A Model of Influences on Employee Retention in Vietnam

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I. Introduction

Talented employees are considered as the most valuable assets of any organization but currently many companies are facing turnover of talented employees. In many companies, HR managers have thought of strategies of human resource management in order to prevent voluntary quitting of the talents and keep them for organization's success. In other words, in current business environment, retention management has become a very essential task for any organization.

Regarding the retention management, many factors resulting in a turnover of employees have been confirmed in prior studies. However, recently many researchers have paid attention to the viewpoint that why employee wants to remain in organization and which factors make him/her stay with the organization. Following this viewpoint, current paper shows brief review of recent retention studies and introduces factors affecting retention of employees. In addition, this paper highlights current trends in retention studies. Finally, based on review of literature, this paper supposes some hypotheses and a retention model for companies of specific country: Vietnam.

Based on the situation that talented employees often quit their jobs at foreign companies especially at Asian companies in Vietnam recently, Phung & Aoki (2012) introduced an

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employee retention model and confirmed that human relationship especially empowering leadership of supervisors enhances employee retention at both Asian companies and Western companies in Vietnam. However, this model is insufficient to explain why the talents want to stay with organization in all kinds of companies in Vietnam. Hence, one new model in the current paper is considered as a supplement for its prior one.

II. Literature Review

1. The switch of turnover study over retention study

So far there have been many turnover studies concerning decision-making and behavior of quitting of employees from the organization. March & Simon (1958)’s work is considered as the beginning of turnover study. Dissatisfaction with job or organization affects desire of movement and leads to employees’ voluntary turnover (March & Simon, 1958). This dissatisfaction generates processes of searching for alternative job, evaluation, comparison between alternative job and current job, actual turnover (Mobley, 1977, Steers & Mowday, 1981, Price & Mueller, 1981).

Turnover studies of the period prior 1985 were almost based on the foundation of March & Simon (1958)’s work. In addition, studies focused on the traditional status such as job satisfaction and commitment at individual level to specify which factors make employees decide to quit and how they leave the organization. From 1985 to 1995, turnover studies were expanded to organization level and environment variables. In this period, organizational culture, reward systems, relationships in working environment, etc were proposed to influence turnover (Pfeffer & Davis-Blake, 1992; Abelson, 1993). From 1995 until the present, turnover studies have been characterized by individual differences, stress and change-related attitudes, organization level consequences, person context interface, alternatives, etc. (Holtom et al., 2008).

Until now, a large number of turnover studies have mentioned various factors of employee turnover but little study has examined about ones making employee stay with the organization (Hausknecht et al., 2009, p. 270). Moreover, the reasons an employee stays are not always the same as the reasons he/she leaves (Steel et al., 2002, p. 152). Based on these viewpoints, as of 2000s employee retention has been noticed by researchers, human resource managers, etc. and the appearance of recent studies concerning factors making the employees remain with the organization helps us understand how to keep the talents with the organization.

To attract the talents and keep them for a long period of time for organization’s success,
obviously it is necessary to focus on the factors affecting retention besides the factors affecting turnover. Nowadays, understanding various retention factors and supposing retention strategies become important and essential for human resource managers of any organization. The emphasis in this study is placed on reviewing recent retention to analyze employees’ version why they stay with the organization.

2. Factors affecting retention

Many companies have used HRM practices to achieve performances, prevent voluntary quitting of employees and keep the talents, etc. There are many factors concerning HRM practices and they are considered as main ones to promote retention strategy in many organizations (Das & Baruah, 2013).

Up to now, there have been some key factors affecting employee retention introduced and tested in the prior studies. In current study, an introduction and review of the major factors in recent studies are described briefly as follows.

2.1. Compensation

Compensation is defined as the payment of an employer to an employee for work required. Compensation consists of the monetary payment like salary or wages and the non-cash payment like benefits (life and health insurance, pension, retirement plan) and allowances, etc. Until now, many studies have addressed the impact of compensation on employee retention and considered this factor as a valuable tool to attract and retain the employees (Hong et al., 2012; Cao et al., 2013).

