

Strategic human resource management and public employee retention

Marwa Gaber Ahmed Fahim

Business Administration Department, Modern Academy for Computer Science and Management Technology in Maadi, Cairo, Egypt

Received 4 July 2018
Accepted 4 July 2018

Abstract

Purpose – The purpose of this research is to explore the dynamics of using strategic human resource management (SHRM) practices in the public sector. More specifically, this paper tries to point out some main aspects of SHRM, which strongly influence the decision of employees to stay. The empirical study here tends to reveal greater insights into the SHRM-retention relationship and its validation at the National Bank of Egypt (NBE).

Design/methodology/approach – This research is co-relational in nature with cause and effect approach. The design of the study is both descriptive in the theoretical part and quantitative in the applied one. Theoretically, this paper adopted the analytical approach to define the main concepts, aside from an empirical study to investigate correlations in practice.

Findings – This paper concludes that the employment of best HRM practices is deemed a remarkable strategic tool in the retention of core public employees. Also, the results of analysis provide evidence that SHRM contributes to employee retention at NBE.

Practical implications – The findings and recommendations of this research can practically guide management to devise effective policies to improve employee retention using appropriate SHRM activities, particularly in the Egyptian public organizations.

Originality/value – This research has valuable implications for both theory and practice, as it offers several contributions to literature in the field of study, as well as the practical contribution.

Keywords Strategic human resource management, Human resource management practices, Employee retention, Public sector, National Bank of Egypt

Paper type Research paper

Introduction

There is no doubt that the way in which the human resource (HR) function was managed in organizations has altered dramatically over the past few decades (Lawler, 2005, p. 1). A significant trend today is for HR managers to adopt a strategic approach of their jobs and to recognize critical links between the organizational and HR management strategies. Basically, strategic human resource management (SHRM) highlights the growing change in the HRM function from being prescriptive, reactive and administrative to being descriptive, proactive and executive. Sahoo *et al.* (2011) noted that the concept of SHRM is related to the



appropriate integration of HRM activities with the business strategy of the company (Allui and Sahni, 2016, p. 363).

On the other hand, from a managerial point of view, the attraction of qualified employees is more urgent today than ever before. An array of evolutions, such as globalization, increasing knowledge work, accelerating technological advancement and rising competition, makes it vital that institutions acquire distinctive human capital for competitive advantage and organizational success (Holtom *et al.*, 2008, p. 232). Also, the retention of those valuable employees becomes a paramount strategy for HR managers in this environment. There is a wealth of evidence that the retention of talented employees has been of serious concern to managers in face of the ever-increasing high rates and costs of employee turnover (Samuel and Chipunza, 2009). In response, managers worldwide have enforced HR policies to actively lessen employee turnover and promote retention (Hom *et al.*, 2008).

Indeed, although retention and turnover research has experienced considerable theoretical expansion in the past few years (Holtom *et al.*, 2008, p. 243), an overview of previous studies has indicated a lack of adequate research about the relationship between SHRM practices and employee retention, particularly in the public sector, as much of this discourse in literature is associated with business. Boxall and Purcell (2003) stated that the big question here maybe which HRM practices are more likely to contribute to sustainable competitive advantage, and specifically staff retention (Mbugua *et al.*, 2015, pp. 54-55). At the same time, the reviewed literature has revealed mixed results regarding the effect of SHRM indicators on employee retention in organizations, which makes it hard to reach to a definite conclusion about this impact. Second, the studies have been conducted mostly in the developed countries where the setup may not be the same as in the developing ones (Mbugua, 2015, p. 41), and mainly the Arab world, emphasizing the sensitivity toward cultural norms and the restricted participation in decision-making. So, the researcher here believes that this is a meaningful area that needs more study with specific reference to Egypt. Essentially, there is a need to study whether the move toward managerialism that has taken place within public sectors all over the world during the past few decades has brought with it some features/attributes of the relationship between HRM and employee engagement and retention experienced within the private sector. For that reason, this study was undertaken, as it adopted an analytical approach in its theoretical part and used an empirical study in the applied one.

Thereby, the main objective of this research is to add to the limited scientific body of literature related to SHRM in the public sector, especially in developing countries, and its actual role in the retention of skilled workforce. The most important SHRM activities here that have been identified with the help of literature are recruitment and selection, training and career development, performance appraisal, compensation and benefits. Eventually, the empirical study analyzes the SHRM–retention relationship at the National Bank of Egypt (NBE), and then it proposes some administrative and managerial reforms to boost the influence of HRM strategies and programs on employee retention. Hopefully, this paper can provide a stepping stone for further contribution in the domain; it may serve as a basis or an attempt in the direction of conducting comprehensive research to judge the managerial and organizational renovations adopted by the Egyptian public sector in this arena, putting into consideration the sustainable development strategy (Egypt's Vision 2030) concerning the efficiency of governmental organizations in maximizing the usage of their resources, and in particular human resources.

Problem statement

This study investigates a main research question which is:

RQ. To what extent does SHRM contribute to the retention of employees in public sector organizations and what is the impact of SHRM practices on employee retention at NBE?

To answer this major question, the paper intends to find answers to the following questions:

- Q1. What is the meaning of SHRM? What are its key activities and practices?
- Q2. How do researchers define the concepts of retention versus turnover? What are the intrinsic and extrinsic motivational factors influencing employee retention?
- Q3. How does SHRM affect the retention of employees in public sector organizations/ state-owned enterprises?
- Q4. How do SHRM practices applied at NBE affect employee satisfaction and retention there, considering the demographic and professional characteristics of respondents?

Subsequently, the research examines its principal variables, as illustrated in [Figure 1](#).

