

Employee turnover in pharmaceutical companies in kenya management essay



**ASSIGN
BUSTER**

The objective of the study was to investigate employee turnover problem in Pharmaceutical industries in Kenya with a case study of Ranbaxy Laboratories limited. The study specifically investigated on staff retention measures utilized by the management, whether exit interviews are conducted, and the competitiveness of reward program and whether the conduciveness of the work place environment as factors that may contribute to workforce turnover in this sector.

The study adopted a descriptive research design to identify the employee turnover factors and a sample size of 50 employees were selected using a simple random sampling since the population for the purpose of this study was regarded as homogeneous. The study collected both primary and secondary data using semi-structured questionnaire and review of empirical and theoretical literatures respectively. The instruments were pilot tested for reliability checks. Statistical software SPSS was used for data analysis and generation of charts and graphs. Analysis took both descriptive and inferential dimensions where some elements of measure of central tendency and regression analysis were employed respectively.

The study revealed that organization lacked effective staff retention strategies, where exit interviews were not regularly and effectively conducted, the employed reward program was not competitive and existence of unfriendly work place environment influenced most employees to leave the organization. Thus it was concluded that lack of effective strategies to manage these factors influenced most pharmaceutical companies to continue experiencing high staff turnover rates that lower the total organization productivity and increase running costs by recurrent

recruitment costs, production disrupting and broken clients relationships.

The study recommended that these factors should be part of the organization business strategy rather than being left to managers to act.

Key Words: Employee turnover, Retention strategies, Exit interviews, Work environment and, Compensation.

Introduction

Turnover is the rate at which workers are replaced with new staff members in an organization. Turnover rate is calculated by dividing the number of resignations by number of staff in a given period of time usually a calendar year. Gbervbie, (2008) refers to frequent labor turnover as a state of affairs in an organization whereby employees for reasons best known to them based on their perception of personnel policies and practice of an organization resign or leave their job. Employees switch organizations for several reasons. These reasons could be either organization related or job related. Managers would readily agree that retaining the top performer's results in higher customer satisfaction, quality improvement, effective succession planning and a considerable increase in organization knowledge and learning. Smith (2001) discusses companies with work environments that attract and retain people and where people are willing to give their best. These environments aren't expensive. In fact, they save money. In most cases, they improve retention and productivity without lavish salaries or bonuses. And they certainly lower the expense of continually hiring and training new people. Estimates suggest that separation, replacement and training costs are 1.5 to 2.5 times annual salary for each person who quits, which means that the departure of a middle manager usually costs an

<https://assignbuster.com/employee-turnover-in-pharmaceutical-companies-in-kenya-management-essay/>

organization around \$75, 000 (Dalton et al., 1993). Employees who perceive relationships with customers provide better service. Customers who receive better service express fewer complaints and thereby create fewer problems for employees. Employees in turn react more favorably to encounters with customers. These reactions result in better service which again leads to higher customer satisfaction. Providing adequate health care to the populations remains a major challenge for governments in Africa . Access of drugs is dependent on both affordability and quality. The pharmaceutical sector in Kenya is dominated by multinational companies and generic companies who either import ready products or locally manufactured products.

The domestic pharmaceutical industry shows considerable strength and has significant opportunities for growth. Imported generics make 28% of the market share (UNIDO survey, 2009). The reports goes on to say exports to Tanzania and Uganda are growing and still more potential for Kenya to establish its self as a major source in Southern Sudan. For purpose of this study, the researcher focused on Ranbaxy Laboratories Limited, an integrated, research based, international pharmaceutical company producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies, the company has a unique model of applauding and recognizing individual and team effort through (APPRECIATE) program designed to motivate performance (www. ranbaxy. com). The Company's business philosophy is based on delivering value to its stakeholders by constantly inspiring its people to innovate, achieve excellence and set new global benchmarks.

Statement of the Problem

The private health sector in Kenya contributes around 13% to the GDP and has largely remained unchanged since 1995 (KPPB, 2007). Out of this, Pharmaceutical industries account for a whopping 10.3% in its contribution to the GDP. Although on average this is seen as stagnation, it is considered as one of the largest in East and Central Africa. Nevertheless, due to increased development of conventional medicines and awareness about preventive culture in the urban population, the industry has registered a high level of growth and innovation that has turned the sector into a vibrant business domain. This has seemingly attracted the attention of many entrepreneurs resulting to massive investment both at large and retail scale levels.

