

# Companies and Retention of Competent Employees

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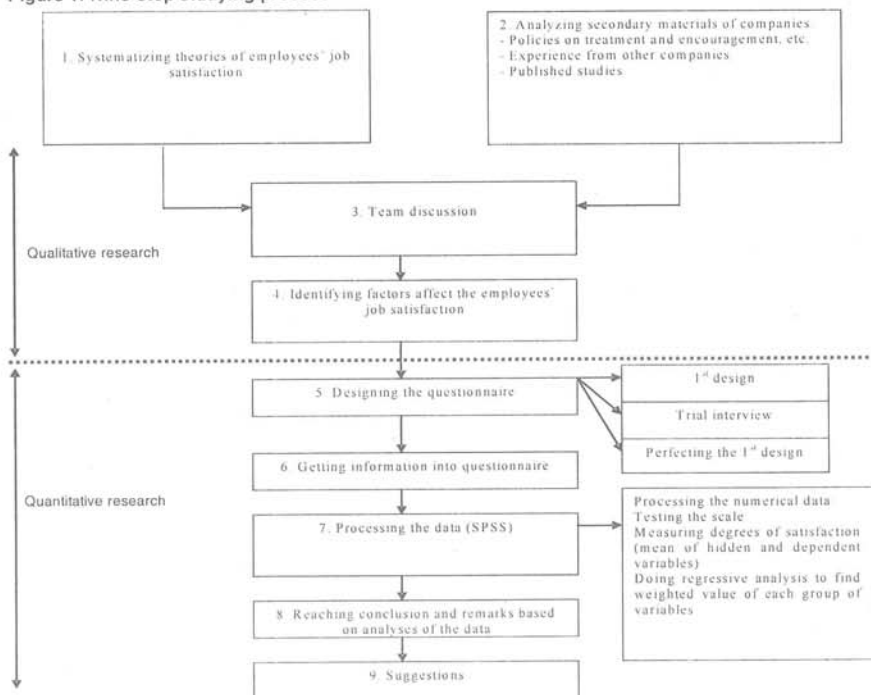
The ancient wise said, "Human beings are souls of things. Nothing can succeed without human beings, and great things can not happen if the talents are absent." This way of thinking makes the talents to be respected and well treated at anytime and in any circumstances. This concept keeps existing with its own meaning in spite of sea changes in the society. From Liu Pang, founder of the Han dynasty, to Bill Gates, a billionaire in the 20<sup>th</sup> century, they all prove that their success is based on retention of talent assistants and invest time and money of the grey matter. When the human resource is considered as the key to success, the competition for the talents between companies becomes keener. Laborers have right to select companies to apply for a job, and when they feel the cor-

porate environment is not suitable for them, they can quit and look for a new position. This is a worrying matter, especially with competent employees because their departure means big losses to the company while they are welcomed by other companies.

For that reason, corporate leadership pays more and more attention to employees' satisfaction at their work place because the satisfaction saves the employees from the idea of quitting. This means that an effective way to retain competent employees is to study, survey and measure their satisfaction thereby identify what should be done to make them satisfied and win their loyalty.

Many authors have publicized their studies of this matter based on famous theories of human

Figure 1: Nine-step studying process



needs to develop their study models, such as Abraham Maslow's hierarchy of human needs, David McClelland's theory of need, Clayton Alderfer's ERG theory of motivation, Frederick Herzberg's two factor theory, theory X – theory Y, and theories of employees' satisfaction, of expectation and equality, etc.

After consulting published studies, we developed a studying process including nine steps as shown in the figure 1.

ables: (1) nature of job; (2) Training in the company; (3) salary and bonus; (4) chance of promotion; (5) relation with superiors; (6) Relation with co-workers; (7) working condition; and (8) employees' wish.