Literature review: concepts and relationships

Strategic human resource management

HRM is identified as a strategic and coherent approach to the management of the organization’s most valuable asset; the people working there who contribute to the achievement of its objectives (Armstrong, 2006, p. 3). Lately, organizations have become increasingly fascinated by the concept of “strategic management.” Both scholars and practitioners in all business-related disciplines have tried to tie the methods and tools of their fields to the strategy of the firm (Embuhira, 2011, p. 25). In this respect, Boxall and Purcell (2003) argued that SHRM is the interface between HRM and strategic management. It involves taking a wide and long-term view of where the business is going and ensuring that strategic direction is maintained. A prominent author described SHRM as “the means of aligning HRM with the strategic content of the business and the HR strategy, so that the latter supports the accomplishment of the former and indeed helps to determine it”. Other researchers defined SHRM as “a cumulative set of functions or behaviors associated with the management of human capital, where the HR professional serves as a strategic business partner with the other executive bodies of the organization”. Thus, SHRM includes “designing and implementing a comprehensive set of proactive HR policies/practices that assure the organization’s human assets contribute to the achievement of its corporate objectives” (Allui and Sahni, 2016, p. 363).

Therefore, SHRM is considered a new paradigm in managing the human factor at modern organizations (Waiganjo et al., 2012, p. 67). According to Armstrong (2006), SHRM

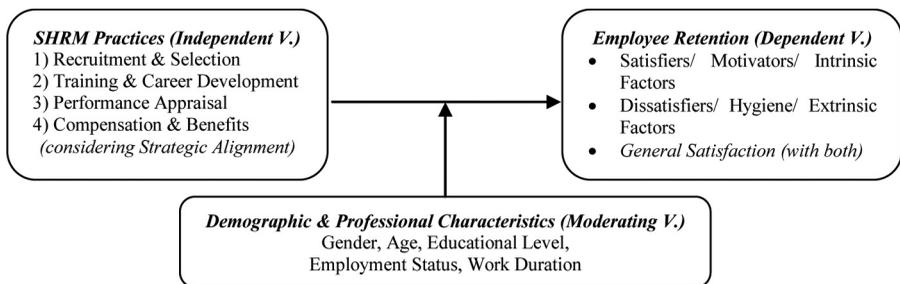


Figure 1.
Research conceptual model

is based on three assumptions: first that human capital is a major source of competitive advantage, second that it is people who execute the strategic plan and third that a systematic method must be adopted to define where the organization wants to go and how it should reach there. In general, SHRM aims to attain strategic fit. Hence, SHRM is a process that involves the use of overarching approaches to the development of HR strategies, which are integrated vertically with the business strategy and horizontally with each other. These strategies identify the intentions and plans related to overall organizational considerations such as organizational effectiveness, and to more specific aspects of people management such as learning and development (Armstrong, 2006, pp. 29-30).

In other words, the strategic alignment of HRM simply means accepting HRM as a strategic partner in the formulation and implementation of the company's strategies through HR activities, such as recruitment, selection, training and rewarding personnel (Allui and Sahni, 2016, p. 367). In this regard, De Cieri and Kramar (2008, p. 58) stated that the HRM function can be thought of as having six menus from which firms can pick out the most appropriate practices: job analysis/design, recruitment and selection, training and development, performance management, pay structure/incentives/benefits and labor relations. Besides, after studying more than 900 organizations in the USA, Huselid (1995) suggested that HRM practices can be classified into two broad categories: those that improve skills and those which enhance motivation. The study found that skill-enhancing activities including selection, training and development are associated with turnover and financial performance, and that motivation-enhancing activities including performance appraisal and compensation are associated with productivity (Alnaqbi, 2011, p. 32). In light of this, the SHRM function may involve a variety of practices and activities; key among them are (Allui and Sahni, 2016, pp. 363-364; Francis, 2014, pp. 1744-1746):

- *Recruitment and selection.* The overall purpose of recruitment is to obtain at minimum cost the quality of employees required to satisfy the strategic needs of the organization, whereas selection implies judging applicants on a variety of criteria, ranging from the objective and measurable ones (e.g. years of experience) to the subjective and personal ones (e.g. leadership potential).
- *Training and career development.* They are the formal activities undertaken by the company to assist employees acquire the knowledge, skills, abilities and experience needed to perform current or future jobs.
- *Performance appraisal.* It is the process of judging how well employees perform their tasks compared to a set of placed standards.
- *Compensation and benefits.* They are the cumulative monetary and non-monetary rewards paid to employees in return for their efforts.

Given the lack of integration across the various HRM activities, early attempts concentrated on linking each functional area to the organization's strategy independently from other activities. This resulted in the development of things like "strategic selection," "strategic development" "strategic appraisal" and "strategic rewards." Although those endeavors broadened the perspective of HRM by recognizing the need for each individual function to be aligned with the organizational goals, there was still a relative neglect of the interaction between all of these functions (Embuhira, 2011, p. 25).

In conclusion, SHRM is an area that continues to evoke a lot of controversy as to what it actually embraces; there is no clear agreement concerning the design of this field, particularly with regard to its definition. Similarly, it is quite difficult to distinguish between HRM and SHRM. Until recently, there has been little in the way of formulating strong

theoretical paradigms to aid in understanding both the role of HRM in organizations and the determinants of various HR practices. Without this strong theoretical model, it is way hard to differentiate between HRM and SHRM (Embuhira, 2011, pp. 24-25). However, it is confirmed that external and internal environment scanning is a crucial element of SHRM particularly, in which the organization can realize the environmental opportunities and threats in light of its strengths and weaknesses (Fottler, 2011, p. 11).

