



FLEXIBLE WORKING SCHEDULES AND EMPLOYEE RETENTION OF COMMERCIAL BANKS IN KENYA

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Accepted: December 2, 2023

DOI: <http://dx.doi.org/10.61426/sjbcm.v10i4.2832>

ABSTRACT

This study reviewed the conceptual, theoretical and empirical literature on the relationship between flexible working strategies and employee retention in commercial banks in Kenya. The study was guided by Herzberg's two factory theory. This research adopted the desk review of empirical and theoretical literature. The study concluded that flexible working arrangements was one of the main measures of hybrid working strategies. The study also concluded that flexible working arrangements, when effectively implemented, contributed to higher levels of job satisfaction among employees. Moreover, this research recommended that banks should continuously refine and adapt flexible working strategies based on employee feedback. Policymakers should also ensure that flexible working policies are clearly defined, transparent, and supportive of employee needs. The study also advocated that the management of banks should also regularly assess the effectiveness of flexible working strategies and their impact on employee retention.

Key Words: Flexible Working Strategies, Employee Retention, Job Sharing, Flex Time

CITATION: Abdi, F., & Wanyoike, R. (2023). Flexible working schedules and employee retention of commercial banks in Kenya. *The Strategic Journal of Business & Change Management*, 10 (4), 1463 – 1471. <http://dx.doi.org/10.61426/sjbcm.v10i4.2831>

INTRODUCTION

Banking institutions operate in a global and competitive environment, where retaining talented and experienced employees is critical for its sustained success and competitive advantage (Aramburu & Pescador, 2019). In the early to mid-20th century, employee retention in banks was often influenced by factors such as job stability, competitive salaries, and traditional hierarchical structures. Banks, known for providing secure employment, relied on long-term relationships with employees who valued stability (Nguyen, 2020). The aftermath of the 2008 global financial crisis also brought about further changes in the banking industry. Banks faced increased scrutiny and regulatory changes, leading to shifts in organizational structures and approaches to employee compensation. This period prompted banks to reevaluate their retention strategies, emphasizing ethical practices, talent development, and a renewed commitment to corporate culture (Kurdi & Alshurideh, 2020).

Employee retention refers to the strategies and practices implemented by financial institutions to retain their workforce and minimize turnover. Organizations strategically take steps to retain skilled employees, recognizing that their departure can negatively impact both productivity and profitability (Hassan, 2022). Commercial banks also emphasize the strategic significance of retaining top talent to maintain a competitive edge in the dynamic financial industry. Retaining employees, particularly high achievers, holds significance for organizations as it helps minimize expenses related to recruiting, selecting, and onboarding new staff (Nguyen, 2020). From this standpoint, they invest in talent development programs, leadership initiatives, and succession planning to ensure a pipeline of skilled professionals (Bharadwaj, Khan & Yameen, 2022). Some banks have also considered it necessary to prioritize creating a positive work environment, offering competitive compensation, and fostering a culture that promotes professional growth (Kurdi & Alshurideh, 2020).

Hybrid working strategies embrace flexibility, leverage technology, prioritize employee well-being, and require clear communication and adaptability to create a dynamic and effective work environment (Yang, Bisson & Sanborn, 2019). Flexible working schedules comprises various arrangements that allow employees to adapt their work hours, patterns, and durations to better align with their individual needs and preferences. This may encompass job sharing which involves two or more employees sharing the responsibilities and tasks of a single full-time position. Each employee typically works part-time, and together they cover the workload of the full-time role (Giovanis, 2018).

Flexible working schedules may also include various types of leaves, such as parental leave, sick leave, or personal leave (Yu, Burke & Raad, 2019). These leaves allow employees to take time off for specific reasons while maintaining job security. On the other hand, sabbaticals are extended periods of leave, often ranging from a few weeks to several months, during which employees take time away from work for personal or professional development. Sabbaticals can be paid or unpaid, and they contribute to employee well-being and rejuvenation (Kim, Henly, Golden & Lambert, 2020). Flex time, also referred to as flexible time, is another kind of work schedule that allows employees to choose their starting and ending times within a predefined range. It's about giving employees control over their daily work hours, as long as they fulfill their required total hours and core working times (Halinski & Duxbury, 2020). According to Dilmaghani (2021), flex time accommodates diverse lifestyles and preferences, enabling employees to adapt their schedules to personal commitments, such as childcare or commuting constraints.