## I. RESEARCH RESULTS

1. Sample description: It comprised three controlling properties: gender, age and seniority.

- Gender: There were 17 male (53.1%) and 15 female (46.9%) respondents

**Table 1: Education of the surveyed company in 2001-07**

Year	Labor force	Graduates from university		Graduates from technical high school and 3-year college	
		Number	%	Number	%
2001	342	46	13.45	22	6.43
2002	333	47	14.11	20	6.01
2003	326	45	13.8	24	7.36
2004	313	45	14.38	21	6.71
2005	288	40	13.89	24	8.33
2006	232	46	19.83	26	11.21
2007	243	31	12.76	33	13.58

We study the employees' satisfaction at SAPACO, a company trading in package in HCMC. This was a state-owned company privatized in 2006 and is facing keen competition and failure to retain competent employees.

Its leadership accepted that employees with university degrees were considered as excellent workers but this army made no encouraging changes in the past six years.

Our study tries to help the company identify important factors that affect the job satisfaction, and measure its employees' satisfaction, and offers some suggestions about retention of competent employees.

The object of our study comprised all employees of the company. The project started with a qualitative research that aimed at gathering secondary data from previous studies, speeches, papers and websites. We also conducted two team interviews and two one-to-one interviews and gathered valuable data for our questionnaire used for the quantitative research in the second phase.

The questionnaire was based on 42 observed variables which were grouped into eight hidden variables, and built a scale varying from one to five points.

To make the study appropriate to characteristics of the company after getting results of the qualitative research, we carried out team discussions to adjust and perfect the questionnaire. After adjustment, the scale of satisfaction of employees comprised following eight groups of hidden vari-

- Age: 16 respondents (50%) were under 30, nine (28.1%) were in 30-45 bracket, and seven (21.9%) were above 45.

- Seniority: 12 respondents (37.5%) had five years of experience or fewer; 14 (43.8%) had from five to 10 years of experience; two (6.3%) had from 10 to 15 years of working, and four (12.5%) had more than 15 years.

### 2. Building, cleaning and processing the data

The questionnaire, after interviews, came into shape, was digitized and put into the computer. The software SPSS11.5 was used for handling and analyzing the data, and the database was cleaned afterwards.

### 3. Testing the scale

The scale comprised eight factors and 42 observed variables (two variables were removed because they didn't match our requirements. thus, the scale comprised 42 variables and the exploratory factor analysis (EFA) was applied to these variables. Results of this analysis showed that eight factors and 40 variables were acceptable, and the adjusted study model was shown in the Figure 2

### 4. Results of model test

The model was expressed in the following linear regression equation:

$$\text{satisfaction} = 0.593 \cdot \text{salary\_superior} + 0.592 \cdot \text{promotion} + 0.326 \cdot \text{job} + 0.249 \cdot \text{coworker} + 0.215 \cdot \text{training} + 0.147 \cdot \text{jobsupporting} + 0.147 \cdot \text{workingcondition}.$$

All regression coefficients are bigger than zero showing that all factors in the model were direct proportional to the employees' satisfaction.

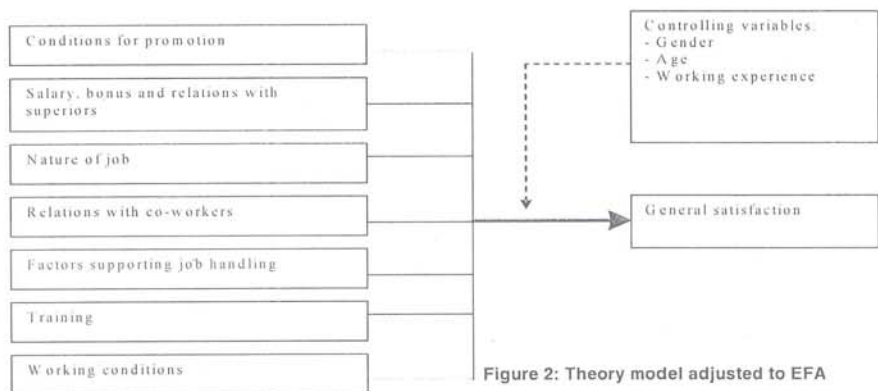


Figure 2: Theory model adjusted to EFA

Factors in the model were elements that affected strongly the satisfaction. Thus, in this model, the employees' satisfaction was affected greatly by (1) salary and bonus, and relations with superiors; (2) chance of promotion; (3) job nature; (4) relations with co-workers; (5) training; (6) factors supporting the job handling, and working conditions. If the company causes favorable effects on variables in the regression model, the satisfaction will increase.