Employee retention – a strategic tool

Scholars have considered employee retention management as a strategic and cohesive process that begins with examining the reasons why employees join an organization (Brown, 2009). Worldwide, retention of skilled employees has been of serious concern to managers in face of high rates of employee attrition (Samuel and Chipunza, 2009, p. 410). Attrition is a critical problem highlighted in all organizations these days; it is “the gradual reduction in the number of employees through retirement, resignation, or death.” It can also be known as “Employee Defection” or “Employee Turnover” (Latha, 2017, p. 1). As turnover is a symptom of a vital systemic problem like an ineffective retention management, companies ought to comprehend what makes people commit themselves to being loyal and productive (Embuhira, 2011, p. 5). Thereby, retention is viewed as a logical inverse of turnover, as it indicates the behavior to continue/stay rather than to quit/leave the organization (Muir and Li, 2014, p. 3).

In this context, retention is defined as “a voluntary move by the firm to create an environment which engages employees for the long term” (Chaminade, 2006, p. 1). It is the other side of the recruitment coin, as they are both hot issues. However, experts suggest that it is quite easy to recruit people, whereas it is much more difficult to retain them. Retention implies “the desire of organizations to keep and hold on to their competent employees and the measures of this.” It involves three basic elements: economics, supply chain and workforce (Hemalatha and Savarimuthu, 2013, p. 45). So, employee retention means “the various policies and practices that let employees stick to an organization for a longer period of time” (Francis, 2014, p. 1742).

Actually, when a well-trained employee leaves the firm, he/she creates a vacuum, so that it loses indispensable skills, knowledge and business relationships (Latha, 2017, p. 1), in addition to the financial cost that is buried in line items like temporary recruitment, selection and training (Holtom *et al.*, 2008, p. 236). Especially, that good employees have more external employment offers compared to average ones, and hence they are more likely to quit. High rates of voluntary turnover of such employees are often harmful or disruptive to the organization’s performance. The problem is further compounded by the fact that most companies, particularly large entities, seem to reward and satisfy new hires more than their current loyal employees (Hemalatha and Savarimuthu, 2013, p. 45). Therefore, the easiest way to retain employees is to increase their satisfaction levels, but this will only be effective if performed correctly. The challenge here lies in tackling different employee needs, as they are varied (Alnaqbi, 2011, p. 47).

More specifically, when looking at the earliest models of turnover, the basic tenet was that job dissatisfaction often gives rise to turnover. Over time, researchers have looked at more predictors (e.g. job alternatives and organizational commitment). They have investigated the reasons of those predictors (moving horizontally to the left) and the consequences of turnover (moving horizontally to the right). They also have inserted predictors and criteria (vertical expansion), and have considered different levels (horizontal expansion), such as group and organizational variables (e.g. turnover climate and HRM practices) (Holtom *et al.*, 2008, p. 234). Existing literature highlights the causes of employee

turnover, such as hiring practices, managerial style, lack of competitive compensation, lack of recognition and venomous workplace. Others include lack of job security, lack of interesting work, lack of promotion and inadequate training and advancement opportunities. When handled, these are regarded as intrinsic and extrinsic motivational factors, which may influence employee turnover and retention. The problem is that managers have failed in identifying and appropriately using those variables as retention strategies commensurate with the distinctive cultures and systems of their organizations (Samuel and Chipunza, 2009, p. 411).

In sum, successful employee retention should not rely on a single strategy. According to Hemalatha and Savarimuthu (2013, p. 45), retention strategies can generally fall into one of the following four categories: working conditions, salary, job enrichment and education. Whilst Embuhira (2011) asserted that retention tools are of only two classifications: HR factors that include person–organization fit, challenging job opportunities, training and career development, reward and recognition, and organizational factors that involve leadership behavior, teamwork relationship, communication, company’s policies and pleasant work environment (Mbugua, 2015, p. 4). On the other hand, Samuel and Chipunza (2009) concluded that challenging work, training and development, freedom of innovative thinking, affiliation and job security are found to have significant influence on employee retention in both public and private sector organizations. Whereas another study by Latha argued that salary, superior–subordinate relationship, co-workers’ relationship, growth opportunities, appreciation, suggestions, facilities and procedures are all substantial motivational variables that affect employee turnover and retention.

Finally, it is apparent that securing quality performs simply adds to increased productivity and morale, and reduces the associated costs of turnover. But why then do employees continue to leave? What is missing from today’s retention strategies? Despite the remarkable literature on SHRM best practices, there is little consensus concerning which HR activities should be included as the ideal HRM system that is universally effective to catalyze retention. Given these different approaches to SHRM, it is evident that a more consolidated field of investigation would be beneficial to the development of knowledge in this area (Embuhira, 2011, p. 8). Essentially, the need to address that situation is what has led to the purpose of the present study, and thereby this will be discussed and thoroughly clarified in the next part.

The relationship between strategic human resource management practices and employee retention in public organizations

Traditionally, within the employment relationship, employees exchanged their loyalty and hard work for the promise of job security, like what was existed in the public sector. In the contemporary environment, the trend toward more flexible organizational structures and the decline in job security have altered the psychological contract between the employer and the employee. The new form of psychological contract is expressed in placement practices, which see organizations focusing on part-time employees to gain flexibility at lower costs. Because of these organization-wide changes, the essence of attachment between employers and employees has differed (Embuhira, 2011, p. 1). Samuel and Chipunza (2009) highlighted that not only the private sector but also governments are facing problems in retaining their skilled employees (Haider *et al.*, 2015, p. 64).