Statement of the Problem

Commercial banks in Kenya encounter persistent challenges in retaining qualified and experienced employees amidst industry competition and shifting job market dynamics. The competition for such skilled professionals amplifies the challenge of retaining them, as they become sought-after by

multiple employers within and beyond the banking sector. The expectations of their workforce has also evolved with many employees seeking more for career development opportunities, a positive work culture, work-life balance than just financial compensation. If these expectations are not met, employees oftenly seek opportunities elsewhere and this negatively impact retention rates. Hybrid working strategies is among the recent strategies employed by banks to foster a healthy work-life balance and also contribute to employee retention. Banks such as Absa Bank Plc, KCB bank and Equity bank Kenya have managed to develop remote working policies and procedures to enable their employee to work remotely even after the Covid-19 pandemic era (Kimondo, 2022).

Existing studies on hybrid working strategies and employee retention are quite scarce especially in the local context of commercial banks in Kenya. For instance, Yulita (2022); Regmi (2022) and Selvi and Madhavkumar (2023) studies had contextual gaps as they were conducted in countries outside Kenya and in non-financial institutions. Additionally, other studies in Kenya like Ciambotti and Pedrini (2021) study investigated on hybrid harvesting strategies to overcome resource constraints in social enterprises in Kenya. The study analysed and developed creative approaches implemented by social enterprises in Kenya and how it has helped in reducing financial and asset constraints. Vundi (2022) study also assessed the effects of work from home strategy on employee performance during the Covid-19 Pandemic: a case of private universities in Kenya. The study sought to understand how self-leadership, technological adoption, communication, employee satisfaction strategies have affected employee performance of staff in private universities.

The study by Kimondo (2022) examined the effect of remote working on employee productivity at ABSA bank in Kenya. This study focused on the remote working practices and particularly remote working policies employed by

only one commercial bank in Kenya and its effect on employee productivity rather than employee retention. This shows that most of the studies have discussed on the effect of remote working practices that have been more influenced by the Covid-19 pandemic but have failed to clearly bring out the effect of hybrid working strategies which involves a combination of both remote and in-person working strategies. Additionally, none of the studies examined their effect on employee retention in the banking industry. Therefore, based on the identified research gaps from the existing studies, this study conducted a comprehensive empirical research on the existing and new flexible working schedules employed by commercial banks in Kenya and their influence on employee retention.

Objectives of the Study

This study reviewed the existing conceptual, theoretical and empirical literature on flexible working schedules and its effect on employee retention of commercial banks in Kenya.

Hypothesis of the Study

H₀₁ Flexible working schedules do not have significant effect on employee retention of commercial banks in Kenya.

LITERATURE REVIEW

Theoretical Literature Review

Herzberg's Two Factor Theory

This theory was developed by Frederick Herzberg in 1959 (Hur, 2018). The theory posits that there are two sets of elements, motivational factors and hygienic factors that affect employee work motivation, as measured by job satisfaction and job discontent (Bevins, 2018). Meaningful work, autonomy and independence, promotion, achievement, recognition, and the potential for growth are among the motivational aspects that primarily pertain to job content. On the other side, the hygiene aspects are related to elements specific to the workplace and include things like business policy, supervision, relationships with supervisors, work environments, relationships

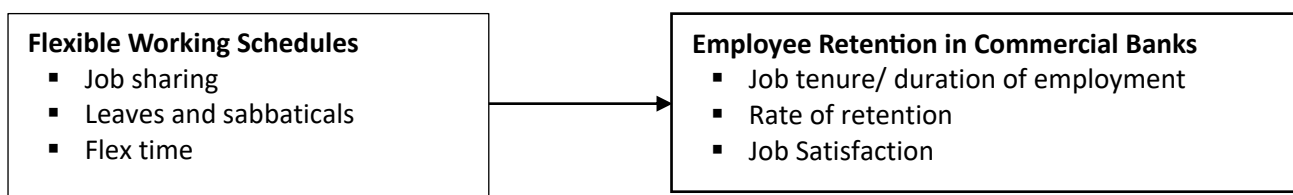
with peers , pay, personal lives, relationships with subordinates , status , and job security (Holmberg, Caro & Sobis, 2018).

The theory also proposed a two-dimensional model where satisfaction and dissatisfaction are not on the same continuum. This implies that the absence of dissatisfaction does not equate to satisfaction, and the absence of satisfaction does not necessarily lead to dissatisfaction (Yousaf, 2020). Furthermore, Herzberg (1968) emphasized on job enrichment, which involves redesigning jobs to incorporate more motivator factors, such as flexible work arrangement to help them maintain a balanced job schedule, career advancement opportunities, recognition and rewards programs (Thant & Chang, 2021).

