



**ST. MARY UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM**

**THE RELATIONSHIP BETWEEN HRM PRACTICES WITH  
EMPLOYEE COMMITMENT AND TURNOVER INTENTION  
AT NYALA INSURANCE S.C IN ADDIS ABABA**

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## **ENDORSEMENT**

This thesis has been submitted to St Mary University, School of Graduate Studies for examination with my approval as a University advisor.

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Advisor's Name

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Date and Signature

## **DECLARATION**

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Dr. Tilaye Kassahun. All sources of material used for thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Student's Name

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Date and Signature

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## ACRONYMS

HR- Human Resource

HRM –Human Resource Management

NISCO – Nyala Insurance Share Company

SPSS – Statistical Package for the Social Sciences

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## **Abstract**

The purpose of this study is to investigate the relationship between HRM practices with employee turnover intention and organizational commitment. HRM practices particularly addressed three dimensions: Training and Development, Reward and Compensation and Performance management. The data were collected from employees of Nyala Insurance Share Company (NISCO) in Ethiopia. 80 questionnaires were distributed to the respondent and 75 questionnaires were returned, and one open ended questionnaire was completed and returned by the HR manager of NISCO. Data was analysed using “Statistical Package for Social Science” (SPSS). Correlation analysis was used to analyse the data. The findings show evidence of that there is significant and positive or negative correlation between three independent variables of human resource practices toward turnover intention and organizational commitment. The findings shows that that there were relationship between the independent variables HRM practices and were positive or negative relationships between HRM practices and organizational commitment/ turnover intention dependent variables. Finally, the researcher has developed a conceptual framework based on the literature reviews, and from there the researcher constructed the research` s hypothesis. Foundation on the result, conclusion, recommendation and suggestions for future research are also highlighted.

## CHAPTER ONE

### 1. Introduction

#### 1.1 Background of the Study

The purpose of this study is to investigate the relationship of Human Resource Management practices on employee turnover intention and organizational commitment in Nyala Insurance Company (NISCO). The research is focused on whether HRM practices have relationship on turnover intention and organizational commitment among employees of NISCO. The HRM practices which are included in this study are training & development, performance management, and reward & compensation.

Human Resource is the most important asset for any organization, and it is a major source of achieving competitive advantage. Managing Human Resources is an extremely challenging task hence it should be backed up by appropriate Human Resource Management Practices. HRM practices refer to organizational activities directed at managing human resources towards the fulfilment of organizational goals. (Pizada et al., 2013)

Managing people is an extremely important part of making organization work well. (Weightman, 2003) HRM practices focus on people management, in particular the recruitment, development and management of employees (Wood and Wall, 2002, cited in Seibers et al., 2008). Creation of HRM systems which are able to attract, develop, motivate and retain employees that will support the organization effectiveness is very important. Since the organization capital is directly related to the human capital, the systems influencing the knowledge, skills, abilities and behaviours of the employees, help the companies to realize their strategic goals. As HRM is an integral part of the organization strategic process, the practices in this field should be considered as a resource, contributing to the firm's profitability and not to working expenses. (Slavianska, 2012)

HR practices have the potential to contribute improved employee attitude and behaviours, lower level of absenteeism and turnover, and high level of productivity. Marchington and Milkinson (2002)

Numerous factors and actors significantly contribute towards employees' turnover. Such factor can stem from companies as well as the employees. Synonymous to poor turnover, productivity is also affected by various factors such as, job stress, boredom, lack of challenge, poor work conditions and life balance, confined spaces, lack of health and safety program, lack of professional development program and training. (Pirzada et al, 2013)

On the other hand, organizational commitment refers to an employee's emotional attachment to, identification with, and involvement in a particular organization. It is the employee's pride and loyalty toward the organization. (Hill and McShane, 2008)

Currently, NISCO, the organization that is going to be researched, however has been affected by high level of employee turnover. The results of this research will allow a better understanding of the relationship of HRM practices on organizational commitment and turnover intention.

Therefore, the purpose of this study is to help HR managers to better understand the relationship of HRM practices on turnover. It provides detail information on selected HRM practices and their relationship on organizational commitment; organizations will realize its relationship towards employees' turnover intention. Organizational commitment plays a great role to achieve organizational objective. Moreover, when turnover is high the organization would confront the cost of recruitment. Hence organizations should give attention to employee commitment and turnover.

NISCO was founded in July 1995 following the liberalization of the Insurance business to the private sector in 1994 with the Licensing and Supervision of Insurance Business Proclamation No. 85/1994. The organization guarantees protection with care to its customers through three pronged services – General, Life and Micro-insurance solutions with a network of 43 service outlets (28 Service Centers and 15 Contact Offices) distributed all over the country. The number of employees of NISCO has reached 295 the Company has also facing staff turnover. (NISCO website)

## 1.2 Statement of the Problem

To remain competitive in the rapidly expanding global economy employee retention is of great importance to business. Studies have shown that turnover is one of the most researched phenomena in organizational behaviour (Price, 2001) cited in Long et al, (2012). Hence, it is important for Human Resource Management to overcome employees' turnover intention. Issues encountered may be in the areas of shrinking pool of entry-level workers, individual differences, use of temporary workers, productivity and competitiveness, retirement benefits and skills development (John, 1995) cited in Long et al, 2012.

Organizational Commitment is a bond or linking of an individual to the organization that makes it difficult to leave (Casco, 2003). Therefore, it is very important to investigate employee commitment in the organization because it has a linkage with turnover.

Following the liberalization process of financial sectors in Ethiopia Banking and Insurance, private insurance companies entered into the market. This creates high competition between insurance companies thereby contributing to the development of the Insurance sector. Therefore, to remain competitive in the market it is important to understand the contribution of factors like HRM practices on job satisfaction, employee commitment and turnover.

Recently, with the growth in Ethiopia's financial sector, Banking, Insurance and Micro Finance Institutions, the demand for skilled manpower in the industry is increasing and this in turn has created opportunities for employees to leave one organization and join another company. Evidences suggest that the rise of new entrants in the industry has a substantial impact on the labor market and key personnel turnover in the sector.(Ethiopia Business Review Website , Fikru 2016).

Nyala Insurance 2014/15 Annual report shows that the Insurance company human capital has been affected by high level of employee turnover. The annual labor turnover rates were 23.5% and 12% in 2014 and 2015 respectively.

There are researches conducted on the relationship of HRM practices and employee turnover in developed countries and developing countries like Kenya and India. Different studies have proved that HRM practices positively are correlated with commitment, retention and

productivity. Furthermore there is published research work conducted on the impact of HRM practice on employee performance in Ethiopia education sector. However, there is no published research work on the relationship of HRM practices on employee commitment and turnover intention in Ethiopian Insurance Sector. Hence, this research is aimed to test the research findings in Ethiopian Insurance Company.

Although, it was accepted that HRM practices are related to staff turnover and commitment. There is a great need for additional evidence to support the HR Management practices and turnover and commitment relationship from different contexts. Therefore, this research is aimed to investigate the relationship of selected HRM practices on turnover and commitment in Nyala Insurance Company in Addis Ababa. Moreover, this study will contribute to the growing studies on human resources management.

The study is focused on the relationship of HRM practices on employee turnover intention and commitment at NISCO. The HRM practices selected for this study are based on their importance in relation to the industry. The HR practices used in this study are listed as follows:

- Training and development
- Compensation and benefit administration
- Performance management

The specific questions that shall guide the research in this study are:

### **Research Questions:**

1. What is the magnitude of employee turnover intention and employee commitment at NISCO?
2. How does employee turnover vary with respect to gender, level of education, and experience of employees at NISCO? What is its trend over the last four years?
3. How do human resource management practices (Training and Development, Reward and Compensation, and Performance Management) related with employee turnover intention at NISCO?
4. How do HR practices (Training and Development, Reward and Compensation, and Performance Management) relate with employee commitment at NISCO?

### **1.3 Research Objectives**

The objective of this research is spanned over the following areas:-

#### **General Objective**

- To investigate the relationship of human management practices with employee commitment and turnover intention at Nyla Insurance Share Company in Addis Ababa

#### **Specific Objective**

- To examine the magnitude of turnover intention & employee commitment at Nyala
- To assess the trend of employee turnover rate over the last four years and to examine the turnover with respect to gender, level of education and experience of employees at Nyala Insurance
- To investigate the relationship of HRM practices (Training and Development, Reward and Compensation, and Performance Management) and employee turnover intention
- To study the relationship of HRM practices (Training and Development, Reward and Compensation, and Performance Management) and organizational commitment

#### **1.4 Significance of the Study**

The main objective of this research is to study the relationship of HRM practices with employee turnover and commitment. The purpose of this study will help HR managers to better understand the relationship of HRM practices on turnover. It provides detail information on selected HRM practices and their relationship with organizational commitment; organizations will realize the relationship of HRM practices towards employees' turnover intention.

As a result, they will try to reduce the intension of leaving by giving attention on HRM practices, organizational commitment of employees. From a practical perspective, the findings of this study will be useful to top management and HRM managers and practitioners to design their HRM practices within the organization level to reduce turnover and improve firm performance.