In fact, the main issue in HRM research is whether there is a cumulative set of policies that represent a unique approach to managing people, and which are associated with staff retention. There are many studies on employee retention in several industries and its causal relation with HRM practices. Researchers have established that SHRM results in human

capital with greater commitment and lower turnover, so that HRM practices can generally predict the voluntary turnover rates of employees (Allui and Sahni, 2016, pp. 362-365). According to Abeysekera (2007), employee turnover is a crucial challenge for organizations, but companies performing efficient HR activities can minimize its percentage and increase competitiveness (Mbugua, 2015, p. 26). Also, Branham (2005) argued that all the reasons of why employees quit are closely related to HR practices, and therefore an inclusive understanding of the relationship between HRM and employee retention will assist firms take correct decisions in achieving business results while guaranteeing an optimum level of resources (Francis, 2014, p. 1742). This recognition and extraordinary efforts some institutions make to attract and retain top talents represent fundamental shifts/transformation in the employer–employee relationships. Essentially, more organizations are now realizing that retention is a strategic theme that provides sustainable competitive advantage. By adopting a total retention strategy with the support of relevant HRM programs, businesses may successfully keep skilled employees (Embuhira, 2011, p. 2).

In this regard, there are numerous SHRM practices that can be used by the organization to maximize the retention level. Luthans and Sommer (2005) noted that SHRM practices for competitive advantage, and thereby staff retention are; job design activities, job analysis methods, participation programs, information sharing, grievance, staffing, training, performance appraisal, and incentive-based compensation (Mbugua, 2015, pp. 3-4). Porter (2008) highlighted that a set of intense HR activities, such as recruitment, training, job design, participation, teamwork, work-life balance and rewards, is thought as important aspect in the attainment of job fit, and this in the long term implies that people may experience better fit also with the organization (Mbugua et al., 2015, p. 54). In addition, Francis (2014) investigated the impact of four dimensions of HRM on employees' intention to stay, which are training and development, career advancement, compensation and benefits and performance appraisal. Whereas Mbugua (2015) explained the effect of three SHRM practices on retention: strategic recruitment, strategic training and strategic performance management. Thus, organizations should develop SHRM policies and strategies that maintain acceptable relationship between the organization and its employees.

In a nutshell, the review of existing literature detects that HRM practices are positively linked to employee retention. Yet, it is worth to note that there are few experts who argued that perhaps there is no evident relationship between SHRM practices (or some of them) and retention. Hence, this view contradicts the historic debate in literature concerning the importance and the influence of aligning HRM activities with company strategy (Embuhira, 2011, p. 40). For example (Haider et al., 2015; Francis, 2014), researches provided empirical implications on the relationship between HRM practices and employee retention, though they failed to substantiate the empirical link between some HR aspects and the intention to stay among employees.

Since past research has shown that SHRM practices are not standardized, as stated by Guest (2001), and as such researchers have focused on bundles of practices depending on the theoretical perspective. So, and as mentioned before, the group of SHRM practices and activities adopted in this study which may promote retention includes recruitment and selection, training and career development, performance appraisal and compensation and benefits. Furthermore, the current research uses Herzberg's "two-factor theory" as a theoretical background while clarifying the impact of SHRM on employee retention dimensions. This theory implies that a satisfied employee is motivated from within to work hard and to remain in the organization. It looks at two classes of factors associated with employee motivation: satisfiers which stimulate satisfaction and dissatisfiers which prevent dissatisfaction (Samuel and Chipunza, 2009, p. 412). Armstrong (2006) gave the satisfiers/

motivators as the work itself, achievement, recognition, responsibility, advancement and growth. Conversely, the dissatisfiers/hygiene factors are like company policy and administration, supervision, interpersonal relations, work conditions, salary, status and security (Mbugua, 2015, p. 14; Moldavanova, 2016, p. 7). These intrinsic variables (job related) and extrinsic variables (non-job related) have major contributions to employee retention in organizations (Mbugua et al., 2015, p. 55). Moreover, this study believes that the decision of employees to stay is also affected by a number of demographic and professional characteristics, such as age, family situation, job title and work duration (Yusoff et al., 2013; Simmott et al., 2002).

Otherwise, in many countries, public organizations tend to be the biggest employer. Public sector employment is characterized as being labor-intensive. To a very large extent, the quality of the welfare state and the well-being of the nation depend on the performance of public employees. However, public sector organizations in different countries experience cut-backs in resources and increasing demands to demonstrate accountability and foster service quality. Indeed, public organizations are now under growing pressure for greater efficiency. The adoption of New Public Management (NPM) has resulted in a dramatic change in HRM within public sector organizations. The transforming structures and operations of governments, paralleled with the adoption of NPM, have replaced the classical Weberian model of centralized and bureaucratic practices with private sector HRM systems (Colley et al., 2012), which means that “HRM” has displaced this traditional model of “personnel administration” within public organizations, shifting the culture from “rule-bound” to “performance-based” (El-Ghalayini, 2017, pp. 66-67). Nevertheless, the previous period of public reforms has demonstrated that public sector performance cannot be improved by simply imitating the private sector (Pollitt and Bouckaert, 2004). For instance, because of its accountability to public purposes, HRM in public organizations is faced with several contradictions that must be resolved in providing democratic opportunity while obtaining competence, which is completely different from the case of private institutions.

Actually, the introduction of NPM has resulted in a strategic approach to HRM within the public sector. The fundamental idea of SHRM is that managing appropriate HR is strategic to the ability and success of the organization in achieving its mission. This abstract idea has been elaborated by a considerable number of studies in private organizations, which is gradually used in public organization studies as well (Groeneveld and Leisink, 2017). Though, most discussions that tied SHRM to strategic planning failed to define what the term “strategy” means in a public context. Because public agencies are embedded in authority networks rather than economic markets, what is meant by selecting a business strategy is much less clear. Strategies here are produced in response to a variety of competing signs that emanate not from markets but from complex economic, political, legal and organizational structures, processes and relationships (Manning, 2010, p. 157). Moreover, strategic planning is more difficult in the public sector because of the short-term considerations of politicians.

