

EFFECT OF TALENT DEVELOPMENT ON EMPLOYEE RETENTION IN SMEs IN OGUN STATE

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ABSTRACT

Talent development is the way toward changing a firm, its workers, its partners, and gatherings of individuals inside it, utilizing arranged and spontaneous learning, keeping in mind the end goal, which is to accomplish and keep up a competitive advantage for the company. Globally, firms have the problem of retaining their workers which affects their productivity and performance in the marketplace. However one of the key components of the retention of talented workers is the availability of training and development openings. Therefore this study is targeted towards examining the effect of talent development on employee retention in selected SMEs in Ogun state, Nigeria. Descriptive research design and stratified sampling technique were used to achieve a good representation of the various categories of SMEs. A sample size of 289 respondents was selected from twelve strata of SMEs. Questionnaire was the main instrument used for data collection. SPSS 20 aided in the analysis of the data and linear regression was used to test for the effect of independent variables on the dependent variables. This research work concludes that talent development has substantial effect on employee retention. It is suggested that small and medium enterprises (SMEs) management should improve their talent development practices, especially in the area of conducting regular trainings for the talents. This will ensure that they are abreast with the latest information related to their field and jobs, so as to ensure that they remain valuable, uncommon, inimitable, and not substitutable. This will make the organization to continue to have a competitive edge over their competitors.

Keywords: Talent, development, training, learning, employee retention, small and medium enterprises (SMEs).

1. INTRODUCTION

Globalization and economic turbulence in the business environment progressively have made organizations to lean heavily on their human capital to provide them with competitive advantage that will enhance their business, most especially their bottom line (Poorhosseinzadeh & Subramaniam, 2012). Many SMEs still cannot comprehend the importance of human resource development (HRD) and this has regularly inhibited the successful application of the HRD policies. Talent development is the way toward changing a firm, its workers, its partners, and gatherings of individuals inside it, utilizing arranged and spontaneous learning, keeping in mind the end goal, which is to accomplish and keep up a competitive advantage for the company. However, globally, firms have the problem of retaining their workers, which has affected their productivity and performance in the marketplace.

Many researcher studies have identified availability of training and development openings as one of the key components of the retention of talented workers, but to the best knowledge of the researcher none examines its effect on employee retention in SMEs in Ogun state. As such this work is targeted at examining the effect of talent development on employee retention in SMEs in Ogun state. This paper is structured as follows: following introduction is the review of literature on talent development and employee retention, next is the methodology, statistical analysis, discussion of findings, and finally conclusion and recommendation.

2. Conceptual framework

2.1 Talent development

One of the key components of the retention of talented workers is the availability of training and development

openings (Kibui, 2015). Talent development is the way toward changing a firm, its workers, its partners, and gatherings of individuals inside it, utilizing arranged and spontaneous learning, keeping in mind the end goal, which is to accomplish and keep up a competitive advantage for the company (Lyria, 2013). According to her firms with high level of learning and development activities are great in listening to worker enhancement needs and can express those necessities back to the workers in clear and edifying terms. She additionally communicated that learning and development has turned into an imperative talent management activity in many organizations around the globe - for a few organizations, learning and development is a vital procedure that minimizes leadership gaps for basic positions and gives chances to top talent to build up the aptitudes important for future parts and with different organizations, learning and development is a steady battle, seen as an administrative practice instead of as a competitive advantage. Building high potential people presents one of the methods by which firms can confront their competitive pressures (Kibui, 2015). As indicated by her, research demonstrates that open doors for training and development have a noteworthy (perceived) capacity to hold talented individuals, and in accordance with the psychological contract employees that perform highly regularly see development as an advantage which they are entitled. She added that when employees see a productive and individual gain from the training they get, their company normally benefits from their increased dedication, worker's fulfillment and retention.