#### **1.5 Scope of the Study**

This study covers employees who are currently working in Nyala Insurance Company in Ethiopia. All levels of employees are included in this study and their feedbacks were incorporated.

This study focuses on using the integration of social interdependence theory to investigate the relationship of human resource management with turnover and commitment. The study is restricted to the relationship of employee commitment and turnover in terms of only four variables of HRM practices (training and development, reward and compensation, and performance management). Quantitative and qualitative method is applied to investigate the relationship between dependent and independent variables.

#### **1.6 Limitation of the Study**

The study focused on the relationship of Human Resource Management practices with commitment and turnover, evidenced from Nyala Insurance S.C. The study further limited to three factors which were the independent variable in this study, training and development, compensation and reward administration, and performance management and the dependent

variables were employee commitment and turnover intention. Therefore, the research finding lacks recruitment, selection, orientation and other HRM practices.

### **1.7 Organization of the Study**

This research is structured and organized into five chapters. Chapter one encompasses an overview of HRM practice and employee turnover, problem statement, looks into the research objectives and research questions, followed by significance and scope and limitation of the study.

Chapter two focuses on in depth reviews of literature pertaining to HRM practices, turnover and organizational commitment. This chapter shows the relationship between HRM practices and turnover including organizational commitment.

Chapter three covers the research methodology used for this research. It elaborates in detail on research design, sampling technique, research method and instrument used for data analysis.

Chapter Four covers data analysis, and summary of results. Finally, chapter five concludes the entire research and discuss the major finding. Finally the recommendation will be presented.

### **1.8 Hypothesis**

From the preceding literature review, the following Hypotheses are put forth:

**Hypothesis 1:** HRM practices (training and development, compensation and benefit administration, and performance management) as perceived by the employees will positively relates to organizational commitment.

**Hypothesis 2:** HRM practices (training and development, compensation and benefit administration, and performance management) as perceived by the employees will negatively relate with turnover.



## CHAPTER TWO

### 2. Related Literature Review

In Chapter two, literature review of the study, looks into the literature on HRM practices, their relationship with organizational commitment, and turnover. For this literature review, information had been obtained from secondary data which are found from published journals, thesis, articles and different books.

The chapter starts with introduction of dependent and independent variables then followed by the relationship between important variables through theoretical or empirical data will be followed. Finally, conclusion will be presented for chapter two.

#### 2.1 Human Resource Management practices (HRM)

**HRM practices** are a process of attracting, motivating, and retaining employees to ensure the survival of the organization (Schuler and Jackson, 1987, cited in Hassan, 2016). HRM practices are designed and implemented in such a way that human capital plays a significant role in achieving the goals of the organization (Delery and Doty, 1996, cited in Hassan, 2016).

The overarching areas of HR practice will be concerned with organization development, the management of change, creating a positive employment relationship, developing mutual commitment policies, communicating with employees and giving employees a voice (involvement and participation). These should be taken into account generally and their relevance should be considered when introducing any specific practices concerned with resourcing, human resource development and reward management. (Armstrong, 2006)

HRM includes all the activities managers engage into attract and retain employees and ensure that they perform at higher level to accomplish organization goals. These activities are recruitment and selection, training and development, performance appraisal and feedback, pay and benefit, and labor relations. (Jones and George, 2009)

## 2.1.1 Components of HRM Practices

### 2.1.1.1 Compensation and Benefit Administration

The words ‘compensation’ and ‘reward’ are often used interchangeably in contemporary personnel management. Although in principle, the two concepts may mean the same thing, they have different philosophical roots. Whereas the former is based on the interpretation that work is not necessarily a good thing and hence those who work lose something which should be compensated, the latter considers work positive and something which has to be rewarded depending on the quantity and quality of accomplishment. Therefore, employees need different types of compensations or rewards for the effort they expend on the job and enable the organisation function. It is the duty of the human resource department through the responsible officers to evaluate different types and levels of jobs in order to develop appropriate compensations or rewards in terms of pay and other incentive packages. (Itika, 2011).

Employee **compensation** refers to all work-related payments, including wages, commissions, insurance, and time off. Wages and salaries are the most common forms of compensation and are based on job evaluations that determine the relative values of jobs to the organization. Under the hourly wage system, employees are paid a fixed amount for each hour they work. Most professional positions are salaried; the reality is that these jobholders typically work in excess of a “minimum” 40-hour workweek. Some employees are offered merit awards as a reward for sustained superior performance. **Employee benefits** are supplements to wages or pay. Some benefits, such as unemployment and worker’s compensation, are legally mandated. Other benefits are optional and help build employee loyalty to an organization, including health insurance, pension, vacation, sick and annual leaves, bonus and other benefit packages. (Benowitz, 2001)

Compensation is define as the process of determining a cost-relationshipive pay structure that will attract and retain competent employees, provide an incentive for them to work hard and ensure that pay levels will be perceived as fair. Employee benefits are nonfinancial rewards designed to enrich employees’ lives. They have grown in importance and variety over the past several decades. Once viewed as “fringes,” today’s benefit packages reflect a considered effort to provide something that each employee values. (Robbins and DeCenzo, 2008)

Hence, when managers determine pay and benefit packages for their employees they must ensure that it will attract and retain competent employees. This in turn creates employee to feel that they are valued.

### **2.1.1.2 Performance Management**

Performance management is the process through which managers ensure that employee' activities and outputs contribute to the organization's goals. This process requires knowing what activities and outputs are desired, observing whether they occur, and providing feedback to help employees meet expectations. (Noe, et al, 2011)

Performance management is important for managers to get their employees to reach performance levels that the organization considers desirable. How do managers ensure that employees are performing as well as they are supposed to do? In organizations, the formal means of assessing the work of employees is through a systematic performance appraisal process. A performance management system is a process of establishing performance standards and evaluating performance in order to arrive at objective human resource decisions such as pay increases and training needs. (Robbins and DeCenzo, 2008)

Employee performance should be evaluated regularly. Employees would like to get feedback and they need to know what their supervisors think about their performance. Regular performance evaluations provide employees with an opportunity to correct their weaknesses. Evaluations supports the managers to make personnel decisions such as justifying promotion, transfer, termination, identifying training needs, providing feedback to employees on the work and determining necessary salary adjustments. (Benowitz, 2001). Therefore, managers must be on constant lookout for ways to maximize employee commitment and reduce turnover intention by maintaining good performance management system.

### **2.1.1.3 Training and Development**

Training and development are one of the most important elements of 'best practices of human resource management, both in seeking to ensure continuing training and development

for all employees, but also in terms of organizational performance. (Marchington and Milkinson, 2002)

The skills and performance of employees and managers must be upgraded continually. Meeting this requirement involves training and development and appraising performance for the purpose of giving feedback and motivating people to perform at their best. (Bateman and Snell, 2002)

## 2.2. Employee Turnover

Employee turnover is the difference between the rate of employees leaving a company and new employees filling up their positions. As the world progress towards globalization, this has become a serious issue which has led serious relationship on productivity as well as corporate financial outlay. It is an established act that numerous factors and actors significantly contribute towards employee's turnover (Saeed et al., 2013).

The broad range of turnover studies is indicative of the significance and complexity of the issue. The phenomenon attracts interest due to its psychological dimension, its organizational significance, and its economic dimension (Morrell et al., 2004; Abdullah et al., 2012, cited in Long, Perumal and Ajagbe., 2012).

## 2.3 Employee Commitment

Organizational Commitment is a bond or linking of an individual to the organization that makes it difficult to leave. (Casco, 2003)

According to the Scholars, there are almost as many ways to build organizational commitment the following list is most prominent in the literature: First, **justice and support**: Employee loyalty is higher in organizations that fulfil their obligations to employees and abide by humanitarian values, such as fairness, courtesy, forgiveness, and moral integrity. Second, **shared values**: The definition of organizational commitment refers to a person's identification with the organization, and that identification is highest when employees believe their values are congruent with the organization's dominant values. Third, **trust**: which is defined as a psychological state comprising the intention to accept vulnerability based on positive expectations of the intent or behaviour of another person. Fourth,

**organizational comprehension:** Organizational commitment is a person's identification with the company, so it makes sense that this attitude is strengthened when employees understand the company, including its past, present, and future. Fifth, **employee involvement:** Employees feel that they are part of the organization when they contribute to decisions that guide the organization's future. This employee involvement also builds loyalty because giving this power demonstrates the company's trust in its employees. (Hill and McShane, 2008)

Therefore, managers should give attention towards engaging employees in decision making process, by creating shared values and develop trust of employees so that they can build employee commitment and reduce turnover intention.