In this respect, empirical evidence shows that not all HRM practices are suitable for application in the public sector, given the nature of provided services, attributes of public employees, and the fact that public organizations are accountable for the ways in which they spend public funds. Here, empirical research suggests that many public sector organizations have adopted bundles of skill and opportunity-enhancing HRM activities, but far fewer motivation-enhancing ones (Kalleberg et al., 2006); HR practices that are compatible with the humanistic goals of state-owned enterprises, aimed at strengthening employees’ skills and opportunities to participate in decision-making, are more common, whereas financial incentives are used to a lesser extent in public sectors if compared to private sectors.

Therefore, it is possible that management broadly among public and private institutions is not similar, and that studies of business enterprises may have different results. So far, the highly committed HRM practices have been tested in private sector organizations, whereas little attention has been given to evaluate their effects on performance and engagement in public sector organizations (Alnaqbi, 2011, p. 32). Yet, initial findings based on public sector research propose that SHRM has positive impact on employee motivation and performance (Messersmith *et al.*, 2011). For that reason, the present research intends to continually examine whether the positive effects of SHRM activities reported in the private sector are replicated in public organizations in Egypt, and in particular at NBE.

On the other hand, public sector cannot completely rely on the same boosts of motivation like private sector companies do. Review of literature reveals that work motivation among public sector employees is different from that of their private sector counterparts (Wright, 2001), although variations in hierarchical level and job nature are more important determinants of work motivation than sectoral divergences. For example, Rashid and Rashid (2012, p. 24) indicated that public sector employees are more motivated by work content and they experience greater balance between work and family life, whereas private sector employees are more motivated by financial rewards, career development opportunities and supportive environment. These findings strongly confirm previous research ensuring that public sector workers are less extrinsically motivated (Buelens and Broeck, 2007, p. 65). Research generally supports the view that public officials usually value the ethic of serving community more than financial compensation (Houston, 2000). Despite that, policies in public organizations still should incorporate many aspects of the private sector practices which spur retention and enhance productivity. Such practices include the introduction of a performance-based promotion system rather than promotion by seniority, because this can lead young and hard-working employees to leave for the private sector. Opportunity for public sector employees to earn performance bonuses should also be considered. This will reinforce productivity and increase retention rates in general (Samuel and Chipunza, 2009, p. 414).

In conclusion, public organizations need to develop a coherent set of employment policies to attract and retain qualified staff. However, the particularity of the public sector with a focus on public interest outcomes (ill-defined objectives), and the more open accountability (with politicians and taxpayers), all of that may add a level of complexity that does not easily fit with HRM as a strategic partner in achieving competitiveness and success.

Application: empirical study

Research methodology

Research design. This research is co-relational in nature with cause and effect approach. The design of the study is both descriptive in the theoretical part and quantitative in the applied one. Theoretically, the research adopted the analytical approach to define the main concepts and an empirical study to investigate the correlations in practice. Therefore, in addition to providing a brief overview of relevant literature, a field/sample survey was conducted to determine the extent to which SHRM practices are implemented at the NBE, and then to identify the attitudes of employees and the level of satisfaction that may indicate the current retention status there, and how it is influenced by SHRM. This entity was chosen to be the case study here because it is considered one of the crucial public service organizations and almost the most important governmental financial institution in Egypt generally. In addition, this bank has launched many sounding reforms – that need to be assessed – during the past several years with the sake of retaining employees and satisfying customers as well (NBE official website, 2017).

Population, sample and selection of the sample. The field survey was conducted during December 2017. As NBE has an extensive network of nearly 400 units nationwide with a huge workforce (unavailable data), and because of time and other resource constraints, the researcher chose a random sample of 12 various branches located in Cairo. The whole population comprised around (300) people who work for the bank in those 12 branches (administrative staff only). A convenient and manageable sample size of (150) people was examined ([57] managers and [93] employees). This sample also was randomly selected. Knowing that 200 people (66.7 per cent of the population) were sampled and 150 people only responded, the response rate was 75 per cent.

Data collection. For the purpose of collecting the required primary data, an adopted Arabic language structured questionnaire was applied, as Arabic is the official language in Egypt (it was initially formulated in English and then translated). This questionnaire was developed on the basis of literature review (El-Ghalayini, 2017; Allui and Sahni, 2016; Mbugua, 2015; Francis, 2014; Alnaqbi, 2011). It encompasses 25 items representing the various aspects of the subject. Thus, the questionnaire was designed and organized into the following sections: demographic profile and professional characteristics of respondents (moderating variable) (five questions not included in the 25 main items), then SHRM practices (independent variable) that consist of recruitment and selection (three items), training and career development (three items), performance appraisal (three items), compensation and benefits (three items) and the strategic alignment with all (one item), whereas retention factors (dependent variable) contain the assessment of the satisfiers/intrinsic factors (four items), dissatisfiers/extrinsic factors (four items) and the general satisfaction with both (four items) (see [Appendix 2](#)).

It is worth mentioning here that the study used the questionnaire to gather data using a five-point Likert scale as the measurement tool, ranging from 1 = strongly disagree to 5 = strongly agree. Moreover, Cronbach's alpha test was used to assess the stability of the questionnaire and reliability of the measures, and it was found that all coefficients are above 0.50, so there is evidence that the research variables seem to be consistent, stable, reliable and valid.

Methods of statistical analysis. Statistical Package for Social Survey (SPSS-V.18) and Analysis of MOment Structures (AMOS) were the tools for compiling and processing data in this research. Several statistical tools were also used for data analysis, which are descriptive analysis, Pearson correlation coefficient, simple linear regression and structural equation modeling.

Demographic and professional characteristics of respondents

Empirical results indicate that the sample consists of 84.7 per cent men and 15.3 per cent women, and 67.3 per cent of respondents their ages are 35 or above and 32.7 per cent are less than 35 years. According to the educational level, 77.3 per cent have a BSc degree or less and 22.7 per cent are post-graduates. The majority of 62 per cent of the sample are employees, whereas the minority of 38 per cent are managers, and finally 66.7 per cent of respondents have spent less than 10 years working for NBE in its different branches, whereas 33.3 per cent have spent 10 or more, which may give some indication about the relatively noticeable turnover rates putting into consideration the sample's age categories.