Statistics of effects of controlling variables on hidden variables showed that satisfaction didn't differ over different genders, age brackets, and years of experience.

### III. ESTIMATE OF THE SITUATION AND SUGGESTIONS

1. Treatment towards employees: Average value of the team: 3.019

Employees didn't feel satisfied with treatment offered by the company. They thought salary and bonus were not high (2.44). The average income was about VND2.6 million including bonus, lunch, fuel and other benefits. The salary seemed unable to retain the employees because they thought they couldn't live on such an income (2.59).

The salary depended on the basic wage and corporate sales, or the number of customers. But the number of customers decreased because the company couldn't ensure time of delivery. This situation is because machines in the company were too old to compete against other companies. The company met with great difficulties in securing loans while most banks were reluctant to extend loans to replacement projects.

In addition, the company gave the same wage coefficient to employees of all cases, which means that increases in sales gained by an individual employee will be distributed evenly among the whole

labor force without any bonus for the said employee. And as a result, no employee wants to suggest an initiative because he/she must work harder to realize the idea without gaining any additional income. This system must be reviewed. Generally, employees thought the system of wage and bonus was not reasonable (2.72) and appropriate to performance (2.88). Moreover, pay rise was only determined by seniority, not by performance.

Recently, a new system of wage and bonus has been devised but couldn't be applied because 92% of the capital was held by the State (although it was a joint stock or public company), so changes in the salary frame couldn't be realized easily. The solution is to pay wage according to actual ability of employees, and to change the salary system to link performance with the salary. It is the most classical but effective solution.

The company had better perfect and apply the new salary system in which wage and bonus must be based on performance instead of the seniority only. To measure employee's ability and performance fairly and effectively, the company must work out a clear and systematic set of standards.

To achieve this aim, the company should build a system for analyzing jobs including job description and standards. This effort can help the company persuade the holding company (that holds 92% of its capital) to accept the new salary system.

2. Relation with superiors: Average value of the team: 3.019

In meetings, the leadership might be courteous and friendly towards employees but they didn't pay full attention to wishes and aspirations of employees or listen to their opinions. They still lacked some determination and confidence to pursue the reform for a better future.





Photo by Huynh Thanh

3. Chance of promotion: Average value of the team: 2.956

When asked about promotion, employees said it depended more on seniority than on personal ability and performance.

In fact, the leadership welcomed contributions from employees and remembered their records but never provided them with new jobs and chances to prove their capacity. To employees, chances of promotion were not equally distributed (2.78).

In addition, employees didn't know where to start in order to get some chance for promotion, what they should learn, and what degrees or skills should be obtained to be equal to jobs at higher levels (2.91). Shortage of labor in many departments also affected employees badly. Some employees specializing in sale promotion were forced to work in personnel department just because of the 'shortage of labor' (3.09).

The leadership had better adopt the principle that 'chances of promotion are based on personal ability instead of seniority,' and get determined to assign positions of manager to young and competent employees.

4. Nature of job: Average value of the team: 3.573  
Tasks in the company were rather easy and light. The lack of job description prevented the company from making the best use of employees' potentials. Some employees did so simple jobs that their

absence produced no effect on the corporate operation.

Employee had no autonomy in their jobs (3.16) because leaders rarely assigned complex task to them and employees only did what the leaders told them. Moreover, leaders usually assigned tasks without delegating rights to carry out them with the result that most employees found it difficult to fulfill the assigned tasks.

The leadership, therefore, should assign jobs appropriate to employees' ability along with rights and facilities to handle the job, and set high standards for the jobs to encourage employees to reach better performance.

5. Relations with co-workers: Average value of the team: 3.68

Generally, relations between workers in SAPACO were good. They were friendly to one another and helped each other in their jobs. The company can organize after-work activities and get together that are appropriate to employees' ages and benefits to help them get to know one another and enhance solidarity among them.