Although the authors states that organizational commitment is different from continuance commitment. Whereas organizational commitment is an emotional bond to the organization, continuance commitment is a calculative attachment. Employees have high continuance commitment when they do not particularly identify with the organization where they work but feel bound to remain there because it would be too costly to quit. In other words, they choose to stay because the calculated (typically financial) value of staying is higher than the value of working somewhere else. Unfortunately managers seem to confuse organizational commitment with continuance commitment. Executives often tie employees financially to the organization through low-cost loans, stock options, deferred bonuses, and other "golden handcuffs." (Hill and McShane, 2008)

Cascio states that managers assume employees who are dissatisfied with their jobs and who are not committed strongly tend to quite more often. (Cascio, 2003)

Again, financial incentives might reduce turnover, but they also increase continuance commitment, not employee loyalty. Research suggests that employees with high levels of continuance commitment have lower performance ratings and are less likely to engage in organizational citizenship behaviours! Furthermore, unionized employees with high continuance commitment are more likely to use formal grievances, whereas employees with high organizational commitment engage in more constructive problem solving when employee-employer relations sour. Although some level of financial connection may be necessary, employers still need to win employees' hearts (organizational commitment)

beyond tying them financially to the organization (continuance commitment). (Hill and McShane, 2008)

#### **2.4 Human Resource Management Practices and Employee Turnover**

The study entitled “The Relationships of Human Resource Management Practices on Employee Retention in Thailand’s Multinational Corporations”, results shown a strong correlation between HRM practices and employee retention. He argued that by employing HRM practices, managers can ensure that their employees will remain loyal to their organization and work as long as possible. But there needs to be full employee participation in organization, where information concerning policy issues is shared with them. Moreover employees should be allowed to make suggestions concerning policies and procedures. Also, managers should construct a system of compensation, benefits and rewards in which employees are given positive recognition for good performance. Organizations should institute a career planning system to help employees map out their vision of future. It is the duty of the organization to create the opportunity for employees to advance in their careers. This can be done through relationshipive and timely training and development. The researcher found that employee engagement has strongest influence on employee retentions. Sorasak Tangthong, et al (2014)

Mudor and Tooksoon (2011) conducted a study on the conceptual framework on the relationship between human resource management practices, job satisfaction, and turnover. The paper attempts to propose a conceptual framework consisting of HRM variables supervision, job training, and pay practices, job satisfaction and turnover. The research paper proposed that certain human resource management practices create the favourable approach on the job satisfaction which will be explicated reversely on the turnover. The researchers concluded that organizations need to take consideration about job satisfaction and apply HRM practice in the workplace in order to reduce turnover and gain the organization goals.

The researchers concluded that human resource management practices create the favourable approach on the job satisfaction which will be explicated reversely on the turnover. HRM practices namely supervision, on the job training and pay practices have played a crucial role to enhance employee job satisfaction. In addition, providing good supervision, training and

pay practice can reduce turnover rates of employees. Besides, job satisfaction has also direct relationship on turnover, in other words high job satisfaction can reduce employee turnover. Thus, organization needs to take consideration about job satisfaction and apply HRM practices in the workplace in order to reduce turnover and achieve organizational goals. (Mudor and Tooksoon, 2011)

According to the scholars developing an effective and appropriate compensation system is an important part of the HRM process. It can help attract and retain competent and talented individuals who help the organization accomplish its mission and goals. In addition, an organization's compensation system has been shown to have an impact on its strategic performance. Managers must develop a compensation system that reflects the changing nature of work and the workplace in order to keep people motivated. Organizational compensation can include many different types of rewards and benefits such as base wages and salaries, wage and salary add-ons, incentive payments, and other benefits and services. (Robbins and Coulter, 2012)

In addition, developing an effective and appropriate compensation system is an important part of the HRM process. It can help attract and retain competent and talented individuals who help the organization accomplish its mission and goals. In addition, an organization's compensation system has been shown to have an impact on its strategic performance. Managers must develop a compensation system that reflects the changing nature of work and the workplace in order to keep people motivated. Organizational compensation can include many different types of rewards and benefits such as base wages and salaries, wage and salary add-ons, incentive payments, and other benefits and services. Some organizations offer employees some unusual, but popular, benefits. (Robbins and Coulter, 2012)

The reward system can influence a number of human resource practices which in turn have an impact of organization performance. Rewards influence recruitment and retention. Organizations that give the most rewards can attract and retain most people (Marchington and Milkinson, 2002). The researchers founded that that job security, career development, financial needs, respect and prestige were the top five factors influencing employee retention. (Shakeel and Sahar, 2015)

Also the authors argue that replacing qualified and experienced workers become more difficult and costly, hence retaining workers will become much important. In this regard, performance appraisal provides information for making salary promotion and layoff decision also the information can be used to diagnose training needs, career planning and the like. (Bateman and Snell, 2002)

After reviewing literatures and discussing the five specific challenges of the HRM practises namely, training, compensation and benefit, performance management, and career development and also the dependant variable of turnover intentions, the researchers concluded that they can see many similarity of the correlation between these HRM practises and the impact on turnover intentions by employees. They need to emphasise the importance of HRM in the organization and that the impact on the organization due to turnover can have detrimental repercussions on the organization. (Long et al, 2012)

The above research outcomes show that HRM practices has correlation with turnover intentions by employees. Therefore, managers should employ HRM best practices in their organization to improve employee commitment and reduce turnover intentions.

## **2.5 Human Resource Management Practices and Employee Commitment**

The appropriate use of HRM practices positively influence the level of employer and employee commitment (Purcell, 2003, cited in Hassan, 2016). HRM practices such as, training and development, performance appraisal encourage the employees to work better in order to increase the organizational performance (Snell and Dean, 1992; Pfeffer, 1998, cited in Hassan, 2016).

The greater the number of Human resource practices employed, the higher the level of commitment, quality and flexibility. These, in turn, are related to higher level of reported productivity and quality. (Guest et al, 2000, cited in Marchington and Milkinson, 2002)

The study conducted by Shruti Lamba and Nirmala Choudhary in 2013 on the impact of HRM practices on organizational commitment of employees, showed that HRM practices such as compensation, training and development and employee participation play a significant role on organizational commitment in Banking sector. In Hospital industry



supportive reward oriented HRM practices increase employee commitment towards organization. In contrast to this, employees from IT software industry are influenced by HRM policies such as training, career development and friendly work environment.

The researchers concluded that HRM practices such as training and development, compensation and welfares activities has significant relationship on organizational commitment and are associated with superior organizational performance. (Lamba and Choudhary, 2013)

Furthermore, Armstrong argues that strategies for managing performance exist to develop a high-performance culture and achieve increased organizational effectiveness, better results for individuals and teams, and higher levels of skill, competence, commitment and motivation. Managing performance is a continuing responsibility for managers and team leaders. It can play a major role in providing for an integrated and coherent range of human resource management processes that are mutually supportive and contribute as a whole to improving organizational effectiveness. (Armstrong, 2006)

Dessler believes that human resource management practices and policies can play a crucial role in fostering such employee commitment an in enabling the firm to better respond to change. According to him building employee commitment crating synthesis of employees and employer's goals so that employees want to do their job as if their own the company, takes a multipronged effort, one in which human resource plays the central role. (Dessler, 2005)

Thus, there are plenty of studies around the world focusing on the impact of HRM practices on job satisfaction, commitment and turnover. However, very limited number of researches has been conducted on the Impact of HRM practices on organizational performance in Education sector and NGO in Ethiopian context. This study has been undertaken to fill this research gap by examining HRM practices on employee commitment and turnover in Insurance industry. The research findings will also contribute to other researches on human resources management.

## 2.6 Research Conceptual Framework

After having reviewed previous literature, it is possible to develop a framework, presented in Figure 1, consisting of HRM practices as independent variable. The dependent variables include organizational commitment and employee turnover.

### HRM practices

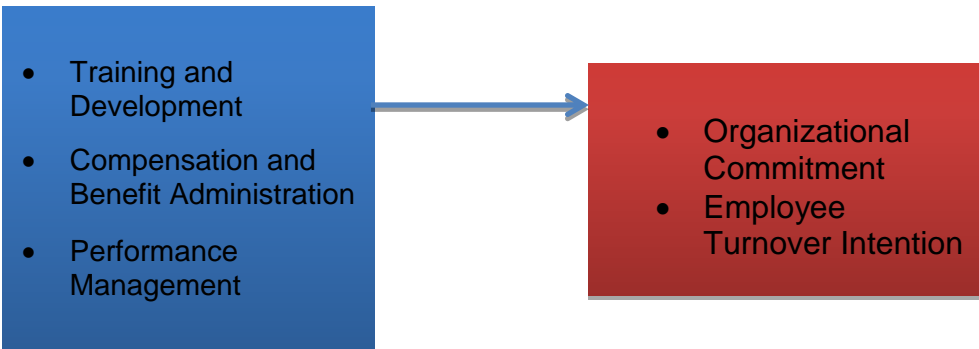


Figure 1, Source, Researcher's

## **CHAPTER THREE**

### **Research Methodology**

#### **3.1 Research design**

The purpose of the research is to investigate the relationship of HRM practices on employee turnover and organizational commitment. In the literature review in Chapter two has found that there is a relationship between HRM practices and employee turnover and commitment. The researcher will adopt descriptive research design. A descriptive research study approach is adopted, involving correlation analysis, to explain the relationship between variables. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. In social science and business research we quite often use this research methodology: The methods of research utilized in descriptive research are survey methods of all kinds, including comparative and correlational methods. Kothari C., R. (2004). This chapter includes research design, data collection methods, sampling design, research instrument, and constructs. All of these will be discussed in this chapter.