Empirical studies (Wilson and Peel, 1990) on pharmaceutical industries have indicated that the industry is characterized by a stiff competition. In Kenya, the proliferations of the biotechnology marketplace have greatly revolutionized the industry operations. Organizations are increasingly at risk of losing key sales personnel to competitors and new market entrants. In a recent benchmarking study, Best Practices found that the 2006 aggregate annual turnover of employees for the pharmaceutical and biotech industries in Kenya is 14.2%. According to (Paul and Anantharaman, 2003), increasing turnover of sales people is particularly problematic for the larger pharmaceutical companies as smaller market entrants, particularly biotechnology firms keep on attracting their employees. This resulted into massive exodus of employees from the pharmaceutical subsector into these

upcoming biotechnology firms since the skills required is the same in both sub sector.

This has evidently affected the Pharmaceutical industries since they responded to these pressures by focusing on its innovative segment and increasing its R&D expenditures by means of in-house innovation, technological and therapeutic market specialization, and mergers and acquisitions of companies within and outside the pharmaceutical industry resulting to declining profits and stagnation (Kundu & Malhan, 2007). Most studies (Delaney and Huselid, 1996) done of the employee turnover sought to establish preliminary indices for employee turnover situations in different subsector hence making many statistics that describes the turnover of employees as abundant. In spite of having many studies undertaken on staff turnover in pharmaceutical companies, none of the studies have managed to come up with an effective solution on how pharmaceutical companies should employ effective staff retention measures, conduct exit interviews, employ effective rewards programs and provide better working environment. This has therefore created a wide knowledge gap on staff turnover management and hence created a need to conduct a study on factors contributing to the employee turnover in pharmaceutical companies in Kenya.

Ranbaxy Laboratories Limited, which is one of the largest and leading chains in the pharmaceutical laboratories with highest turnover according to the preliminary indices, (Delaney and Huselid, 1996) its recent employee satisfaction survey of 2009 indicated that 50% of the employees felt they would not be in the company for the next two years and 69% felt their

<https://assignbuster.com/employee-turnover-in-pharmaceutical-companies-in-kenya-management-essay/>

intention to quit is influenced by management not peers. Considering Ranbaxy Laboratories Limited as a case, this study therefore sought to investigate the factors that contribute to employee turnover in pharmaceutical industries in Kenya.

Overall Objective of the Study

The general objective of the study is to investigate factors contributing to the employee turnover in pharmaceutical companies in Kenya, a case study of Ranbaxy Laboratories Limited.

Specific Objectives

The study aimed to:-

To investigate employee retention actions as a factor contributing to employee turnover in Ranbaxy Laboratories Limited.

To find out whether exit interviews affect employee turnover in Ranbaxy Laboratories Limited.

To find out the competitiveness of reward program as a factor contributing to employee turnover in Ranbaxy Laboratories Limited..

To establish whether the work place environment affect employee turnover in Ranbaxy Laboratories Limited.

Research Question

The study sought answers for the following questions:

Does employee retention actions as a factor contributing to employee turnover in Ranbaxy Laboratories Limited.

Do exit interviews affect employee turnover in Ranbaxy Laboratories Limited.

Does competitiveness of reward program as a factor contributing to employee turnover in Ranbaxy Laboratories Limited.

Do the work place environment affect employee turnover in Ranbaxy Laboratories Limited.

Scope of the Study

In the literature, the variables that influence the turnover of the employees in an organization is vast. Since human resource management is also a socially complex process which is intertwined with array of organizational factors, it further diversifies the reasons as to why employees leave their organizations. Thus, this study focused only on retention action employed by the organization, exit interviews, competitiveness of reward program and status of workplace environment as factors influencing the employee turnover investigated. The study will limit itself to the case of Ranbaxy Laboratories Limited only.

Literature Review

Both the theoretical and empirical reviews on employee turnover and its variables were conducted. This resulted into array of constructs (retention strategy, exit interviews, reward strategy, workplace environment and employee turnover) and their relationships which was conceptualized in the

following schematic diagram below. This was used as the Conceptual framework which guided the study.

Retention Strategy

Exit Interviews

Employee Turnover

Reward Strategy

Work place Environment

Independent Variables Dependant Variable

Research Methodology

This chapter focused on research design, sampling, instrumentation, data collection, data analysis and interpretation.

Research Design

The research adopted descriptive approach. This is because, the study aim to describe employee turnover phenomena using different set of independent variable cluster. Descriptive research is used to obtain information concerning the current status of the phenomena to describe what exists, with respect to variables or conditions in a situation (Mugenda and Mugenda, 1999).