2.2 Employee retention

Retention is an intentional move by a company to make a workplace which engages workers for long time (Samuel and Chipunza, 2009). Encouraging staff to remain in the company for an extended period of time is seen as employee retention (Das and Baruah, 2013). The authors added that retention is a procedure in which the staff are admonished to stay with the firm for the greatest time period or until the completion of the project. Employee retention is regarded as a vital Human Resource (HR) action as it involves long-term developing and retaining of talented employees, strategic organizational needs forecast, detecting, and succession planning, to accomplish needs of the business that are futuristic (Govaerts, et. al., 2011). As pinpointed by Amanin (2014), retention of workers that are considered to be talented starts with comprehension of the talent, characterizing and acknowledging present and future skills and requirements essential for the talent, and relating with the talent through profession sustaining, performance examination and training. Certain people believe that they only need to recruit and develop talent and not focus on the issue of retention; unfortunately, these organizations invest much on these talents, only for these talents to desert them for other companies when it is time to harvest profits from their investment (Poorhosseinzadeh and Subramaniam, 2012). As indicated by Lalitha (2012) employee retention is the greatest test confronted by HR in the present day economy because of deficiency of skilled workers, financial development and high worker turnover. Retention is a mind boggling idea and there is no single formula for retaining workers in a company (Sinha and Sinha, 2012). Notwithstanding, the success of firms relies on upon workers retention which helps the firms in curbing quit intentions of employees and improving productivity of the organization (Chitsaz-Isfahani and Boustani, 2014).

2.3 Talent development and employee retention

According to study carried out by Samuel and Chipunza (2009), training and development was observed to be one of the inherent motivational factors that have critical impact on retention among workers in both open and private companies. With a specific end goal to accomplish high potential in the firm, it requires accomplishing the capability of talents (Poorhosseinzadeh and Subramaniam, (2012). They additionally expressed that reasonable learning and development affiliations are required at related strides in a profession for talented workforce to accomplish their most prominent potential. The obligation of developing human capital is saddled with HR administration (Aibieyi and Henry, 2015). Additionally, Stahl et al. (2012) signified the important positioning of line management cooperation, the utilization of open occupation posting system and inner talent commercial centers with regards to training and development. According to Carins (2009), it is vital that talent managers constantly build up their workers that perform highly for potential new positions, identify their insight gaps and execute activities to help their skills and ensure their retention. Truly, organizations that offer employee development projects have sustaining success with workers retention (Sinha and Sinha, 2012). As such the following hypothesis is given to evaluate the effect of talent

management on employee retention.

Hypothesis:

H₀: Talent development has no significant effect on employee retention in SMEs in Ogun state.

H₁: Talent development has significant effect on employee retention in SMEs in Ogun state.

3. Theoretical Framework

3.1. Resource Based View (RBV)

RBV stresses the firm's resources as the basic determinants of competitive advantage and performance (Jafari and Rezaee, 2014). Jang, (2013) repeating Barney (1991) suggested that a company may maintain competitive advantage for a longer period when its human capital is valuable, uncommon, inimitable, and not substitutable. And according to Lyria (2014), RBV theory tried to picture that investment in human resources in an organization in the form of training leads to competitive advantage over its competitors, which will result in the firm's financial performance being superior to their rivals. In the context of this study RBV showed that firms need to pay great importance to talent development of employees that are valuable, uncommon, inimitable, and not substitutable and their retention, if it is to realize competitive advantage over its competitors.

3.2. Herzberg's Motivation-Hygiene Theory

According to Herzberg, there are two sets of factors that enhance motivation, which are motivators and hygiene factors. Motivator factors are intrinsic to the work itself, and they include recognition, achievement, the chances of personal development and advancement responsibility, the work itself, while hygiene factors are extrinsic to the work, and they include personal life, interpersonal relationships, status, salary, administration, job security, work conditions, supervision, and company policy (Herzberg, 1966). The motivational-hygiene model infers that employee motivation is achieved when workers are faced with challenging but pleasurable jobs where they can record some achievement, develop, and exhibit responsibility and advance in the firm (Dartey-Baah and Amoako, 2011). When employee job satisfaction are achieved by management, employees kit themselves with a high level of self-confidence that influence them to remain for a longer period of time, become deeply engaged in the operations of the business, participate more effectively to production and to increase their customer-care relationship (Loiseau, J.W. (2011). In this context, the Herzberg's motivation-hygiene theory explains the relationship between talent development and retention.