#### **3.2 Source of Data**

This study purely based on primary sources of data. A questionnaire for the respondents was prepared for data collection. The primary data were gathered from both human resources manager and employees of NISCO which are currently working in the organization by using questionnaire. The secondary data were gathered from different reports and related literature and published research journals.

#### **3.3 Types of Data and Tools/Instruments of Data Collection**

The survey instrument used in this study was adopted from various studies. The questionnaire used in this study is divided into four sections. The first section of the questionnaire gathers information on the personal information of respondents. The second section of the questionnaire ensures the extent to which human resource practices (training & development, reward & compensation administration, and Performance Management). The third and fourth section of the questionnaire measures the level of turnover intention and organizational commitment respectively.

Respondents are requested to rate HRM practices and organizational commitment aspects based on a five-point Likert scale ranging from Strongly Agree, disagree, neutral, agree and strongly disagree.

The researcher collected both primary and secondary data. The primary data were collected through questionnaire. The research aimed to discover deeply held personal attitudes and beliefs, which may have sensitive in nature. The questionnaire allows respondents to express their inner beliefs freely. The questionnaire was distributed to 80 workers of NISCO.

### **3.4 Target Population and Sampling Technique**

The target population of this study are insurance employees and human resources manager working at NISCO. The total population is 295 staff of NISCO and the sample size determined by Yamene, (1967) with precision level of  $\pm 10\%$  is used, which is 76. Convenience sampling technique used to make the study manageable with time and cost constraint. The convenience sampling method doesn't give equal chance for all respondents being chosen in the sample but I make my own judgement to include all of employees in different positions (supervisory/non-supervisory positions).

### **3.5 Procedure of Data Collection**

In this study procedures were followed to collect data. The first step was meeting the HR manager at NISCO to explain the purpose of the study; the second step was distributed to all randomly selected respondents at their work place. A total of 80 questionnaires were distributed and 76 were returned. All information provided by respondents would be kept confidential.

### **3.6 Method of Data Analysis**

The research was accomplished by using the quantitative and qualitative method. To explore what practices of HRM management are effective for reducing of employee turnover and increasing organizational commitment, systematic literature review was conducted. A critical review of contemporary literature including various researches conducted has facilitated the identification and selection of human resource practices contributing to organization's turnover and organizational commitment. The relevant data was analysed using SPSS statistics software package. The relevant data collected through questionnaire were used to analyse the data including frequencies, and percentages. Correlation analysis was conducted

to identify the relationship between HR practices and intention to leave and organizational commitment. Then, after analysing the data and properly interpreting those findings were summarized and based on the findings the appropriate conclusion was drawn and possible recommendations were presented.

### 3.7 Validity and Reliability of the Data Collection Instrument

Researcher use validity test to ensure that the variables have been measure is accurate. For instance, I assessed the validity of dependent variable through content validity where the evaluation of turnover intention and commitment should include all aspects of the relationship of the three HRM practices towards the intention and all are related question and not something outside of the scope. In this study, the value of Cronbach's alpha is between 0.847 which is greater than the standard value, 0.7. Thus it can be concluded that the measures used in this study are valid and highly reliable

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.847	.852	43

\*SPSS Output

## CHAPTER FOUR

### Findings and Discussion

This chapter comprises of presentation, analysis and interpretation of data gathered through primary source. To collect data questionnaire was prepared and distributed to employees and HR Manager of Nyala Insurance Share Company to extract the findings.

80 questionnaires were distributed to the respondents and 75 questionnaires were completed and returned and one open ended questionnaire was completed by the HR manager. This means the response rate was 95%, which means 5% of respondents were unable to return the questionnaires. The sample size is compatible with Yamen (1967) determination table which is 76.

#### 4.1 Background of Respondents

Under this section the researcher presented the background of the respondents by using gathered information through structured questionnaire. The demographic characteristics of respondents such as gender, age group, educational background, position (supervisory or non-supervisory position), and service year at NISCO.

**Table 4.1 Personal Background of Respondents**

Gender	No. of responses	Percentage
Male	18	24
Female	57	76
Total		100
Age Group		Percentage
< 26		24
26-35		64
36-45		8
46-55		4
Position	No. of responses	Percentage
Supervisor	20	26.7
Non-Supervisor	55	73.3
Total	75	100

Service Year	No. of responses	Percentage
1-3 year	27	36
3-5 years	30	40
> 5 years	18	24
<b>Total</b>	<b>75</b>	<b>100</b>
Educational Background	Number of responses	Percentage
Diploma	3	4
Bachelor degree	63	84
Master's degree	9	12
Total	75	100

Source: Own Questionnaire

Ages of respondents were classified into five categories which were below 26, 26-35, 36-45 and more than 55. Majority of respondents were between ages 26-35 which were 64% of total number of respondents. Followed by respondents with the category of age below 26 which were 24% of the total number of respondents and respondents with age category 36-45 were 8%. Therefore, most of respondents were young and energetic employees.

The above chart indicates that most of the respondents were female employees with 75% and male respondents with 24 % of the total respondents. Hence we can say that the majority of respondents were female employees. In addition, Table 4.1 shows that 26.7% of respondents have supervisory position and 73.3% of respondents have no supervisory position. Therefore, the data covers both supervisory and non-supervisory positions at NISCO.

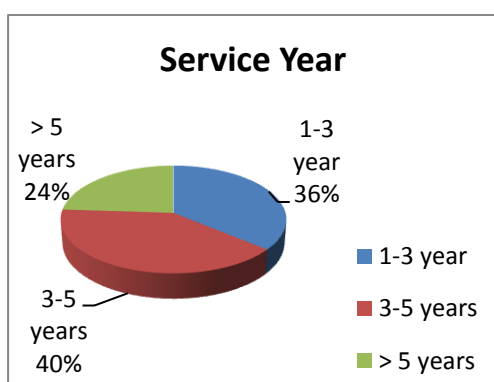


Chart II: Educational Background

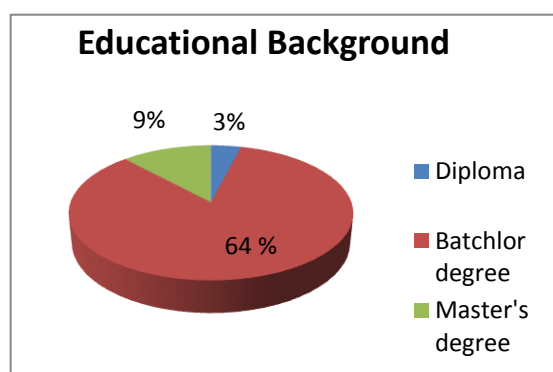


Chart III: Service Year

In regards to educational background of respondents: Chart II shows that most of respondents are Bachelor degree holders, followed by respondents who are Master's degree holders with 9%. Therefore, we can say that most of respondents were professionals. When we look into their educational background: Chart III indicates that majority of respondents have served the organization from 3-5 years with 40%, followed by respondents who have served the organization from 1-3 years with 36% then respondents who have served the organization more than 5 years were 24%.

#### 4.2 Summary of Descriptive Analysis on HRM Practices at NISCO

##### Employee attitude towards training and development

This section discusses about employee s attitude towards training and development programme at the Insurance Company.

**Table 4.2 Training and development**

<b>The organization provided training opportunities</b>		
	Frequency	Percent
Strongly Agree	6	8.0
Agree	39	52.0
Neither	15	20.0
Disagree	6	8.0
Strongly Disagree	9	12.0
Total	75	100.0
<b>Access for the right learning and development opportunities</b>		
Extremely satisfied	3	4.0
Satisfied	9	12.0
Neutral	36	48.0
Dissatisfied	21	28.0
Extremely dissatisfied	6	8.0
Total	75	100.0

SPSS Output



Table 4.2 showed on how respondents replied about training and development. By referring to the table, the statement of “the organization has provided me with training opportunity”, 60% of respondents agreed, 20% of respondents remained neutral, 20% of respondents disagreed. Majority of respondents agreed that the organization has provided training opportunities for employees. Therefore, the organization should continue with this best HRM practice as this contribute towards the improvement of employee commitment and reduce turnover intention.

On the other hand, the table showed on how respondents answered on the ability to access the right learning and development opportunities, 16% of respondents satisfied, 48% of respondents reserved were neutral, 36% of respondents dissatisfied. Therefore, the result shows the existence of training and opportunities but some of respondents dissatisfied concerning the access for the right training and development opportunities. Hence, managers should conduct training need assessment to increase employee satisfaction and improve employee commitment.

### **Employee attitude towards performance management system at NISCO**

This section discusses about employees perception towards performance management system at the Insurance Company.