2.2. Organizational culture or working climate

So as to keep the talents in the organization, HR managers often pay attention to compensation, reward system, etc to enhance their belongingness, loyalty towards the organization. However, money is not all and the employee retention does not always depend on money (Ya-Anan & Bunchapattanasukda, 2011). Therefore, besides the compensation especially the money, other factors have been considered for many years as well. Among them, organizational culture or working environment has attracted the attention of a lot of researchers.

Appearing as of 1930, the concept of organizational culture or working environment has been used in many studies of business management context (Trice & Beyer, 1993). In recent studies, this factor has been still confirmed as a significant predictor of organizational performance, especially employee retention (Shoaib et al., 2009; Govaerts et al., 2011).

2.3. Human relation and leadership

Like compensation and organizational culture, human relation has received much atten-
tion of researchers. Human relation in organization consists of the relationship between employees and leaders, the relationship between employees and coworkers. Particularly, in the relationship between employees and employers, the concept “leadership” is often mentioned in many studies. Many leadership styles referred in many prior studies are servant leadership, transforming leadership, empowering leadership, leader-member exchange leadership, etc.

Human relation and leadership in any organization play an important role in promoting employees’ motivation, their sense of accomplishment and staying intention. These factors are often tested as independent variables on dependent variables like organizational and personal outcomes including retention. Their effect on these dependent variables especially retention has been confirmed for many years (Yamamoto, 2009; Basford & Offermann, 2012; Kashyap & Rangnekar, 2014).

2.4. Support

Beyond the relationship between leaders and coworkers, the employees need to support from them or organization to perform their job. These supports have effects to improve employees’ skills, experiences, etc and make them perceive that they are being cared by others in the organization. Especially, emotional support from organization, leaders and coworkers is confirmed as a significant factor having a positive relation to employees’ retention (Armstrong-Stassen & Ursel, 2009; Tews et al. 2014).

2.5. Job Satisfaction

Job satisfaction has always been an interesting study topic for many researchers and practitioners. It is understood as the combination of physiological, psychological and environmental circumstances causing a person satisfied with his/her job (Hoppock, 1935, p. 47). Also, it is considered as positive feelings or emotional status resulting from the assessment of one’s job (Yang, 2009). Once a person feels satisfied with his/her task or organization, he/she can work more effectively and has a sense of belonging to his/her organization.

In many prior studies, it is confirmed as a dependent variables caused by various independent variables like salary, working environment, autonomy, leadership, etc. (Vidal, 2007; Lane, 2010). However, its direct effect to other factors such as organizational commitment, performance, productivity, absenteeism, turnover, etc. is recognized as well. (Murray, 1999; Ayadogdu & Asikgil, 2011). Moreover, recently results of empirical studies express that the higher employees’ job satisfaction is, the longer they stay with the organization (Kim et al., 2005; Chen et al., 2015).

2.6. Organizational commitment
Similar to job satisfaction, organizational commitment has attracted the attention of many researchers for many decades. It is defined as identification and involvement of an employee with the organization (Porter et al., 1974). It includes emotional feelings, belief, loyalty of an employee toward goals and values of the organization, significant efforts to help the organization obtain its goal (Allen & Meyer, 1990).

According to many prior studies, organizational commitment has been affected by several factors such as compensation, job characteristic, job career, supervisor relations, empowerment, autonomy, job satisfaction, etc. (Fornes & Rocco, 2004; Dockel et al., 2006; Yang, 2009). However, it has had a significant and positive impact on job satisfaction, performance, absenteeism, turnover, etc. (Walton, 1985; Namasivayama & Zhaob, 2007; DeConinck & Bachmann, 2011; Chun et al., 2013). Regarding employee retention, recent studies have demonstrated that the more committed an employee is, the longer he/she desires to remain in the same organization (Kotzé & Roodt, 2005; Anis et al., 2011).

2.7. Job Engagement

Recently, job engagement has appeared as a new concept to reflect emotional feelings of an employee toward his/her work. Engaged employee works hard to enhance performance and provides a competitive advantage to the organization (Joo & Mclean, 2006). Besides outcomes such as performance, job engagement has been noticed as a significant factor to explain employee retention (Brunetto et al., 2013).