Building indicators of the research variables

It is important to mention that nine indicators were already created: recruitment and selection, training and career development, performance appraisal, compensation and benefits, SHRM practices, satisfiers (intrinsic factors), dissatisfiers (extrinsic factors),

general satisfaction and employee retention. The indicators were composed by using equal weights method, via adding the scores of the questions which are related to each indicator and then dividing the sum by the number of these questions. Note that each of the four sub-indicators of SHRM was calculated according to its relevant questions, in addition to the question related to strategic alignment. The descriptive statistics here show that the values of the mean for all indicators are around 4 and 5 (in Likert scale); that is, dissatisfiers = 3.665 (the least) and performance appraisal = 4.538 (the highest), which clarify that respondents tended to agree and strongly agree to the existence of those indicators at NBE in general.

Using Pearson correlation coefficient, [Table AI](#) indicates the relation between the whole indicator of SHRM practices and its sub-variables (see [Appendix 1](#)), whereas [Table AII](#) illustrates the correlation between the employee retention sub-variables and the whole indicator, as well as the correlation between its two main sub-variables (satisfiers and dissatisfiers) and general satisfaction (see [Appendix 1](#)).

As shown in [Table AI](#), there is a significant (p -value is less than 0.05) positive and strong (R is almost around 0.6 or above) relationship at significance level $\alpha = 0.05$ (with confidence level 95 per cent) between the SHRM whole indicator and each sub-variable. Knowing that the highly correlated indicator is performance appraisal and the least is recruitment and selection, which reflects their influence on SHRM practices at NBE, this contradicts the empirical research ensuring that skill-enhancing HRM activities (e.g. recruitment and selection) are more prevalent in the public sector, whereas motivation-enhancing activities (e.g. performance appraisal) are used to a lesser extent.

From [Table AII](#), it is emphatic that there is a significant positive and very strong (R is nearly around 0.8 or above) relationship with confidence level 95 per cent between the employee retention whole indicator and each sub-variable at NBE. Knowing that the highly correlated indicator is dissatisfiers and the least is satisfiers. In addition, it is clear that the general satisfaction indicator is positively correlated with both satisfiers and dissatisfiers. However, the extrinsic factors (dissatisfiers) again are highly correlated with general satisfaction than the intrinsic ones (satisfiers) at the bank, which contradicts with previous literature recognizing that public sector employees are usually less extrinsically motivated.

Testing the research hypotheses

To accomplish the objectives of the empirical study, the research set out the following two hypotheses.

First hypothesis:

- H01.* There is no significant impact at significance level $\alpha = 0.05$ of SHRM practices on employee retention at National Bank of Egypt.
- H01.1.* There is no significant impact at significance level $\alpha = 0.05$ of recruitment and selection on employee retention at National Bank of Egypt.
- H01.2.* There is no significant impact at significance level $\alpha = 0.05$ of training and career development on employee retention at National Bank of Egypt.
- H01.3.* There is no significant impact at significance level $\alpha = 0.05$ of performance appraisal on employee retention at National Bank of Egypt.
- H01.4.* There is no significant impact at significance level $\alpha = 0.05$ of compensation and benefits on employee retention at National Bank of Egypt.

To show whether the previous hypotheses are acceptable, simple linear regression was used to test the impact of SHRM practices, along with the influence of each one of these activities

separately on employee retention, as presented in [Table AIII](#) (see [Appendix 1](#)). The hypothesis will be rejected if the significance of the model is less than 0.05, and vice versa.

[Table AIII](#) indicates the following:

- For the first model, when recruitment and selection indicator is the independent variable: It is obvious that recruitment and selection has a significant positive effect on employee retention at confidence level 95 per cent, and this appears from the value of beta. From adjusted R-squared, it is noticed that recruitment and selection has the ability to explain about 5.7 per cent only from the variation in employee retention at NBE.
- For the second model, when training and career development is the independent variable: It is clear that training and career development has a significant positive effect on employee retention at confidence level 95 per cent. From adjusted R-squared, it is noticed that training and career development has the ability to explain about 15.2 per cent from the variation in employee retention at NBE.
- For the third model, when performance appraisal is the independent variable: It is obvious that performance appraisal has a significant positive effect on employee retention at confidence level 95 per cent. From adjusted R-squared, it is noticed that performance appraisal has the ability to explain about 15.8 per cent from the variation in employee retention at NBE.
- For the fourth model, when compensation and benefits is the independent variable: It is clear that compensation and benefits has a significant positive effect on employee retention at confidence level 95 per cent. From adjusted R-squared, it is noticed that compensation and benefits has the ability to explain about 17.6 per cent from the variation in employee retention at NBE.
- For the fifth model, when the independent variable is the overall SHRM practices: It is evident that SHRM practices have a significant positive effect on employee retention at confidence level 95 per cent. From adjusted R-squared, it is noticed that SHRM practices have the ability to explain about 31.8 per cent from the variation in employee retention at NBE.

From the previous results, the study can conclude that there are significant impacts at significance level $\alpha = 0.05$ of the various SHRM practices (recruitment and selection, training and career development, performance appraisal and compensation and benefits), collectively and individually, on employee retention at NBE, which means that the first hypothesis as a whole and its different sub-hypotheses as well are all rejected.

Second hypothesis:

- H02.* There is no significant impact at significance level $\alpha = 0.05$ of SHRM practices on employee retention at National Bank of Egypt, putting into consideration the different demographic and professional characteristics of respondents.