4. Empirical framework

Atif, Ijaz-Ur-Rehman, Abdul and Nadeem (2011) study measured the impact that training and development has on employee retention through compensation. The authors' findings revealed that absence of increase in compensation of workers after their training and development, decreases the retention of the workers for a longer time period, due to their enhanced abilities and perfection in their various fields. Waleed, Amir, Rida, Rida and Sidra (2013) work aimed at identifying the effect of training on retention and the nature of the variances between the two given variables. Asiya, Sajjad and Zeb (2012) research investigated the role and impact of capacity development, promotion, and employee empowerment in employee retention. Their data statistics showed training and development as the most important element in employee retention. The purpose of Amanin (2014) study was to examine the process employers use in detecting employee ability for development and retention in some selected media stations in Kumasi. Her findings led to her recommendation that the media industry should endeavor to produce well-developed programs in all stations where workers can develop themselves and their abilities in order to be more efficient and effective, which will lead to their retention. Hausknecht, Rodda and Howard (2009) study aimed at understanding the reasons behind employee retention and how they differ for high performers and other levels of performers in the leisure and hospitality industry. The authors' findings showed that development opportunities and

organizational prestige were the most common reasons for retention among high performers and non-hourly employees.

5. Methodology

The results reported here are based on a study of SMEs in Ado Odo/Ota local government area of Ogun state, which has the highest number of SMEs (58) in Ogun state with estimated average population of 1,173 (SMEDAN, 2013; Nigeria directory). The sampling frame includes all the employees of the fifty eight SMEs in Ado-Odo/Ota local government area in Ogun state. Descriptive survey and stratified sampling methods were used for the collection of data. The researchers determined the sample size of 289 with the use of the formula developed by Cochran (1977) cited in Singh, & Masuku (2014). Samples are then divided in such way that units of the 12 heterogeneous strata are represented having being given equal opportunity to be

Table 1: Sample size proportion of the SMEs categories

Categories	No of SMEs in each category (x)	Representatives of each stratum $\frac{x}{y} \quad 100 = z\%$	Same size $z\%$ of 289
Agriculture and Agro-allied	5	9	26
Banking and Finance	6	10	29
Business Services	1	2	6
Computers and ICT	14	24	69
Food and Beverages	13	22	63
Health and Medical	1	2	6
Manufacturing and Production	10	17	49
News, Advertising and Media	1	2	6
Professional Services	1	2	6
Religious Organizations	2	3	9
Shopping and Specialty Stores	1	2	6
Sports and Recreation	3	5	14
Total	58	100	289

Source: Computation by researcher, 2017

In view of the above, 289 copies of questionnaire were distributed. However, 267 copies were returned and found usable for the analysis. The data were analyzed using descriptive statistics (e.g. tables, frequency and means etc.) and inferential statistics for testing the hypothesis (e.g. linear regression, ANOVA, etc.) All with the aid of Statistical package for social sciences (SPSS)

5.1 Validity and reliability

Expert researchers vetted the questionnaire used in this study to certify its validity, considering its content, construct, criterion and readability so as to ensure that the items in the questionnaire measure what they are supposed to measure in line with the research objectives. Cronbach alpha was employed in defining the reliability of the measures in the research instrument (questionnaire). The Cronbach alpha coefficient measured the internal consistency of the assessment, ranging between 0 and 1. The 0.7 value or more is deemed to be reliable, based on the postulation that the farther the coefficient value is to 0 the higher the reliability and the farther it is to 1 the lower the reliability.

Table 2 Reliability Statistics

Cronbach's Alpha	Number of Items
0.748	24

6. Result Presentation and Analysis

The table below is the summary of the respondents' bio-data.

Table 3: Profile data of the respondents

	Frequency	Percentage
Response Rate analysis		
Copies of questionnaire retrieved and valid	267	92.39
Copies of questionnaire retrieved and not valid	8	2.77
Copies of questionnaire not retrieved	14	4.84
Total	289	100
Male gender distribution	140	52.4
Female gender distribution	127	47.6
Average age distribution of 32 years	34	26.2
Single respondents	115	43.1
Married respondents	145	54.3
Other marital status	7	2.6
Respondents that completed university education	107	40.1
Average respondents' working experience (in years- 11)	34	12.7
Average respondents' number of years in the present organization (in years – 5)	148	55.4

The Table below gives the mean and standard deviation of talent development

Table 4: Mean and standard deviation

	N	Minimum	Maximum	Mean	Std. Deviation
Talent development	267	1.00	5.00	3.4959	0.69030

6.1 Hypothesis testing

This examines the effect of talent development on employee retention. Employee retention, which is the dependent variable is regressed with talent development, which is the independent variable

H₀. Talent development has no significant effect on employee retention in SMEs in Ogun state.