**Table 4.3: Performance Management**

<b>There are opportunities to develop my carrier based on performance evaluation</b>		
	<b>Frequency</b>	<b>Per cent</b>
Strongly Agree	6	8.0
Agree	18	24.0
Neither	30	40.0
Disagree	21	28.0
Total	75	100.0
<b>Performance is accessed based on performance objective or job description</b>		
Strongly Agree	6	8.0
Agree	45	60.0
Neither	12	16.0
Disagree	12	16.0
Total	75	100.0
<b>Performance evaluation is fair and objective</b>		
Strongly Agree	6	8.0
Agree	42	56.0
Neither	27	36.0
Total	75	100.0
<b>Performance management system is in place and the employee receive feedback of performance evaluation result</b>		
Strongly Agree	3	4.0
Agree	30	40.0
Neither	18	24.0
Disagree	21	28.0
Strongly Disagree	3	4.0
Total	75	100.0

**SPSS output**

Table 4.3 illustrate that, 32% of respondents have agreed that there are opportunities to develop carrier based on performance evaluation, while 40% and 28% of respondents have neutral views and have disagreement respectively. In addition, 68% of respondents agreed, 16% respondents remained neutral and 16% of respondents disagreed that performance is accessed based on performance evaluation. Also, 64 % of respondents agreed, and 36% remained neutral that performance evaluation is fair and objective. The table also shows that 44% of respondents agreed, 4% remained neutral, 68% disagreed that there is performance evaluation system in place and employee received feedback of performance evaluation result. Hence, majority of respondents disagreed with getting feedback of performance evaluation result. Managers should improve performance feedback mechanism to strengthen the performance management system and to reduce turnover intention and improve commitment.

### **Employee attitude towards compensation and benefit administration**

**Table 4.4 Compensation and Benefit Administration**

<b>Salary is fair considering what other people are paid</b>		
	Frequency	Per cent
Agree	27	36.0
Neither	24	32.0
Disagree	18	24.0
Strongly Disagree	6	8.0
Total	75	100.0
<b>Satisfied with the total benefit package</b>		
Strongly Agree	3	4.0
Agree	9	12.0
Neither	18	24.0
Disagree	27	36.0
Strongly Disagree	18	24.0
Total	75	100.0
<b>Job promotions are fair and equitable</b>		
Strongly Agree	3	4.0
Agree	9	12.0
Neither	39	52.0
Disagree	21	28.0
Strongly Disagree	3	4.0
Total	75	100.0

<b>Priority given for seniority in promotion</b>		
Strongly Agree	3	4.0
Agree	33	44.0
Neither	27	36.0
Disagree	9	12.0
Strongly Disagree	3	4.0
Total	75	100.0

SPSS output

Table 4.4 demonstrates that 36% of respondents agreed, 32% neutral, 32% disagreed with the statement of “salary is fair when compared to other people are paid. Moreover, 16% of respondents agreed, 24% neutral, 60% disagreed that the total benefit package. Also, 16% of respondents agreed 52% neutral and 28% disagreed with the statement “job promotion is fair and equitable”. And 48% agreed, 36% neutral, 16% disagreed with the statement “seniority given priority for promotion”. 32% of respondents are not satisfied with salary and majority of respondents are not happy with the benefit package. Therefore, the Insurance Company should lookout into the current benefit package and revisit to improve employee satisfaction and to reduce turnover and ensure that employees feel valued.

### **4.3 Respondents level of commitment with their organization**

In this part, participants were asked to indicate the level of commitment with their current organization and the findings are presented in the table below.

**Table 4.5 Employee Commitment**

<b>Willingness to put in a great deal of effort beyond normally expected in order to help the organization be successful</b>		
	Frequency	Per cent
Strongly Agree	15	20.0
Agree	39	52.0
Neither	21	28.0
Total	75	100.0

<b>I talk up this organisation to my friends as great organization to work for</b>		
Strongly Agree	3	4.0
Agree	33	44.0
Neither	18	24.0
Disagree	18	24.0
Strongly Disagree	3	4.0
Total	75	100.0
<b>I would accept almost any type of job assignment in order to keep working for this organization</b>		
Strongly Agree	6	8.0
Agree	18	24.0
Neither	33	44.0
Disagree	18	24.0
Total	75	100.0
<b>I would take very little change in my present circumstances to cause me to leave this organization</b>		
Strongly Agree	9	12.0
Agree	33	44.0
Neither	15	20.0
Disagree	18	24.0
Total	75	100.0
<b>Often I find it difficult to agree with this organisation's policies on important matters relating to its employees</b>		
Strongly Agree	9	12.0
Agree	33	44.0
Neither	18	24.0
Disagree	15	20.0
Total	75	100.0
Agree	15	20.0
Neither	54	72.0
Disagree	6	8.0
Total	75	100.0

**I feel comfortable expressing my views/suggestions**

	Frequency	Per cent
Strongly Agree	3	4.0
Agree	24	32.0
Neither	42	56.0
Disagree	6	8.0
Total	75	100.0

**Employees are involved in formal participation processes such as problem-solving groups and decision making**

Strongly Agree	6	8.0
Agree	9	12.0
Neither	33	44.0
Disagree	21	28.0
Strongly Disagree	6	8.0
Total	75	100.0

Table 4.5 shows that 72% of respondents agree that they are willing to put a great deal of effort beyond normally expected in order to help the organization be successful. Moreover, majority of respondents agree to put a great deal of effort beyond expectation with 72%, while 28% of respondents have neutral opinion with this statement. The findings that are shown in table 4.5 demonstrate that 24% of respondents agree to accept any type of job assignment in order to keep working for the organization while 24% of respondents disagree and 44% stayed neutral with this statement. Moreover, majority of respondents which is 44% agree with the statement “they find it difficult to agree with the organization’s policies relating to employees” and 24% disagree with this statement. Furthermore, 20% of respondents didn’t feel a strong sense of belonging to their organization and 72% remained neutral. Although, 32% of respondents feel comfortable to express their views or suggestions but 56% remained neutral with this idea. 28% of respondents disagree that they don’t participate in problem solving or decision making while 44% remained neutral, the remaining 20% agree with this statement respectively.

The above findings shows majority of respondents remained neutral on their participation in decision making hence, managers should assess employee need towards decision making and problem solving areas and apply the necessary HRM practices to improve employee commitment and to reduce turnover intention.

#### 4.4 The Magnitude of Employees Turnover Intention at NISCO

This section illustrates magnitude of employee turnover intention at NISCO

**Table 4.6: Turnover Intention**

This table illustrates the turnover intention of employees and the findings are presented below

<b>I think a lot about leaving organisation</b>		
	Frequency	Per cent
Strongly Agree	12	16.0
Agree	21	28.0
Neither	33	44.0
Disagree	9	12.0
Total	75	100.0
<b>I am actively searching for an alternative to the organisation</b>		
Strongly Agree	3	4.0
Agree	27	36.0
Neither	39	52.0
Disagree	6	8.0
Total	75	100.0

According to the information in table 4.6, it clearly seen that majority of respondents agreed that they think about leaving the organization, which was 44% of respondents agreed, 44% remained neutral and the remaining 12% disagreed with this statement. Furthermore, 40% of respondents agreed that they are searching for alternative job, 52% reserved neutral and 8% disagreed. Therefore, we can say that majority of respondents don't want to express about their intention to leave the organization. Hence, HR managers should give attention and apply HRM practices to reduce turnover intention at organization.

#### 4.5 Correlation between HRM Practices and Employee Commitment

This section discuss the Hypothesis

**Hypothesis 1:** HRM practices (training and development, compensation and benefit administration, and performance management) as perceived by the employees will positively relates to organizational commitment (Loyalty).

**Hypothesis 1.1: There is a relationship between training and development and employee loyalty**

**Table 4.7 Correlations**

		Training and Development	Employee Commitment
Training and Development	Pearson Correlation	1	.243*
	Sig. (2-tailed)		.035
	N	75	75
Employee Commitment	Pearson Correlation	.243*	1
	Sig. (2-tailed)	.035	
	N	75	75

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

According to Pearson test shown in table 4.7 there is relationship between training & development and employee commitment. Training & development has 0.243 correlation value with commitment which is fall in the range of ( $\pm 0.21$  to  $\pm 0.40$ ). This shows that when there is training and development opportunities organizational commitment is high. This also proves that, both of the variables have positive relationship of each other. The correlation coefficient value is 0.035 that means there is significant relationship between training & development and commitment because the p-value is 0.035 which is less than 0.05. Therefore, Hypothesis 1.1 is accepted. The result shows that there is a relationship between training & development and commitment therefore managers should give attention to the training and development plans to improve commitment of employees.