To prove whether the previous hypothesis is acceptable, a structural equations model, illustrated in [Table AIV](#), was used to test whether the moderating variable has significant impact on the relationship between SHRM practices and employee retention or not (see [Appendix 1](#)). Note that any of these moderating variables will have significant influence on this relation if there is a significant effect of SHRM practices on this variable, as well as a significant effect of this variable on employee retention.

[Table AIV](#) clarifies the following:

- Direct effect of SHRM practices on employee retention at NBE=0.573 at confidence level 95 per cent, which refers to a positive impact.
- When entering the demographic and professional characteristics as moderating variables, it is noticed that age, employment status and work duration have significant effects on the relationship between SHRM practices and employee retention at NBE at confidence level 95 per cent, as their p -values are less than 0.05 in both ways, whereas gender and educational level do not have the same effect.
- Indirect effect of SHRM practices on employee retention through age = $0.331 * -0.141 = -0.047$, which means that when taking into consideration age of respondents, the effect of SHRM practices on employee retention at NBE will be negative; that is those who are above 35 years of age stated that this relationship is generally reverse.
- Indirect effect of SHRM practices on employee retention through employment status = $-0.775 * -0.189 = 0.146$, which means that when taking into consideration employment status, the effect of SHRM practices on employee retention at NBE will be less (lower than 0.573); that is employees argued that this relationship is weaker if compared to managers.
- Indirect effect of SHRM practices on employee retention through work duration = $0.781 * 0.385 = 0.301$, which means that when taking into consideration work duration, the effect of SHRM practices on employee retention at NBE will be less (than 0.573); that is those who spent 10 years or more working for NBE stated that this relationship is weaker.

From the previous results, the research may conclude that there is a significant impact at significance level $\alpha = 0.05$ of SHRM practices on employee retention at NBE, putting into consideration the age, employment status and work duration, so $H02$ is also rejected.

Conclusion: concluding remarks

This study has gone a substantial way towards meeting its prime goal, which is examining the relationship between SHRM and employee retention in public organizations, especially in developing countries. The paper has concluded that the employment of best SHRM practices contributes to the retention of core public employees, as it was relatively found at the NBE, despite the need for further improvement efforts. The research has implications for both theory and practice; first it offers several contributions to literature by means of formulating a conceptual framework which identifies SHRM activities that may help in bolstering employee retention and eliminating turnover, and second, the paper provides a practical guide to executives and policy makers, particularly in the Egyptian public sector, to enable them recognize and initiate employment measures that will make the workplace experience a more pleasant one for workers, and hence weakening the employees' intents to leave. However, the field study here has some limitations. All findings are based on information taken from respondents. This is in addition to time limitations; that is findings reflect the labor market within a period of great challenges and transformations in Egypt.

Through both the theoretical and applied parts of this research, it has reached the following results and recommendations.

Results and findings

The success and competitiveness of any organization depend largely on employees who are considered as its backbone. Accordingly, SHRM has been an essential concept to enhance the strategic capabilities of organizations by ensuring the availability of committed,

motivated and skilled labor. Also, organizations that invest in their people need to guarantee that these investments are not lost, through developing strategies to retain staff long enough to obtain an acceptable return on their investments in employees' skills and knowledge. Thus, SHRM policies might be regarded as a primary source of achieving staff retention in all institutions, whether public or private. In this respect, the main findings here are:

- The research claims that SHRM has three basic tenets: employees are viewed as major stakeholders, a focus on organizational mission and key objectives and an effective response to environmental pressures.
- The study establishes that by implementing SHRM practices organizations are able to retain their core talents and remain competitive; that is retention is regarded as one of the most important aspects in the success of any company. Nowadays, firms often find that they spend considerable time, effort and money to orient and train new staff, so that retaining current staff will save all of these costs.
- The research indicates that public sector HR professionals usually confront a variety of barriers to attract and keep qualified workforce, including increased competition with the private sector and inadequate funding. Also, they are faced with the lack of management support and the old information technology systems.
- Practical implications clarify that NBE suffers generally from some kind of problem concerning satisfaction levels and turnover rates, despite the good presence of most of the indicators of SHRM practices and employee retention overall, which means that there is still an urgent need to support and strengthen these concepts in the work context of the bank, specifically the set of skill-enhancing HRM activities like recruitment and selection, which are almost associated with turnover and were less correlated with SHRM at NBE. Those HR practices are compatible with the humanistic goals of public organizations and aim at strengthening public employees' skills and opportunities to participate in decision-making.
- The results of this analysis provide evidence that SHRM has contributed to the retention of employees at NBE (by 31.8 per cent), as demonstrated by the positive linkage between the independent and dependent variables; that is it was proven that the extent of adopting various SHRM practices is positively related to employee retention, although the impact rates are way low. This indicates the poor compatibility between SHRM strategies and employee retention policies at the bank, along with the existence of other influence factors. In addition, it was emphatic that the relationship between SHRM and employee retention is moderated by some demographic and professional traits, but this influence is contradictory, as noticed through the negative and lower effects in this regard.

Recommendations and future research

In light of what was previously mentioned, the study has made the following recommendations:

- Management in public sectors should use SHRM policies and activities by embracing strategic recruitment, strategic training, strategic performance management and strategic compensation practices with the sake of promoting employee retention and ensuring that employees will remain in their organizations.