H₁. Talent development has significant effect on employee retention in SMEs in Ogun state.

Decision rule:

- When the *p*-value (level of significant value) is < 0.01 or 0.05 , reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1).
- When the *p*-value is > 0.01 or 0.05 , fail to reject the null hypothesis (H_0) and not accept the alternative hypothesis (H_1).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.196 ^a	.038	.035	.68396

a. Predictors: (Constant), talent development

Source: Researcher's field work result (2017)

The model summary table 3 shows the effect of talent development on employee retention. It shows that 3.8% of the variation in employee retention can be explained by talent development and the variables have a correlation value of 0.196.

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.933	1	4.933	10.545	.001 ^b
	Residual	123.969	265	.468		
	Total	128.902	266			

a. Dependent Variable: employee retentionb. Predictors:

b. (Constant), talent development

Source: Researcher's field work result (2017)

Table 4 ANOVA above shows the F-value of 10.545 @0.001. This implies that the model is measured to be fit and that talent development makes significant contributions to employee retention.

Table 7: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.930	.216		13.538	.000
	talent development	.197	.061	.196	3.247	.001

a. Dependent Variable: employee retention

Source: Researcher's field work result (2017)

Table 5 shows a significant effect of talent development on employee retention. The result reveals that the independent variable is significantly correlated with the dependent variable based at 1% ($p < 0.01$) level of significance, while the beta and t-value of independent variable value are 0.196 and 3.247 respectively.

Decision: Since the p value is less than 0.05, the null hypothesis, which states that talent development has no significant effect on employee retention in SMEs in Ogun state, is rejected and the alternative hypothesis, which states that talent development has significant effect on employee retention in SMEs in Ogun state, is accepted. Therefore, we can conclude that talent development has significant effect on employee retention in SMEs in Ogun state.

7. Discussion of Findings

The theoretical findings endorsed the theories used in this study: Resource Based View (RBV) and Herzberg's Motivation-Hygiene theory. RBV explains the importance of developing talents that have abilities that are valuable, uncommon, inimitable, and not substitutable in order to increase the competitive advantage of the company over their competitors. And the effect of talent development on employee retention shows that in line with Herzberg's Motivation-Hygiene Theory, motivator factors like responsibility, the work itself, the possibility of personal growth and advancement are essential to motivate and retain employees.

The empirical finding of the research shows that there is a significant effect of talent development on employee retention in SMEs in Ogun state. That is, the null hypothesis, which states that talent development has no significant effect on employee retention in SMEs in Ogun state, is rejected and the alternative hypothesis, which states that talent development has significant effect on employee retention in SMEs in Ogun state, is accepted. Also, majority of the respondents agree or strongly agree to the statements related to talent development, thereby endorsing it as an important variable for talent management. Therefore, these research findings reveal that the objective of the study which aimed at determining the effect of talent development on employee retention in SMEs was achieved. It is established that talent development has a positive effect on employee retention in SMEs in Ogun state.

8. Conclusion

Human resources have become a vital asset for any company in which they need to invest in. And one of the key problems faced by firms today is the retention of their talented staff, which plays a crucial role in organizations. It is therefore important for firms to implement strategies that will enhance the retention of their talents. The study revealed that there is a positive significant influence of talent development on employee retention. This suggests that an increase in talent development increases the chances of employee retention in SMEs in Ogun state. As such, the study concludes that SMEs should engage in activities that will develop their talents so as to encourage their retention.

9. Recommendation

The following are hereby recommended:

- Management of SMEs should improve their talent development practices, especially in the area of conducting regular trainings for the talents.
- Also management of SMEs should ensure that the employees are conversant with the latest information related to their field and jobs, so as to ensure that they remain valuable, uncommon, inimitable, and not substitutable. This will make the organization to continue to have a competitive edge over their competitors.
- Finally, SMEs' management should ensure that the firms' policies and procedures encourage development and retention of their talents, and that the HR activities are in sync with their policies and procedures.

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