**Hypothesis 1.2: There is relationship between reward and compensation with commitment**

**Table 4.8 Correlations**

		Employee Loyalty	Compensation and benefit
Employee Commitment	Pearson Correlation	1	.359**
	Sig. (2-tailed)		.002
	N	75	75
Compensation and benefit	Pearson Correlation	.359**	1
	Sig. (2-tailed)	.002	
	N	75	75

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Based on the Pearson test in table 4.8 indicate that there is positive relationship between compensation and employee commitment due to the positive value of correlation coefficient with each other. Compensation has 0.359 correlation value with commitment. This shows that when compensation is good, employee loyalty is high. The correlation coefficient value is 0.359 which fall in the range of  $\pm 0.21$  to  $\pm 0.40$ . Therefore, there is relationship between compensation and employee loyalty. The p-value between compensation and employee commitment is 0.002 which means less than 0.01, the relationship is significant. The Hypothesis is accepted.

The finding shows that there is a relationship between the two variables hence managers should lookout the compensation and benefit structure to ensure employees commitment in their organization.

**Hypothesis 1.3: There is relationship between performance management practices and employee loyalty**

**Table 4.9 Correlations**

		Employee commitment	Performance management practice	
Employee commitment	Pearson	1	.333**	
	Correlation			
	Sig. (2-tailed)			.004
	N			75
Performance management practice	Pearson	.333**	1	
	Correlation			
	Sig. (2-tailed)			.004
	N			75

\*\* . Correlation is significant at the 0.01 level (2-tailed).

According to Pearson test shown in table 4.9 there is relationship between performance management practices and loyalty. Performance management practice has 0.333 value with commitment. This shows that when performance management practice is good employee loyalty is high. This also proves that, both of the variables have positive relationship of each other. The correlation coefficient value is falls in the ( $\pm 0.21$  to  $\pm 0.40$ ). As a result, there is positive relationship between performance management and loyalty. The p-value is 0.004 which is less than 0.01 that means significant relationship between variables. Therefore, the Hypothesis is accepted. As a result the performance management practice contributes towards the improvement of employee commitment hence managers should give proper attention to performance management system.

#### **4.6 Correlation between HRM Practices and Turnover Intention**

**Hypothesis 2:** HRM practices as perceived by the employees will negatively relate with turnover intention.

Hypothesis 2.1: There is negative relationship between training & development and turnover intention.

**Table 4.10 Correlations**

		Intention to leave	Training and development
Intention to leave	Pearson Correlation	1	.066
	Sig. (2-tailed)		.572
	N	75	75
Training and development	Pearson Correlation	.066	1
	Sig. (2-tailed)	.572	
	N	75	75

Based on the Pearson test in table 4.10 indicate that there is no relationship between training and development and turnover intention. Training and development has 0.066 with intention to leave which falls less than 0.20 which means there is no relationship with two variables. The p-value is 0.572 which is more than 0.05 this means there is no significant relationship between variables. The Hypothesis is not accepted.

The result shows that there is no relationship between the two variables hence we can conclude that training and development doesn't have relationship on turnover intention.

**Hypothesis 2.2: There is negative relationship between performance management and turnover intention**

**Table 4.11 Correlations**

		Leaving intention	Performance management practices
Leaving intention	Pearson Correlation	1	-.269*
	Sig. (2-tailed)		.020
	N	75	75
Performance management practices	Pearson Correlation	-.269*	1
	Sig. (2-tailed)	.020	
	N	75	75

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

Based on the Pearson test in table 4.11 indicate that there is negative relationship between performance management practice and turnover intention. Performance management has - 0.269 correlation value with turnover intention. This shows that when performance practice is good turnover intention will be low. The p-value is 0.020 which is less than 0.05, which means there is significant relationship between two variables. Therefore, Hypothesis 2.3 is accepted. Therefore, managers should give greater attention for performance management system because it contributes towards the reduction of turnover intention.

**2.3 There is negative relationship between compensation and intention to leave.**

**Table 4.12 Correlations**

		Intention to leave	Compensation and benefit
Intention to leave	Pearson Correlation	1	-.298**
	Sig. (2-tailed)		.009
	N	75	75
Compensation and benefit	Pearson Correlation	-.298**	1
	Sig. (2-tailed)	.009	
	N	75	75

\*\* . Correlation is significant at the 0.01 level (2-tailed).

According to Pearson test in table 4.12 shows that there is negative relationship between compensation and benefit administration with turnover intention. The correlation coefficient between two variables is -0.298 and the p-value is 0.009 which is less than 0.01 this means it has significant relationship with each other. Hence, Hypothesis 3.3 is accepted. This result shows that there is a relationship between the two variables hence the organization should give attention to benefit and compensation administration to reduce turnover intention.

The above analysis draws an outcome. After interpreting of the above results, it is evident that there is a negative significant relationship between compensation & benefit, and performance management with employee turnover intention. But in contrast with the previous studies, the relationship is not strong and turnover doesn't have a relationship with training and development.

On the other hand, there is a positive relationship between training & development, compensation and reward, and performance management with employee loyalty to the organization but the relationship is not strong. According the literature review, HRM practices have strong and positive significant relationship with employee retention and commitment. Therefore, this study does support the previous literatures.

#### **4.7 Summary of open ended questionnaire about HRM practices at NISCO**

Under this section the researcher presented summary of the HR Manager responses on open ended questionnaire.

According to the HR Manager, the management of the Insurance Company is aware about the turnover of professional employees. The turnover rate in 2011/12 was 28.5%, in 2012/13 was 21%, in 2013/14 was 23.5% and in 2014/15 was 12%. Moreover, the reasons for staff turnover were looking for better opportunities, due to dissatisfaction of current position, work environment and disciplinary issues. In terms of gender male, more experienced and first degree graduates have a high turnover rate. Turnover is costly to the organization hence managers should employ the necessary HRM practices to reduce turnover and improve commitment

The organization paid average salary whereas in terms of bonus it is competitive. The Insurance Company used job rotation and career development scheme to retain its experienced and qualified employees. The organization provided full financial assistance for further education from diploma to degree and for MBA program through scholarship scheme annual for two employees. The organization has graduate training program (GTP) for newly recruited employees and provided on the job training for experienced employees. The performance assessment used for bonus, promotion, transfer and career development. Some employees leave the organization due to lack of promotion and looking for a better job.

Turnover rate is high because employees looking for a better job such as competitive salary and due to other factors. Hence, the company should employ necessary HRM practices to reduce employee turnover intention and improve commitment to make the organization competitive and to ensure that experienced and senior employees are retained.

## **CHAPTER FIVE**

### **Summary, Conclusion and Recommendation**

In this chapter, that will be further discussed on the major findings and conclusion of the study. It will be more towards summarization of the analyses and combination of major findings from the analyses. This will be included the descriptive and correlation analysis which have been discussed in Chapter 4. Furthermore, limitation of this research and recommendation for the future research has been incorporated in this chapter. Finally is the overall conclusion for the whole research study.

#### **5.1 Summary of Findings**

##### **5.1.1 Summary of Descriptive Analysis**

The survey questionnaire is distributed to 80 staff currently employing in NISCO and one HR Manager of NISCO and 76 survey questionnaires have been completed and received from employees and from the HR manager of NISCO. The result shows that there are more female respondents than male that is 57 (76%) out of the total population surveyed represent female while another 18 (24%) represent male. Besides, there are 18 respondents (24%) below age of 26; 48 respondents (64%) within the age of 26-35; 6 respondents (8%) within the age of 36-45; 3 respondents (4%) within the age of 46-55.

Meanwhile, there are 20 respondents (26.7%) are supervisors and 55 respondents (73.35) are non-supervisors. In addition, there are 27 respondents (36%) have been serving the organization from one to three year; 30 respondents (40%) have been serving the organization from three to five years; 18 respondents (24%) have been serving the organization more than 5 years. From the education level aspect, many academic staffs are professionals. There are only 3 respondents (4%) who hold diploma, 63 respondents (84%) who hold bachelor degree and 9 respondents (12%) who hold Master's degree.

Majority of respondents agreed that the organization has provided training opportunities for employees however they are dissatisfied concerning the access for the right training and development opportunities. Therefore, managers should conduct training need assessment to improve employees' satisfaction towards training and development opportunities at NISCO and to improve commitment.

Most respondents agreed that salary is fair when it is compared to other organization but most respondents dissatisfied with the benefit package provided by the organization. It was also found that the salary at NISCO is average not competitive. Managers should review the salary structure and the benefit package to improve employee commitment and reduce turnover intention.

Majority of respondents are willing to put a great deal of effort belong their expectation but most respondents didn't express their feelings concerning the sense of belongingness to their organization. Hence, the organization should work to bring employees' sense of belongingness by engaging the employees in decision making and by creating shared values.

Some respondents have intention to leave the organization therefore; managers should review and improve the salary and benefit structure and performance management system to reduce turnover intention of employees.

## **5.1.2 Summary of Pearson Correlation Test**

### **5.1.2.1 Relationship between HRM Practices and Commitment**

#### **Training and Development**

Based on the Pearson test, it shows that there is significant positive relationship between dependent variable commitment and independent variable training and development. The value of 0.243 indicates training and development positively correlated to commitment.

#### **Reward and Compensation**

Based on the Pearson test, it shows that there is significant positive relationship between dependent variable commitment and independent variable reward and compensation. The value of 0.359 shows reward and compensation positively correlated to commitment.