Population and Sampling

The study focused on pharmaceutical industry in Kenya which is the target population regarded as the larger population on which the findings were generalized to. The study population was employees of Ranbaxy Laboratories Limited. A target population is the total collection of elements about which

one wishes to make some inferences (Mugenda and Mugenda, 1999).

Stratified random sampling was used to select a sample size of 50 employees out of the total 75 employee of the study population. Since most variables under investigations are related to motivation, stratification is necessary to consider the different cadres of employees which pose motivation implications. This is equivalent to 66.67% sample size. According to Dempsey, (2003) a sample size of 50% is appropriate for generalization of the gathered findings in descriptive research. This therefore surpasses the threshold suggested by Dempsey, (2003) for generalization purposes and thus, regarded as adequate. The list sourced from the Human Resource department of Ranbaxy Laboratories Limited was used as a sampling frame.

Data Collection and Instrumentation

Primary data collection was through the questionnaire using a semi structured questionnaire that was interviewer-administered. Secondary data was through review of the theoretical and empirical literatures sourced from books and scholarly journals, Internet and conference papers among others.

Pilot Test

A pilot study was conducted to test reliability of the instrument (questionnaire). This involved selecting 2 respondents from each strata and issuing them with the questionnaires. Data was obtained using the questionnaires and after evaluating and identifying the response, reliability analysis using Kuder-Richardson 20 formulae was conducted. The results were applied to modify or drop the items whose thresholds were low. Data reliability also plays an important role towards generalization of the gathered data to reflect the research objective.

<https://assignbuster.com/employee-turnover-in-pharmaceutical-companies-in-kenya-management-essay/>

Data Analysis and Presentation

Descriptive statistics data analysis method was applied to analyze quantitative data where data was scored by calculating the percentages and means. The Statistical Package for Social Sciences (SPSS) computer software was used specifically for the purpose of analyzing the quantitative data and presenting it in form of table, figures and graphs. Linear Regression analysis was also used to show the relationship between research variables.

Qualitative data analysis method was employed to analyze qualitative data gathered using open end questions.

Summary of the Major Findings

Response Rate

The response rate was 80%. This is regarded adequate in line with the literature by Mugenda and Mugenda, (2003) which recommends 70% as a good response rate in descriptive studies.

Respondents Demographic Profile

Majority of the respondents (50%) were within the age bracket 31-40 years, 24% within the age bracket of 18-30, and 13% within the age bracket of 41-50 years and 51 years and above. On the education level, majority of the respondents (62%) had attained university education level and 25% had attained college education level. Regarding working experience most of the respondents (35%) had a working experience of 3-5 years, 25% 6-7 years, 18% 3-5 years, 20% had a working experience of less than 2 years and 20% had a working experience of 8 years and above. This indicated that most of

the study respondents were experienced and educated and hence expected to give relevant information for this study.

Employee Retention Strategies

Majority (58%) of the respondents indicated the organization lacked effective employee retention strategies while 42% felt otherwise. The 58% felt management lacked understanding on retention strategies. This concurs with Ruth (2004) that managers who have greater understanding on causes of employee turnover are likely to employ effective employee retention strategies in order to retain competent and most skilled employee. Further 80% of the respondents felt that the strategies employed do not minimize employee turnover. Using Likert scale method rating 4 - very effective, 3-effective, 2-Moderate and 1 not effective 5-very effective, (50%) rated the effectiveness of the employed employee retention strategies as being moderate, 18% effective, 20% not effective and 12% very effective. From this we can infer majority of the employee rated average. This concurs with findings by Baker (2004) that organization that lacks very effective employee retention strategies faces cases of high employee turnover rates that contributes to loss of the most skilled and competent employee. The low standard deviation indicates that there was negligible error during the analysis and the variance results demonstrates that respondents gave similar answers as the answers variation was close to each other and hence giving a clear indication that the answers given were reliable From the findings, it can be concluded that lack of effective employee retention strategies contributed to high employee turnover rates in the organization.