2.8. Job Embeddedness

Besides the vast literature concerning voluntary turnover, in 2001 “job embeddedness” has appeared to explain why employee decides to stay in his/her organization. Mitchell and his colleagues proposed this construct and defined it as “the combined forces that keep a person from leaving his or her job” (Yao et al, 2004, p. 159). Job embeddedness describes on-the-job and off-the-job aspects and consists of three dimensions: links, fit, sacrifice. Among them, “links” are formal and informal connections between an individual and other people, organization or community. The more an individual has links with organization and community, the longer he/she stays with his/her organization. “Fit” means compatibility or comfort with his/her organization and community. If an individual’s goal and values match the demands of his/her job and needs of organization, he/she desires to remain for a long period of time. “Sacrifice” shows the perceived cost or benefits that can be forfeited if an individual leaves from his/her organization or community (Mitchell et al, 2001).

Job embeddedness was examined by Mitchell and his colleagues in 2001 and it was considered as a significant predictor of employee retention beyond job satisfaction and organis-
zational commitment (Mitchell et al, 2001). Due to new construct, it has been encouraged
to study more and recently its significant effects on employee retention has been recog-
nized (Harris et al., 2011; Dawley & Andrews, 2012).

3. Current trends of retention studies

As mentioned above, employee retention has been paid more attention by many re-
searchers and there are many factors to explain the reason how and why an employee is
likely to stay with an organization. Furthermore, through recent studies, some trends in
retention study have been noticed. Firstly, not only on-the-job factors but also off-the-job
factors are considered as significant variables to predict employee retention (Holton et al.,
2008; Dawley & Andrews, 2012). Secondly, retention is being paid attention in various in-
dustries like manufacturing, finance, commerce, catering trade, etc. than just specific in-
dustry. Hence, retention studies have been expanded to various organization types for ex-
amples manufacturers, banks, hotels, universities, etc. (Hong et al. 2012; Cao et al., 2013;
Kim et al., 2005; Brunetto et al., 2013). Thirdly, it is believed that many empirical studies
on employee retention often come from Europe and the United States (Yamamoto, 2009)
but recently retention studies have appeared in various countries such as Belgium, Cana-
da, China, Korea, Italy, Japan, Malaysia, Pakistan, Taiwan, United States, etc. (Govaerts et
al. 2011; Basford & Offermann, 2012; Yamamoto, 2009; Kotzé & Roodt, 2005). Therefore,
international comparison concerning employee retention has attracted the notice of re-
searchers (Ramesh & Gelfan, 2010; Brunetto et al., 2013).

The above review shows evidences of recent studies concerning employee retention. Re-
tention’s influence factors and current trends of retention research are introduced briefly
in this paper. Table 1 below shows the summary of them.

III. Hypotheses and retention model

Based on the situation that the talents often quit their jobs at foreign companies in Viet-
nam especially at Asian companies, Phung (2012) and Phung & Aoki (2014)’s studies in-
troduced an employee retention model including human relation as an independent vari-
able, job embeddedness as a mediating variable and retention as a dependent variable. In
this human relation, three factors consisting of leader–member exchange (LMX), empow-
ering leadership of supervisors (EL), coworker relationship are considered as influen-
tial variables to employee retention.

As a result of empirical analysis, human relation in organization including leader–mem-
## Table 1 Factors of employee retention and their studies