In this study, the two set of elements suggested in this theory, that is motivational factors and particularly intrinsic motivators in hybrid working

strategies such as flexible work schedules, meaningful work, autonomy and independence will be assessed to determine how they influence employee retention and enhance job satisfaction. Whereas, hygiene factors, such as work conditions, company policies, and interpersonal relationships, will be examined to determine how organizations implement them to prevent dissatisfaction in a hybrid work environment. Organizations need to ensure that remote and in-person employees have access to suitable working conditions, effective communication channels, and supportive company policies (Bhatt, Chitranshi & Mehta, 2022). Additionally, this study used the two-dimensional model that emphasizes on the delicate balance between hygiene and motivator factors to evaluate how commercial banks incorporate and balance these two factors to promote employee retention in the long run.

Conceptual Framework



Independent Variables

Dependent Variable

Figure 1: Conceptual Framework

Empirical Literature Review

Puppini Romano (2022) study assessed the effect of flexible working arrangements on leadership style in the banking sector in Ireland. The study utilized a qualitative research approach where interviews were conducted among 15 managers from the Bank of Ireland. The study findings revealed that majority of the managers agreed the recent shifts towards flexible work arrangements required changes in the leadership style of the banks especially in the skills employed. The results also showed that leaders that adopt more collaborative and inclusive approaches, emphasizing effective communication and support for remote teams, have enhanced job satisfaction

and employee productivity. The interviewed managers also indicated that there was heightened reliance on technology and digital communication tools among leaders, in order to foster a virtual team culture and improve job efficiency. However, most leaders encountered challenges in balancing the demands of remote and in-person teams, complaining on the need for adaptive leadership skills.

The goal of a study by Fayzieva et al. (2020) was to determine whether the hybrid work process has a positive or negative impact on the organization's current labor processes and to make a number of recommendations for improving the hybrid work

mechanism in order to address potential labor concerns in the Uzbek banking sector. To achieve the objectives, a survey research design was employed. The techniques utilized to examine the data were quantitative methodology, descriptive statistics, and Pearson's correlation coefficient. The results demonstrated that working from home regulations have a high and positive correlation with employee labor productivity and the effectiveness of the institution when measured as result-oriented rather than activity-oriented. Also, it was found that teleworking greatly raises management complexity and fosters a toxic socio-emotional environment at work. According to the findings, the researcher concluded that unexpected telecommuting during the Covid-19 period had a positive and bad impact on both employee performance and the entity's management control.

Baughn (2023) study sought to determine the impact of job satisfaction components on turnover intention in four leading commercial banks in US. The study used an online survey to collect data from random participants and was analyzed using multiple linear regression techniques. The findings suggest that a positive work-life balance, encompassing flexible work arrangements and supportive policies, acts as a significant mitigating factor against turnover intention. Employees who reported satisfaction with their ability to balance work demands with personal life exhibited lower intentions to leave their positions. This underscores the importance of organizations implementing strategies that foster work-life balance, recognizing it as a critical element in retaining talent and reducing turnover intentions in the dynamic environment of the banking sector in the United States.

Venkat et al (2023) study investigated on the influence of competency management on employee retention in the automotive industry in India. The study used a mixed method research approach which involved the use of both primary and

secondary data. The research administered structured questionnaires to 87 employees and interviews were carried among 12 HR managers. The findings indicated that identification of critical competencies, particularly those aligned with career growth significantly contributed to the retaining of talent within the industry. Competency development programs and competency-based recognition were also found to positively influence employee loyalty. The results also revealed that compensation, work-life balance, and organizational culture mediated the relationship between competency management and employee retention.

Otoo (2019) study sought to determine the mediating role of employee competencies on the relationship between human resource development practices and organizational effectiveness of commercial banks in Ghana. The study utilized an integrated research model and data was obtained through questionnaires that were administered to 550 employees. The data collected was analysed using structural equation modelling. The results showed that the implementation of HRD practices, including training programs and skill development initiatives, positively influences the competencies of employees within the banks. The findings also indicated that a workforce equipped with advanced competencies is better positioned to contribute to organizational goals, thereby influencing overall effectiveness. Additionally, specific competencies, such as leadership, technical skills, and adaptability were found to positively mediate the relationship between HRD practices and organizational effectiveness.