Exit Interviews

Majority of the respondents (68%) were of the opinion that employees leaving the organization were not subjected to exit interviews. However, 32% of the respondents expressed that the employees were subjected to exit interviews. This agreed with suggestion by Armstrong (2006) that presence of exit interviews in organization assists human resource management to establish the core causes of high employee turnover. Concerning whether exit interviews help the organization to find out the reasons for employee turnover (83%) answered no indicating that exit interviews did not help to establish reasons why employees left the organization and (37%) felt otherwise. The majority who answered no explained that the organization lacked effective exit interview program that helped in capturing the organization problems influencing high employee turnover. Regarding the frequency of conducting exit interviews respondents (47.5%) stated that exit interviews were rarely conducted, 40% stated sometimes, 7.5% never and only 5% who stated exit interviews were always conducted. Exit interviews were rarely conducted since the management was not conscious on the reasons contributing to high employee turnover rates and this agreed with Nelly (2002) that human resource managers who are not mindful about employees' turnover do not carry out exit interviews and instead concentrates on employing new employees. The study hence concluded that conducting exit interviews could help human resource management in pharmaceutical to effectively manage high employee turnover rates. The table shows that a low standard deviation was obtained in all questions, indicating that the answers given were accurate. A low

variance in all the questions shows that the respondents answered the questions in a similar way and hence the responses given were reliable.

Reward Program

The study sought to find out competitiveness of the reward program. 73% of the respondents felt the reward program was not competitive and it was one of the reasons that influenced employees to leave. This agrees with Nzuve (2007) that absence of competitive rewards in the organization lead to low level of employee motivation that influences most employee to leave the organization hence increasing the rate of employee turnover. 85% of the respondents indicated absence of competitive reward programs in the organization contributed to high employee turnover while 15% felt otherwise. As can be observed from the table a mean of 1.27 and 1.85 was obtained in the two questions indicating that organization lacked competitive reward programs and absence of competitive reward programs contributed high employee turnover rates.

Work place Environment

An overwhelming (80%) of the respondents felt their work environment was not conducive while 20% felt it was conducive. The majority 80% felt that the work environment contributed to employee turnover. Using Likert Scale where 5 -very large extent, 4-large extent, 3-moderate extent, 2-small extent and 1- not at all, majority of the respondents (60%) stated that work place environment contributed to employee turnover to a very large extent, 20% large extent, 10% moderate extent and 5% small extent and not at all respectively. A mean of 1.20 indicates that organization work place

environment was not conducive, a mean of 1.80 shows that work place
<https://assignbuster.com/employee-turnover-in-pharmaceutical-companies-in-kenya-management-essay/>

environment contributed to high employee turnover rate and a mean of 4.25 indicated that work place environment contributed to employee turnover to a large extent. A low variance and a low standard deviation demonstrate that the answers given by the respondents were accurate.

Regression Analysis

A regression equation to show the relationship between the independent variables and dependant variable was derived

$$Y = a + bX_1 + bX_2 + bX_3 + bX_4 + e = r^2$$

The values for b_0 , b_1 , b_2 , b_3 and b_4 are .569, .330, .095, .160 and .132 therefore the equation

$$Y = .569 + .330 + .095 + .160 + .132$$

This indicates that there is a strong relationship between, employee retention, exit interviews, reward program, work place environment and employee turnover. A coefficient of .330 indicates that application of effective employee retention strategies reduces employee turnover by 0.330, a coefficient of .095 indicates application of exit interviews reduces employee turnover by 0.095. A coefficient of .160 presents that application of effective reward programs reduces employee turnover by 0.16. A coefficient of .132 indicates that conducive workplace environment helps to reduce employee turnover by 0.132.

Conclusion

Based on the findings of the study, it can be concluded that employee retention strategy was a major factor that greatly contributed to high employee turnover rates in the organization. The study also found out that

one of the critical parameter of collecting data form the exiting employees, exit interviews were not regularly conducted whenever employees left the organization. And this hampered the organization human resource management to identify the core reasons that influenced employees to leave the organization. Lack of competitive reward program greatly contributed to high employee turnover rates in the organization since the organization's reward package was not competitive and also lacks the elements of totality in its reward system. Finally it can be concluded that the organization working environment was not conducive to most of the employees and this contributed to high employee turnover. This is expected since; laboratories like workshops are characteristically identified with the workplace environments which they offer.

Recommendations

Employee turnover should not be left to be handled by the human resource department alone rather it should be looked at as part of the overall business strategy since human capital is one of the major factors of production. This way , factors that are causing employee turnover will be handled and top management level and action will be taken to minimize employee turnover. Thus the study suggests the need to investigate on the role played by the top management in the alleviating employee turnover investigation as necessary. The study also recommends the need for the managements to be vigilant with their exit interviews so as to get insights of why the employees are leaving while redoubling their efforts in streamlining the motivation package.