<table>
<thead>
<tr>
<th>Factors</th>
<th>Authors</th>
<th>Subject of investigation</th>
<th>Countries</th>
<th>Effects of factors on employee retention</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensations</td>
<td>Hong, E.N.C., Hao, L.Z., Kumar, R., Ramendran, C., &amp; Kadiresan, V.</td>
<td>University</td>
<td>Malaysia</td>
<td>$R=0.608, p&lt;0.01$ $\beta=0.378, p&lt;0.01$</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>Cao, Z., Chen, J. &amp; Song, Y.</td>
<td>Manufacturer</td>
<td>China</td>
<td>$R=0.534, p&lt;0.01$ $\beta=0.47, p&lt;0.001$</td>
<td>2013</td>
</tr>
<tr>
<td>Organizational culture or</td>
<td>Shoaib, M., Noor, A., &amp; Tirmizi, S.R.</td>
<td>Telecom Company</td>
<td>Pakistan</td>
<td>$R=0.587, p&lt;0.01$ $\beta=0.269, p&lt;0.001$</td>
<td>2009</td>
</tr>
<tr>
<td>working climate</td>
<td>Govaerts, N., Kyndt, E., Dochy, F., &amp; Baert, H.</td>
<td>Profit and social-profit organizations</td>
<td>Belgium</td>
<td>$R=0.623, p&lt;0.001$ $\beta=0.596, p&lt;0.001$</td>
<td>2011</td>
</tr>
<tr>
<td>Human relation and leadership</td>
<td>Yamamoto, H.</td>
<td>Public companies and others</td>
<td>Japan</td>
<td>$\beta=0.346, p&lt;0.001$</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>Kashyap, V. &amp; Rangnekar, S.</td>
<td>Public and private sector</td>
<td>India</td>
<td>$R=0.239, p&lt;0.05$ $\beta=0.29, p&lt;0.05$</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>Basford, T.E. &amp; Offermann, L.R.</td>
<td>Large service sector</td>
<td>USA</td>
<td>$R=0.541, p&lt;0.001$ $\beta=0.334, p&lt;0.001$</td>
<td>2012</td>
</tr>
<tr>
<td>Support</td>
<td>Armstrong-Stassen, M. &amp; Ursel, N.D.</td>
<td>Private and public sector</td>
<td>Canada</td>
<td>$R=0.45, p&lt;0.001$ $\beta=0.36, p&lt;0.001$</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>Tews, M.J., Michel, J.W. &amp; Allen, D.G.</td>
<td>National restaurant chain</td>
<td>USA</td>
<td>$R=0.11, p&lt;0.05$ $\beta=0.33, p&lt;0.05$ $R=0.15, p&lt;0.05$ $\beta=0.30, p&lt;0.05$</td>
<td>2014</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>Kim, W.G., Leong, J.K. &amp; Lee, Y.K.</td>
<td>International chain restaurant</td>
<td>Korea</td>
<td>$R=0.38, p&lt;0.01$ $\beta=0.32, p&lt;0.01$</td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>Chen, I.H., Brown, R., Bowers, B.J. &amp; Chang, W-Y.</td>
<td>Nursing homes</td>
<td>Taiwan</td>
<td>$R=0.605, p&lt;0.001$ $\beta=0.569, p&lt;0.001$</td>
<td>2015</td>
</tr>
<tr>
<td>Organization commitment</td>
<td>Kotzé, K. &amp; Roodt, G.</td>
<td>Commercial banks</td>
<td>South Africa</td>
<td>$R=0.674, p&lt;0.001$ $\beta=0.45, p&lt;0.001$</td>
<td>2005</td>
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<tr>
<td></td>
<td>Anis, A., Kashif-ur-Rehman, Ijaz-ur-Rehman, Khan, M.A. and A.A. Humayoun</td>
<td>Pharmaceutical companies</td>
<td>Pakistan</td>
<td>$R=0.3854, p&lt;0.05$</td>
<td>2011</td>
</tr>
<tr>
<td>Engagement</td>
<td>Brunetto, Y., Xerri, M., Farr-Wharton, R. &amp; Shacklock, K.</td>
<td>Private hospital</td>
<td>USA</td>
<td>$R=0.48, p&lt;0.01$ $\beta=0.182, p&lt;0.001$</td>
<td>2013</td>
</tr>
<tr>
<td>Job Embeddedness</td>
<td>Dawley, D.D. &amp; Andrews, M.C.</td>
<td>Small-and-medium-sized hospital</td>
<td>USA</td>
<td>$R=0.57, p&lt;0.001$ $\beta=0.58, p&lt;0.01$ $R=0.27, p&lt;0.001$ $\beta=0.35, p&lt;0.05$</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>Harris, K. J., Wheeler, A. R. &amp; Kaemar, K. M.</td>
<td>Automobile distributor</td>
<td>USA</td>
<td>$R=0.62, p&lt;0.01$ $\beta=0.87, p&lt;0.01$ $R=0.19, p&lt;0.05$ $\beta=0.72, p&lt;0.05$</td>
<td>2011</td>
</tr>
</tbody>
</table>
ber exchange (LMX), empowering leadership of supervisors (EL), coworker relationship enhances a sense of belonging, job embeddedness and retention (Phung, 2012; Phung & Aoki, 2014). Also, the author confirms that job embeddedness mediates fully relation between LMX and retention, mediates partially relation between empowering leadership and retention at Western companies in Vietnam. On the other hand, the job embeddedness mediates partially relation between LMX and retention, mediates fully relation between empowering leadership and retention at Asian companies (Phung, 2012; Phung & Aoki, 2014).