6. Training: Average value of the team: 2.765

This was one of biggest difficulties to the company. It was giving on-the-job training and sending employees to schools. It held from two to three courses a year on average (2.59). Contents of the training courses, however, were not really useful and appropriate. It had better focus on courses in skills and programs to change employees' working behavior.

Regarding the skills, many employees were not equal to their assigned jobs and they didn't improve their ability, which affected badly the corporate performance. Many young employees didn't feel attached to the company. They tended to stay for some years to get necessary experience and then left for better jobs. Among the rest, there were middle-aged workers who needed stable employment and young people who liked easy jobs. With such attitudes, the company will meet with big difficulties in the long run.

Training that aims at improving skills, knowledge and work ethics is necessary. The company can have such courses carried out by training centers or seek for advice from experts.

7. Factors supporting job handling: Average value of the team: 3.313

Job-supporting factors include procedures for handling tasks and facilities for working. Multi-phase procedures and complex regulations caused a lot of difficulties for corporate operations. Time-consuming paperwork in the company also affected unfavorably the work progress. And more regrettably, the slow work progress has become fa-

miliar to the whole company. Installing an intranet in the company, thereby helping employees get familiar to new technologies is an important task. The company can open a website and encourage employees to surf the Internet, get information from websites, and transfer information by emails. A lot of unnecessary paperwork could be removed by developing the corporate intranet.

Offices in the company were roomy and comfortable, but some departments, such as sale promotion one for example, didn't have enough facilities for all employees.

8. Working condition: Average value of the team: 3.33

The workplace was roomy but many employees were not equipped with necessary facilities. Most computers were old and getting access to the Internet was difficult. Transferring information electronically was not widespread.

To ensure smooth and quick transfer of information, modern computers must be installed along with new software and programs with a view to preserving the data and meeting job requirements.

The company should satisfy employees' need for better working conditions. Each official should be equipped with a desk and a computer in order to avoid waste of time when many employees wait to use by turns the same facilities. Moreover, computers can encourage employees to seek for useful information.

Generally, with obsolete mechanism of the public sector and other difficulties the company must change itself otherwise it may become a big loser. After studying its situation, I offer the following suggestions:

- Building a system of analyzing the jobs including job descriptions and standards. It is a starting point of the scientific process of carrying out jobs and serves as a basis for future changes.

- Paying more attention to the training of the human resource in behavior, skills and knowledge. Only a high-quality human resource could help the company overcome difficulties.

- Offering chances of promotion to employees based on their ability and performance instead of seniority, and assigning positions of managers to competent and young employees.

- Placing trust in the younger generation and assigning new and important tasks to them with a view to challenging and developing them into new managers in future.

- Perfecting and applying a new system of salary and bonus with clear and equal standards based on personal performance.

- Developing a scientific and objective mechanism for evaluating personal performance needed for discovering competent employees, thereby working out plans to employ them properly and treat them fairly.

To retain competent employees, many companies have succeeded in carrying out policies to give preferential treatment to employees, programs to give special training courses, annual tours, entertainment or health care service, etc. We can say that when the company is determined to retain competent employees, it will certainly find measures to achieve this aim. Our study was carried out with the hope of helping companies identify important factors that affect the satisfaction and measure employees' satisfaction, and offering some suggestions for ways of solving this problem that causes a lot of worries for managers and its solution is still unknown to many companies. ■

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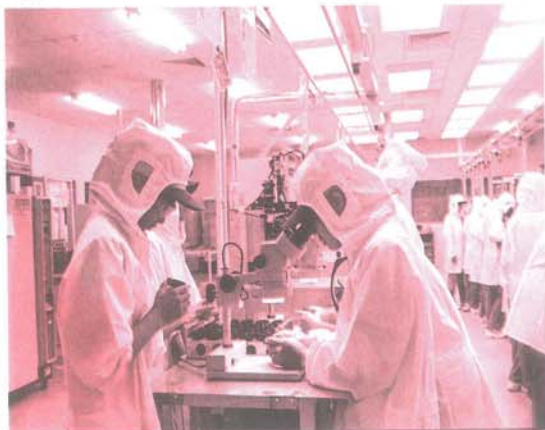


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