#### **Performance Management**

Based on the Pearson test, it shows that there is significantly positive relationship between dependent variable commitment and independent variable performance management. The value of 0.333 indicates performance management is positively correlated to commitment.

For instance, the findings of the relationship between HRM practices and commitment are consistent with previous research. According to Warsame S. A. (2015), it was recognized that HR management practice that are significant associate within organizational commitment, those include appraisal performance, selection, compensation, training, reward and information sharing. Similarly, the research finding training & development, performance management and reward and benefit have significant relationship with commitment at the Insurance Company.

### **5.1.2.3 Correlation between HRM practices and turnover intention**

#### **Training and Development**

Based on the Pearson test, it shows that there is no significant relationship between dependent variable turnover intention and independent variable training and development. The value of 0.066 indicates training and development are not correlated to turnover intention.

#### **Reward and Compensation**

Based on the Pearson test, the result shows that there is significant negative relationship between dependent variable intention to leave and independent variable reward and compensation. The value of 0.298 shows reward and compensation negatively correlated to commitment.

#### **Performance Management**

Based on the Pearson test, it shows that there is significant negative relationship between dependent variable turnover intention and independent variable performance management. The value of -0.269 indicate performance management is negatively correlated to commitment.

According to Michington and Milkinson (2002) reward can influence retention, Lamba S and Chaudhary N. (2013) concluded that HRM practices played significant role on organizational commitment. Furthermore, according to Robins and Coulter (2012), developing relationshipive compensation system can attract and retain talented and competent



individuals. Therefore, the research findings are consistent with these research findings and conceptual frameworks.

## **5.2 Conclusion**

The main purpose of this study is to investigate the relationship of HRM practices on employee turnover intention and commitment in NISCO. The research study focused mainly on whether the HRM practices have direct relationship on the turnover intention among employees of NISCO. In addition, this research aimed to investigate the magnitude of turnover over the last four years and to assess employee turnover with respect to gender, level of education and experience at NISCO.

Three independent variables were used in this research which is performance appraisal, reward and compensation, and performance appraisal. There were either positive or negative relationship between independent variables and dependent variable (turnover intention and commitment) based on the literature reviewed. Moreover, the findings in this research showed that HRM practices are positively or negatively correlated with employee commitment and turnover intention. Therefore, the organization should give great attention for HRM practices to improve employee commitment and reduce turnover intention at the organization.

The research finding showed that 44 per cent of the respondents have an intention to leave the organization. In addition, the turnover rate over the last four years is also very high. The research finding shown that majority of employees who have left the organization are male, more experienced and educated which in turn have negative relationship on productivity. Turnover is very costly to an organization in terms of recruiting new staff.

Besides that, the finding also showed that the independent variables which are performance appraisal and reward & compensation are the main reasons which caused employees to have the intention to leave. Meanwhile, training and development is not a concern for employees to have turnover intention. Therefore, managers should give greater attention for performance management and reward and compensation administration to reduce turnover intention.

The SPSS result showed that the independent variables which are performance appraisal and reward & compensation and training and development are correlated with organizational commitment. Based on the results, the researcher concluded that the relationshipiveness of implementing HR practices in the Insurance Company has relationship on employee commitment and retention which in turn contributes towards productivity and cost relationshipiveness. Hence, managers should employ HRM practices to improve commitment and reduce turnover intention.

This study adds value to earlier research efforts in understanding the relationship between organizational commitment and retention with HRM practices. The SPSS correlation results were indicated that different HRM practices, such as compensation & reward, training & development, performance appraisal and are significantly related and make positive contributions towards employee commitment and retention. Therefore, managers should strengthened compensation and reward administration, training and development plans and performance management systems to improve employee commitment in their organization.

### **5.3 Recommendation**

Human resource is the most important asset of an organization. Human Resource Practices such as training and development, reward and compensation administration and performance management have an relationship on turnover intention and organizational commitment. Therefore, organizations should relationshipively implement HRM practices to reduce turnover and to improve organizational commitment in return the cost of recruiting new staff will be reduced and the organization can be productive by retaining experienced and professional staff.

The Insurance Company provided fair and average salary to employees compared to other organization but most respondents dissatisfied with the benefit package of the organization. Hence, the Insurance Company need review and adjust the benefit package to reduce staff turnover and to remain competitive in the insurance industry.

Some respondents have intention to leave the organization hence managers should assess employees need and implement necessary HRM practices to reduce employees intention to leave the organization.

The organization has provided training and development opportunities to employees but most respondents disagree concerning the access for the right training and development opportunities. Hence, the organization should conduct training need assessment when they develop training and development plan.

Majority of respondents are willing to put a great deal of effort beyond their expectation but most of respondents remained neutral to respond on the question of belongingness to the organization. Hence, to improve employee belongingness to the organization, the Insurance Company should have good communication strategy, make sure employees know they are valued, make an effort to keep them informed of any changes, make sure employees are offered equal or better benefit than competitors, and make performance reviews part of the plan to provide feedback to the employee and to reinforce their career goals.

#### **5.4 Suggestion for Future Research**

Future researchers may also study the relationship of other elements of HRM practices on turnover and organizational commitment.

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**St. Mary University  
School of Graduate Studies  
General MBA Programme  
Questionnaire**

This questionnaire is designed to collect information about “The Relationship of Human Resource Management Practices on Employee Turnover and Organizational Commitment at Nyala Insurance SC”. The purpose of the study is to fulfil a thesis requirement for the Masters of Business Administration (MBA) at St Mary University. Your highly esteemed responses for the questions are extremely important for successful completion of my thesis. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential. You do not need to write your name. Finally I would like to thank you very much for your cooperation and sparing your valuable time for my request.

The following questions concern your position and other personal information. Please circle one to show you agree or disagree.

**I. Demographic Questions**

1. What is your Sex?

- a) Male
- b) Female

2. What is your Job Title?

.....

3. Do you supervise others?

- a) Yes
- b) No

4. How long have you worked for the organisation?

\_\_\_\_\_ Years

5. How long have you worked for your Immediate Supervisor?

\_\_\_\_\_ Years

6. What is your Age Group?

- a) Under 26
- b) 26 to 35
- c) 36 to 45
- d) 46 to 55
- e) 56 to 65
- f) 66 or older

7. What is your highest level of Education?

- a) Did not complete High School
- b) High school graduate
- c) Diploma
- d) Bachelor's degree
- e) Master's degree
- f) PhD
- g) Others (pls specify)\_\_\_\_\_

## II. HR Practices

Listed below are series of statements that represent possible feelings that individuals might have about Human Resource Management Practices (HRM) at Nyala Insurance S.C. For each, please indicate the extent to which you agree/disagree with the statement by circling the appropriate number on the scale

### A. Training and Development Opportunities (HR Practice)

- 1) This organisation has provided me with training opportunities for enabling me to extend my range of skills and abilities  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 2) I get the opportunity to discuss my training and development requirements with my employer  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 3) My work pays for any work-related training and/or development I want to undertake  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
4. I am able to access the right learning and development opportunities when I need to  
a) Extremely Satisfied b) Satisfied c) Neural d) Dissatisfied c) Extremely not satisfied
5. Learning and development activities I have completed have helped to improve my performance  
a) Extremely Satisfied b) Satisfied c) Neural d) Dissatisfied c) Extremely not satisfied

### B. Performance Management (HR Practice)

- 1) This organization promoted employees based on performance review  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 2) There are opportunities to develop my career in NI based on performance evaluation  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
6. My performance is accessed based on my performance objective or job description  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
7. I am happy with my performance evaluation; I believe that it is fair and objective  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
8. At Nyla Insurance there is strong employee performance management system in place/ I receive feedback of performance evaluation results about myself  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

### **C. Compensation and Benefit Administration (HR practice)**

For each, please indicate the extent to which you agree/disagree with the statement by circling the appropriate number on the scale

- 1) My salary/wage is fair considering what other people are paid  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 2) I am satisfied with the total benefits package  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
3. I feel that my pay adequately reflects my performance  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
4. The Insurance Co. has a written promotion policy  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
5. Job promotions are fair and equitable  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
6. Priority given for seniority in promotion  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
7. Priority is given for merit/excellence in promotion decision  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

### **III. Organisational Commitment**

Listed below are series of statements that represent possible feelings that individuals might have about the company or organisation for which they work. With respect to your ownfeeling about particular organisation for which you are now working with, please indicate the degree of your agreement or disagreement with each statement.

- 1) I am willing to put in a great deal of effort beyond that normally expected in order to help this organisation be successful  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 2) I talk up this organisation to my friends as great organisation to work for  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 3) I would accept almost any type of job assignment in order to keep working for this Organisation  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 4) I would take very little change in my present circumstances to cause me to leave this organisation  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree
- 5) Often I find it difficult to agree with this organisation's policies on important matters relating to its employees  
a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree



6) I do not feel a strong sense of 'belonging' to my organisation

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

7) I feel comfortable expressing my views/suggestions

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

8) Employees in this Insurance Co. are involved in formal participation processes such as problem-solving groups, and decision making

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

***If you disagree to any of the above organization commitment related questions, please explain why?***

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**V. Retention: Intention to leave the organization**

1) I think a lot about leaving organisation

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

2) I am actively searching for an alternative to the organisation

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

3) If I had another job offer that paid the same as the one I have, I'd leave here in minutes.

