational Change: How Do Leaders Approach Trauma-Informed Organisational Change...Twice? *The Journal of Contemporary Social Services*, 96(3), 155–163.

Mugenda, A., & Mugenda, O. (2003). *Research Methods Quantitative and Qualitative Approaches*. (3rd Ed.). Nairobi: Acts Press Publishers.

Mwinyimvua, A. M (2013). Factors Promoting Labour Turnover at the Commercial Banks: NBC Bank And Stanbic Bank In Dar Es Salaam City. Master dissertation: Mzumbe University.

Mwita, G. T. (2013). Labour Turnover in the Banking Sector in Tanzania: A Case Study of National Bank of Commerce (NBC) Head Office. Master's Thesis: The Open University of Tanzania.

Ng'ete, J. M., Namusonge, G. S., & Iravo, M. A. (2012). Influence of Leadership Style on Academic Staff Retention in Public Universities in Kenya. *International Journal of Business and Social Science*, 3(21), 297-302.

Nwokocha, I., & Iheriohanma, E. B. J. (2015). Nexus between Leadership Styles, Employee Retention and Performance in Organisations in Nigeria. *European Scientific Journal*, 11(13), 185-209.

Odumeru, J. A., & Ogbonna, I. G. (2013). Transformational vs. Transactional Leadership Theories: Evidence in Literature. *International Review of Management and Business Research*, 2(2), 355-361.

Sandhya, K., & Kumar, D. P. (2011). Employee retention by motivation. *Indian Journal of Science and Technology*, 4(12), 1778-1782.

Sekaran, U. (2003). *Research Methods for Business: A Skill-Building Approach*. New York: John Wiley & Sons Inc.

Sharma, M. K., & Jain, S. (2013). Leadership Management: Principles, Models and Theories. *Global Journal of Management and Business Studies*, 3(3), 309-318.

Silva, A. (2016). What is Leadership? *Journal of Business Studies Quarterly*, 8(1), 1-5.

Strengths and Weaknesses. *International Journal of Social Science & Interdisciplinary Research*, 2(3), 155-160.

Sureshi, A., & Rajini, J. (2013). Transformational Leadership Approach in Organisations – Its Strengths and Weaknesses. *International Journal of Social Science & Interdisciplinary Research*, 2(3), 155-160.

Winston, B. E. & Patterson, K. (2006). An Integrative Definition of Leadership. *International Journal of Leadership Studies*, 1(2), 6-66.

Zaccaro, S. J., & Klimoski, R. J. (2001). *The Nature of Organisational Leadership: An*

Introduction: San Fransisco: Jossey-Bass.

Copyright Disclaimer

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).