- To retain key employees in public organizations, the latter must draw attention to establish a mutual understanding of the employer (government) and employee (civil servant) expectations, and then to set out workplace motivational policies and conditions for employees to satisfy their needs and to appreciate their efforts (intrinsic and extrinsic rewards). This means employee retention strategies set by HRM in the public sector need to be aimed at assuring some leading points, such as establishing clear-cut expectations and policies, providing employees with meaningful work putting into consideration not to overburden them, helping employees feel respected and valued and making sure they are treated fairly, investing in employees' career growth and professional development, offering them a benefits package that truly serves their needs and eventually creating a culture of transparent and open communication.
- The empirical results suggest that there should be more genuine efforts to strengthen, integrate and achieve consistency between SHRM strategies on one hand, and between these practices and the motivational policies of NBE on the other hand, which for sure would reflect positively on the decision of employees to stay. In this respect, and to enhance particularly the impact of the intrinsic factors of motivation that were less correlated with general satisfaction of the bank staff, the researcher emphasizes the importance of encouraging autonomy and empowerment in different areas of work because this will offer challenging job opportunities, which may spur employees and bring them closer to the bank.
- Concerning future research, it should replicate the framework of this study with larger samples, and in other settings as manufacturing industries and within both public and private institutions. In addition, further studies must also consider broader aspects and other moderating variables, such as organizational culture, organizational climate, labor market and the regulatory and legal environment. Also, further work examining international comparisons is clearly requested. One could argue that many of the relationships linking turnover to its antecedents and consequences might be moderated by the national and cultural contexts. Also, an obvious complement to this study is to conduct longitudinal research to observe over time if the turnover intentions recorded at one point are associated with negative outcomes at a later point.

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Sub-variable		Recruitment and selection	Training and career development	Performance appraisal	Compensation and benefits	Table AI. Pearson coefficient of SHRM practices sub-variables
SHRM practices	Pearson coefficient	0.576	0.722	0.729	0.675	
	<i>p</i> -value	0.000	0.000	0.000	0.000	

Sub-variable		Satisfiers (intrinsic factors)	Dissatisfiers (extrinsic factors)	General satisfaction	Table AII. Pearson coefficient of employee retention sub-variables
Employee retention	Pearson coefficient	0.787	0.875	0.866	
	<i>p</i> -value	0.000	0.000	0.000	
Sub-variable		Satisfiers	Dissatisfiers		
General satisfaction	Pearson coefficient	0.497	0.632		
	<i>p</i> -value	0.000	0.000		

Simple regression model	Dependent variable	Independent variable	Beta	Significance of the model	Adjusted <i>R</i> -squared	Table AIII. Simple linear regression models of the dependent variable on the different independent variables
First	Employee retention	Recruitment and selection	0.353	0.002	0.057	
Second		Training and career development	0.489	0.000	0.152	
Third		Performance appraisal	0.549	0.000	0.158	
Fourth		Compensation and benefits	0.474	0.000	0.176	
Fifth		SHRM practices	0.981	0.000	0.318	

Dependent variable		Independent variable	Estimate	S.E.	C.R.	<i>p</i> -value	Table AIV. Results of structural equations model
Gender	←	SHRM practices	-0.079	0.097	-0.82	0.412	
Age	←	SHRM practices	0.331	0.123	2.693	0.007	
Educational level	←	SHRM practices	0.034	0.113	0.297	0.767	
Employment status	←	SHRM practices	-0.775	0.114	-6.808	0	
Work duration	←	SHRM practices	0.781	0.109	7.146	0	
Employee retention	←	Gender	-0.023	0.087	-0.265	0.791	
Employee retention	←	Age	-0.141	0.069	-2.053	0.04	
Employee retention	←	Educational level	0.167	0.074	2.242	0.025	
Employee retention	←	Employment status	-0.189	0.074	-2.577	0.01	
Employee retention	←	Work duration	0.385	0.077	5.02	0	
Employee retention	←	SHRM practices	0.573	0.134	4.295	0	

Appendix 2. Questionnaire statements

SHRM practices

Recruitment and selection:

- The bank uses professional recruitment agencies, associations, universities and the internet to search for new talents.
- The bank sets fixed and explicit requirements and specifications for different positions.
- The bank conducts impartial tests and personal interviews to assess the potential of candidates and their qualifications to choose the best, with preference to internal hiring.

Training and career development:

- The bank offers systematic training to develop the attitudes, skills and performance of employees and to enhance the quality and standards of the services provided.
- The bank allocates sufficient budget to properly analyze the training needs and to evaluate its results.
- The bank encourages staff career development through job enrichment and periodical job rotation, in addition to the commitment to promote capable employees into higher positions.

Performance appraisal:

- The bank practices regular assessments to ensure effective performance.
- The bank sets accurate and realistic measures to evaluate the employees' job performance.
- The bank uses the performance appraisal reviews to take timely and corrective actions.

Compensation and benefits:

- The bank offers attractive/competitive compensation packages and relatively high incentives to the staff for motivation.
- The reward system of the bank is fair and basically based on performance.
- The responsibilities and performance expectations of the management are clear to all employees at the bank.

Strategic alignment:

- In general, HRM activities are aligned with the business strategy of the bank to respond to environmental pressures (translating business strategies into a set of expectations about what HRM system must perform, so that the bank's strategic vision, mission and goals could be achieved through people).

Employee retention

Satisfiers (intrinsic factors):

- You like your work at the bank and enjoy the sense of challenging and achievement you get from doing your job.
- You feel valued and your job efforts are appreciated at work.
- You are allowed to enlarge your job responsibilities and to perform independently in your work.
- You are given the opportunity to be involved in activities that promote your professional advancement and growth.

Dissatisfiers (extrinsic factors):

- The bank has fair and flexible policies and procedures that ensure employment security and customer satisfaction as well.
- The bank has supportive and participative leadership, besides an effective two-way communication system.
- The staff gains satisfactory rewards (financial and non-financial) by working at the bank.
- The bank has healthy working environment and the employees have good relations with each other.

General satisfaction:

- Generally, your work at the bank gives you satisfaction and you are proud of being part of it.
- If it were up to you, you will definitely continue working for the bank for the next years.
- The rate of employee turnover at the bank is minimal.
- The bank has retained experienced staff as a result of good motivational policy.

Corresponding author

Marwa Gaber Ahmed Fahim can be contacted at: marwa_ecma@yahoo.com