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

4) I would like to serve the organization until 3 years

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

5) I would like to serve the organization more than 5 years

- a) Strongly agree    b) Agree    c) Neither    d) Disagree    e) strongly disagree

### **Questionnaire for the HR Manager of the Nyala Insurance S.C.**

1. Is the management of the Insurance Co. aware about the turnover of professional employee?
2. What is the current trend of the employee turnover? (request for 5 years turnover rate)
3. Do you feel that the turnover of organization is a serious problem in Nyala Insurance?
4. What are the causes of employee turnover?
5. Does the Insurance make exit interview, when employees resign? (request for what reason employees left the organization)
6. Do you feel that employees of NI earn adequate financial compensation when compared to the market?
7. What are the main reasons the Insurance detect the employee leaving the Insurance?
8. Does the Insurance use the information obtained from exit interview
9. What are the mechanisms the Insurance used to retain its experienced and qualified employee? (Job rotation, job enrichment, career development scheme)
10. How NI recognize employee contribution to the success of the Insurance?
11. How NI manage learning and development (formal training (financial assistance for further education, on the job training)
12. How NI manage performance of employees? (Performance assessment, promotion and career development, written promotion policy)
13. Does NI provide support for formal education (further education policy)
14. What is the magnitude of employee turnover at NI? What is its trend over the last five years?
15. How does employee turnover vary with respect to gender, level of education, and experience of employees at NI?

## Tables

**What is your sex**

	Frequency	Percent
female	57	76.0
male	18	24.0
Total	75	100.0

**Do you supervise others**

	Frequency	Percent
No	48	64.0
Yes	27	36.0
Total	75	100.0

**How long have you worked for the organization (in years)**

	Frequency	Percent
1.00	18	24.0
1.50	6	8.0
3.00	12	16.0
3.50	3	4.0
4.00	3	4.0
5.00	18	24.0
5.50	3	4.0
6.00	3	4.0
8.00	3	4.0
10.00	6	8.0
Total	75	100.0

**What is your age group**

	Frequency	Percent
under 26	18	24.0
26 to 35	48	64.0
36 to 45	6	8.0
46 to 55	3	4.0
Total	75	100.0

**What is your highest level of Education**

	Frequency	Percent
Diploma	3	4.0
Bachelor's Degree	63	84.0
Master's Degree	9	12.0
Total	75	100.0

**The organization has provided me with training opportunities**

	Frequency	Percent
Strongly Agree	6	8.0
Agree	39	52.0
Neither	15	20.0
Disagree	6	8.0
Strongly Disagree	9	12.0
Total	75	100.0

**I get the opportunity to discuss my training and development requirement**

	Frequency	Percent
Strongly Agree	6	8.0
Agree	21	28.0
Neither	9	12.0
Disagree	18	24.0
Strongly Disagree	21	28.0
Total	75	100.0

**My work pays for any work related training and/or development**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	30	40.0
Neither	18	24.0
Disagree	18	24.0
Strongly Disagree	6	8.0
Total	75	100.0

**I am able to access the right learning and development opportunities**

	Frequency	Percent
Extremely satisfied	3	4.0
Satisfied	9	12.0
Neutral	36	48.0
Dissatisfied	21	28.0
Extremely dissatisfied	6	8.0
Total	75	100.0

**Learning and development activities I have completed helped to improve my  
performance**

	Frequency	Percent
Extremely satisfied	6	8.0
Satisfied	36	48.0
Neutral	24	32.0
Dissatisfied	9	12.0
Total	75	100.0

**This Organization promoted employees based on performance review**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	15	20.0
Neither	21	28.0
Disagree	36	48.0
Total	75	100.0

**There are opportunities to develop my career in NI based on performance evaluation**

	Frequency	Percent
Strongly Agree	6	8.0
Agree	18	24.0
Neither	30	40.0
Disagree	21	28.0
Total	75	100.0

**My performance is assessed based on my performance objective or job description**

	Frequency	Percent
Strongly Agree	6	8.0
Agree	45	60.0
Neither	12	16.0
Disagree	12	16.0
Total	75	100.0

**I am happy with my performance evaluation; I believe that it is fair and objective**

	Frequency	Percent
Strongly Agree	6	8.0
Agree	42	56.0
Neither	27	36.0
Total	75	100.0

**At Nyala Insurance there is strong employee performance management system in place/ I Receive feedback of performance evaluation results about myself**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	30	40.0
Neither	18	24.0
Disagree	21	28.0
Strongly Disagree	3	4.0
Total	75	100.0

**My salary is fair considering what other people are paid**

	Frequency	Percent
Agree	27	36.0
Neither	24	32.0
Disagree	18	24.0
Strongly Disagree	6	8.0
Total	75	100.0

**I am satisfied with the total benefit package**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	9	12.0
Neither	18	24.0
Disagree	27	36.0
Strongly Disagree	18	24.0
Total	75	100.0

**I feel that my pay adequately reflects my performance**

	Frequency	Percent
Agree	18	24.0
Neither	21	28.0
Disagree	27	36.0
Strongly Disagree	9	12.0
Total	75	100.0

**The Insurance Co. has a written promotion policy**

	Frequency	Percent
Strongly Agree	9	12.0
Agree	39	52.0
Neither	18	24.0
Disagree	9	12.0
Total	75	100.0

**Job promotions are fair and equitable**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	9	12.0
Neither	39	52.0
Disagree	21	28.0
Strongly Disagree	3	4.0
Total	75	100.0

**Priority given for seniority in promotion**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	33	44.0
Neither	27	36.0
Disagree	9	12.0
Strongly Disagree	3	4.0
Total	75	100.0

**Priority is given for merit/excellence in promotion decision**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	21	28.0
Neither	39	52.0
Disagree	9	12.0
Strongly Disagree	3	4.0
Total	75	100.0



**I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful**

	Frequency	Percent
Strongly Agree	15	20.0
Agree	39	52.0
Neither	21	28.0
Total	75	100.0

**I talk up this organisation to my friends as great organization to work for**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	33	44.0
Neither	18	24.0
Disagree	18	24.0
Strongly Disagree	3	4.0
Total	75	100.0

**I would accept almost any type of job assignment in order to keep working for this organization**

	Frequency	Percent
Strongly Agree	6	8.0
Agree	18	24.0
Neither	33	44.0
Disagree	18	24.0
Total	75	100.0

**I would take very little change in my present circumstances to cause me to leave this organization**

	Frequency	Percent
Strongly Agree	9	12.0
Agree	33	44.0
Neither	15	20.0
Disagree	18	24.0
Total	75	100.0

**Often I find it difficult to agree with this organisation's policies on important matters relating to its employees**

	Frequency	Percent
Strongly Agree	9	12.0
Agree	33	44.0
Neither	18	24.0
Disagree	15	20.0
Total	75	100.0

**I do not feel a strong sense of belonging to my organization**

	Frequency	Percent
Agree	15	20.0
Neither	54	72.0
Disagree	6	8.0
Total	75	100.0

**I feel comfortable expressing my views/suggestions**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	24	32.0
Neither	42	56.0
Disagree	6	8.0
Total	75	100.0

**Employees in this Insurance Co. are involved in formal participation processes such as problem-solving groups and decision making**

	Frequency	Percent
Strongly Agree	6	8.0
Agree	9	12.0
Neither	33	44.0
Disagree	21	28.0
Strongly Disagree	6	8.0
Total	75	100.0

**My salary/wage is fair considering what other people are paid**

	Frequency	Percent
Satisfied	15	20.0
Neutral	33	44.0
Dissatisfied	27	36.0
Total	75	100.0

**I think a lot about leaving organization**

	Frequency	Percent
Strongly Agree	12	16.0
Agree	21	28.0
Neither	33	44.0
Disagree	9	12.0
Total	75	100.0

**I am actively searching for an alternative to the organisation**

	Frequency	Percent
Strongly Agree	3	4.0
Agree	27	36.0
Neither	39	52.0
Disagree	6	8.0
Total	75	100.0

**If I had another job offer that paid the same as the one i have, I'd leave here in minutes**

	Frequency	Percent
Strongly Agree	12	16.0
Agree	9	12.0
Neither	30	40.0
Disagree	24	32.0
Total	75	100.0

**I would like to serve the organisation until 3 years**

	Frequency	Percent
Agree	18	24.0
Neither	36	48.0
Disagree	15	20.0
Strongly Disagree	6	8.0
Total	75	100.0

**I would like to serve the organisation more than 5 years**

	Frequency	Percent
Agree	12	16.0
Neither	36	48.0
Disagree	18	24.0
Strongly Disagree	9	12.0
Total	75	100.0