Ong'ango (2019) study examined the influence of employee competence on employee performance of commercial banks in Kenya. The study adopted a descriptive research design and used the census method to identify 43 commercial banks in Kenya. The research also gave questionnaires to 43 HR managers and the quantitative data was analysed using multiple regression analysis techniques. The results revealed that employee competence had a positive and significant association with employee

performance. The regression results also found that employee competence moderates the relationship between training programs and career development initiatives, and employee performance. Therefore, the study suggests that commercial banks should invest more on training programs and career development initiatives so as to improve staff competence and overall employee performance.

METHODOLOGY

The study adopted the desk review of empirical and theoretical literature. This methodology allows summary of literature based on synthesis of concepts, theories and results to develop a solid understanding of the research topic and inform the current research. This involved summarizing the main arguments, theories, methodologies, and empirical evidence found in the literature. Then, identify common themes, contradictions, or areas of consensus among the studies. The study later drew conclusions and made recommendations based on the study's discussions.

DISCUSSION

Herzberg's Two Factor Theory

The two factors stressed in this theory that is motivators and hygiene factors were found to resonate and exhibit an intricate relationship with flexible working schedules. The motivators in Herzberg's theory align closely with the flexibility inherent in hybrid work setups. Flexible schedules empower employees to manage their time, fostering a sense of autonomy and responsibility. Workers gain control over their work-life balance, experiencing increased satisfaction due to the ability to accommodate personal needs alongside professional obligations. The freedom to structure their workday promotes a sense of achievement and growth, fulfilling the motivational aspect highlighted in the theory. Moreover, this flexibility often enhances communication and collaboration among teams, leading to improved relationships and a conducive work environment, factors crucial in preventing dissatisfaction.

However, a potential disconnect arises when considering hygiene factors. While flexible schedules cater to individual preferences, the absence of clear boundaries might lead to blurred lines between work and personal life. This ambiguity can elevate stress levels, impacting job satisfaction. Additionally, the lack of standardized working hours might hinder effective communication or collaboration among team members, potentially reducing the quality of interpersonal relations. Moreover, if not managed properly, the absence of regular in-person interaction might impede recognition and feedback mechanisms, key motivators according to Herzberg's theory.

In essence, while this theory aligns with several aspects of hybrid working strategies, particularly in enabling motivators like autonomy and personal growth, challenges exist concerning the maintenance of hygiene factors such as work-life boundaries, communication, and recognition. Addressing these challenges through structured policies, efficient communication tools, and fostering a culture of recognition becomes crucial in harmonizing the benefits of flexible schedules with the principles of Herzberg's theory within hybrid work environments.

Empirical Literature Review

It was evident that the different reviewed studies had to a good extent covered on flexible working schedules and employee retention. Most of the studies revealed that flexible working schedules where flexibility and a healthy work-life balance between professional and personal life is emphasized had a positive and significant effect on employee retention. The studies also disclosed that as commercial banks implement these strategies, it is essentially important for them to incorporate effective hybrid models and systems that will ensure efficient communication, supervision and support for remote teams. This in return would contribute to improved employee productivity and job satisfaction. In addition to the flexible working environment, the studies have also shown that

other non-financial factors like career development opportunities, supportive policies and employee engagement practices also had a positive and significant effect on employee retention.

Furthermore, employee engagement practices including training programs and skill development initiatives were found to positively contribute to enhancing the adaptability of employees to hybrid working strategies, staff competencies and employee retention. Thus, such employee engagement practices can serve as mediators in fostering hybrid working strategies as well as employee retention. Additionally, even though none of the studies showed the moderating effect of staff competence on the relationship between hybrid working strategies and employee retention, Venkat et al (2023) study indicated that competency development programs and competency-based recognition positively influence employee loyalty. Therefore, if commercial banks consider incorporating such programs in hybrid working strategies they are more likely to influence employee loyalty and contribute to retaining of talented employees who are interested in career and skill development.

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CONCLUSIONS AND RECOMMENDATIONS

In conclusion, the study found that flexible working arrangements is a measure of hybrid working strategies. Flexible working arrangements, when effectively implemented, contributed to higher levels of job satisfaction among employees. This underscores the importance of flexible working arrangements in fostering a work environment conducive to retaining talent within commercial banks in Kenya. The study also concluded that flexible working arrangements emerged as a crucial factor influencing employee retention in particular job satisfaction.

Based on the summary discussions and conclusions, the study recommended that banks should continuously refine and adapt hybrid working strategies based on employee feedback. They should engage employees in the process of shaping these strategies to ensure they align with their needs and preferences. The management of banks should also regularly assess the effectiveness of flexible working arrangements and their impact on employee retention.

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