With these results, it is necessary to consider other factors besides the human relation to build a significant retention model in Vietnam. After reviewing literature of recent retention studies, the author focuses on three main factors concerning retention: job engagement, human relation and compensation because of two reasons. Firstly, both human relation and compensation are main factors to explain why an employee wants to remain in the organization. In developing countries like Vietnam, compensation is considered as one of the most notable issues in any organization. High compensation makes an employee feel comfortable and secure in daily life and he/she can concentrate to perform his/her work effectively. Besides the compensation, an employee needs the support, helps from his/her leaders and colleagues. Secondly, if an employee feels fully satisfied with human relation and compensation at his/her organization, he/she expresses positive emotions, invests his/her effort to organization’s performance. As its result, he/she is highly engaged with his/her work or organization and remain in organization for a long period of time.

1. Job Engagement

Job engagement, a motivational concept, is described as a feeling of employee toward his/her work (Kahn, 1990). An employee is fully engaged in what he/she is doing or in his/her organization if he/she recognizes his/her work to be personally meaningful, be manageable and if he/she has hope and belief about the future of his/her work (Sorasak et al., 2014). Job engagement reflects the investment of an individual’s physical, cognitive and emotional energy in active, full work performance (Kahn, 1990; Bruce et al., 2010). Hence, it is considered as a multidimensional factor consisting of physical engagement, cognitive engagement and emotional engagement.

Firstly, physical engagement is the extent to which an employee contributes to organizational goals. In this investment into work, an employee recognizes the importance of his/her role toward work and strives as hard as to obtain higher levels of job performance (Kahn, 1990). Secondly, cognitive engagement is the extent to which an employee pays a
lot of attention or concentrates on his/her work. By taking note of, or focusing a great deal of attention on work, an employee can improve performance quickly (Weick & Roberts, 1993). Finally, emotional engagement is the extent to which an employee empathizes with others at work, creates the connection among coworkers to enhance performance of organization (Sorasak et al., 2014; Ashforth & Humphrey, 1995). This engagement also presents emotional feeling and demand of employee toward his/her work to complete the performance easily.

Recently many studies concerning job engagement have appeared but little empirical study accounts for effect of this factor on other factors. According to prior studies, job engagement impacts on individual and organization’s outcomes such as job satisfaction, commitment, organizational citizenship behavior, productivity, profitability, intention to quit, etc. (Buckingham & Coffman, 1999; Luthans & Peterson, 2002; Andrew & Sofian, 2012; Kgomo, 2010). About employee retention, the more physical, cognitive, emotional investment toward work and organization are, the more engaged employee is and the longer he/she stays in organization. Job engagement is considered as a key to predict retention of the talents and a good level of engagement leads to high retention of employees (Glen, 2006; Budhwar & Bhatnagar, 2007).

Based on the evidence of the prior studies, author hypothesizes that:

H1: Job Engagement has a relationship with employee retention.

2. Human Relation

Human relation in the organization refers to relation between leaders and employees, relation between employees and coworkers. Good human relation has effects to reduce turnover of employees and enhance retention (Reiche, 2008, Cho et al, 2009). Compared to other factor like compensation, human relation in the organization is considered as a more significant factor to explain employees’ remaining reason (Mc Guire et al, 2003).

Under the current severe economic situation in Vietnam, it is said that the better human relation, the longer employees stay in the organization. Regarding to relationship between leader and employees, some leadership styles have often been mentioned. Among them, leader–member exchange (LMX) and empowering leadership (EL) are likely to be suitable for retention management in Vietnam. Certainly, if the trust, respect, contribution, influence come from good relationship between leader and employees, the employees will have a feeling to like working in organization for long period of time (Liden and Maslyn, 1998). In addition, beside emotional relationship, the employees also hope to receive more and more support from their leader. Then, it is necessary for leaders to act behaviors to
help employees promote their meaningful sense, self-determination sense, competence, achievement sense (Thomas, 2009; Aoki, 2006).

In an organization, beside the relation between leader and employees, the relation between coworkers and employees is often paid attention by researchers. A good interaction with coworkers and their support make employees have a sense of attachment to the organization and they are less likely to quit (Porter & Steers, 1973; Farris, 1971).

In general, when the managers build working environment or organization where there is good human relation, they can not only enhance employee retention but also drive employee engagement (Basford & Offermann, 2012; Mone & London, 2009)

Thus, author hypothesizes that :
H2 : Human relation has a relationship with employee retention.

H3 : Human relation has a relationship with job engagement.

3. Compensation

As mentioned above, good human relation in an organization affects employees’ emotional feelings, attachment, engagement and staying intention. However, it is said that there is no single factor to keep the talents with the organization (Logan, 2000; Sinha & Sinha, 2012). For many years, compensation has attracted attention to researchers, managers. Building compensation system is understood as one of the essential processes of human resource management in order to attract the talents and keep them with the organization (Huselid, 1995).

Compensation refers to the payment provided to an employee from an employer in return for work required. It consists of the monetary payment such as salary and non-monetary payment like benefits, allowances, etc. These monetary and non-monetary payments have a big impact on employees’ satisfaction, performance and their desire to remain in the organization (Lazear, 1986; Gruber & Madrian, 1994; Hong, et al, 2012).

In Vietnam’s labor market, employees often quit due to some reasons. Among them, compensation especially salary has been considered as one of the main features. Nowadays, although many Vietnamese companies have established high salary system to promote employee retention, many employees have been attracted by higher offers from others. It is true that compensation especially financial compensation plays an important role in employees’ life. It makes employees feel that they are fairly rewarded for their physical, cognitive and emotional investment into work. The more they are feeling, the longer they want to stay in the organization. Thus, author hypothesizes that :

H4 : Financial compensation has a relationship with employee retention.
H5: Financial compensation has a relationship with job engagement.

After reviewing the literature and considering the current situations in Vietnamese companies, the above five hypotheses are proposed. As the integration of these hypotheses, retention model is presented in Figure 1. In this model, human relation and compensation are observed as the independent variable, job engagement is introduced as the mediator and employee retention is measured as the dependent variable.

IV. Conclusion

Human resource plays an extremely important role for success of any organization. To retain key employees, nowadays strategies of human resource management or retention management have become necessary in any organization. As a contribution to the understanding of HR managers or academicians about which employees decided to leave organization, turnover studies have appeared for decades. However, to carry out retention management effectively and set up retention strategies, it is necessary for HR managers to shift their focus to the reasons employees decided to stay with organization. Recently many retention studies have appeared for this purpose.

Regarding retention studies, there have been many factors affecting employee retention and this paper showed major ones by reviewing some recent studies. Moreover, by exploring these factors, this paper also listed up some current trends of retention studies. From these tendencies, one retention model and some hypotheses were developed for Vietnamese companies in this paper. In this model, human relation and compensation are set up as significant factors having a positive relationship with job engagement and employee retention. To demonstrate the effect of these factors, it is necessary to test the retention model in various sectors in Vietnam and compare it with other countries.
References


