Retention of employees in a professional services firm through wealth creation initiatives

A Research Report

presented to the

Graduate School of Business Leadership

University of South Africa

In partial fulfilment of the

requirements for the

MASTERS DEGREE IN BUSINESS ADMINISTRATION,

UNIVERSITY OF SOUTH AFRICA

by

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May 2012

Declaration

I, Adebukola Mutiat Adewuyi, declare that this research project is my own work and that the sources I have utilized in the course of carrying out this study have been indicated, acknowledged and referenced.

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Abstract

In the professional services industry, it is no secret that people are the greatest assets. The investment in human capital is the core of the business, the dividends of which can never be under-estimated. The continued success of the professional services firm therefore lies in being able to retain that investment within the organisation. The current high rate of turnover within the firm, and in the professional services industry, is indeed a big challenge for management. One that necessitates a review into a variety of ways of keeping the talent within the firm.

This research study was commissioned to look into one of the proposed initiatives for retaining employees; that of wealth creation. The aim was to source the views of employees on wealth creation as a way of increasing the rate of retention or otherwise as well as identify the preferred structure of such a scheme.

The results of the research showed that employees deem financial remuneration to be highly important and would stay with the firm longer if provided with a wealth initiative. There was preference for a short to medium term scheme rather than a long term one, with some particular suggested schemes coming out as preferred favourites than others. Respondents also went further to highlight other factors that were contributing to loss of talent within the firm.

The responses from the survey have been comprehensively analysed and recommendations made on the implementation of the wealth creation scheme.

Acknowledgements

My foremost gratitude is to the Almighty God who has preserved me through this long journey and guided me in his wise ways.

My sincere thanks goes to my husband, Olusegun Adewuyi, my daughters Abidemi and Temitayo, my parents, brothers, sisters and family members, who have been supportive and understanding of the commitment to my studies.

I will like to thank my supervisor, Dr. Daan de Villiers as well as our course leader, Dr Shipham. You have both been excellent sources of guidance in this field of research.

To the various tutors who have impacted my knowledge one way or the other in my three years with the business school as well as the admin staff of UNISA SBL who paved the path for the smooth ride to becoming the holder of the prestigious MBA degree, may God continue to empower you to excel in your various roles.

To my employers, with specific appreciation of my directors, Justine Mazzocco and Dave Kennedy, who have given me their utmost support every step of the way.

I thank my colleagues; Philip Grobler, Duncan Pope, Kerry Naidoo and Imraan Rahim for their assistance with my research survey. To all my colleagues who took the time out to complete the survey, hence giving me the results I needed to really support my research efforts; I sincerely appreciate all your support.

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Chapter 1: Introduction & Problem in Context

1.1 Introduction

This research investigates the possibility of increasing the rate of retention of employees in a professional services firm through the implementation of wealth creation initiatives as well as the types of wealth creation schemes that can be implemented and the ways in which they can be structured.

1.2 Problem in Context

The professional services industry, to which firm A belongs, is a highly competitive one; it is an industry that has advanced into the provision of highly specialised services based on changing global business needs. With this specialised expansion of services, comes increased need for highly specialised skills. This inherently led to increased competition for these skills amongst companies in the professional services field and over time, there has been a misalignment of demand and supply for these skills, meaning that they have indeed become “scarce skills in the industry”.

Coupled with this challenge within the industry is the fact that companies serviced by the professional services group also aim to have these “specialist skills” in-house; solely available for their benefit, hence they poach the staff from professional services firms.

Firm A is one of the global and national “Big 4” professional services firms. The “Big 4” firms are the biggest four global firms providing professional auditing and consulting services. Firm A provides audit, tax, consulting and specialised advisory such as risk management, internal audit, actuarial advice, information technology management advice etc to its clients. Its major asset is therefore the employees who, through their skills and knowledge, seek to assist clients with finding effective, efficient and more profitable ways of conducting their business. The firm continues to invest a lot of money and effort into the attraction and development of the incredibly scarce specialised skills needed to meet clients’ needs. The challenge continues to be ensuring that these skills are appropriately retained within the firm. The turnover rate is currently very high and management is concerned about this.

To survive this “brain-drain”, and constant loss of skills in which they have invested a lot of effort, time and money, it is important that firms in the professional services industry start identifying the key reasons for this high turnover and thinking about ways of retaining their employees. Ways of making employees spend a longer time period within the firm transferring their skills and knowledge to other employees must now be sought within the firm. Initiatives to retain employees through additional financial security options must be explored as a solution to this problem.

1.3 Problem Review – Critical Reflective Analysis

The Problem review necessitates an in-depth review and reflection on emerging themes around this problem of skills retention.

Reflective critical analysis involves challenging accepted ways of thinking; analysing issues from differing angles and trying to explore alternative ways of thinking.

In undertaking this reflective analysis, emerging themes and constructs on the current state of skills loss within the firm and industry were identified. These include Remuneration, Opportunities/Market Demand and Education System.

Human Capital Management - Remuneration & Working Conditions

The first theme or construct to emerge from this problem of constant loss of skills is remuneration and the conditions of employment. It is a popular fact that a major source of contentment for some employees is the level at which they are remunerated. A recent people survey conducted within Firm A highlighted the fact that employees were dissatisfied with the current remuneration system and did not deem it to be at par with industry standards. There was a conception that salaries were low, the remuneration system is not transparent and the structure of the 13th cheque bonus payments did not seem to fit in line with employees’ expectations. The major fact about life is that it is difficult to actually find employees totally satisfied with what they earn; there always seems to be that yearn to earn more. The high rate of turnover within the firm could probably be associated with this or there could also be other extenuating circumstances being considered by employees such as job satisfaction, working conditions and career progression opportunities.

An emerging theme could be that progression in the firms are highly competitive as there are a lot of assessment programmes that are undertaken on employees before they are moved to the next level. The professional services environment can be very demanding in terms of work-load and timelines expected for delivery. Some employees who have exited the firm in the past have been known to cite reasons of work-life balance.

Opportunities / Market Demand

Another emerging construct would be that employees may be leaving due to the opportunities that abound in the market. The skills needed in the professional services space are highly specialised and very expensive. Companies would pay more to access these services through a professional services firm rather than if they were in-house; therefore it could be that this is a driving factor for the poaching of employees in the professional services industry by companies.

The Broad Based Black Economic Empowerment Act ("BBBEE") has also in a way led to a loss of skills in the professional services industry. The fact that "black" candidates are highly sought after by most organisations to make up their BBBEE numbers mean that opportunities are increasingly open to such candidates and with high salaries attached to these positions, refusing the offers become very difficult for employees. The demand for black candidates in the market could definitely be a factor contributing to the loss of skills within the professional services firms which are popularly perceived as "white".

Migration of skills out of the country is another theme that has emerged under the major umbrella of opportunities. Linked to the BBBEE effects mentioned above, we have seen a huge migration of white professionals from the country to other countries seeking opportunities that no longer seem available to them here. This could also be a factor impacting on the firms' ability to sometimes access the skills that could otherwise be available through this demographic population.

Education System - Supply & Quality of Skills

The Education System in the country seems to be another factor that is failing the industry. The increased demand for skills should bring an increased production of skilled graduates in the country. However, this does not seem to be the case. The number of graduates produced, especially in specialist fields such as accounting, actuarial sciences and engineering, do not seem to meet the demand in the market. The quality of these skills has also been questioned. There has also been a higher failure rate in professional examinations which may mean that some of the graduates find it increasingly difficult to sit for and pass these exams, which truly make them a professional service provider.

Recent media reports, earlier on in 2012, on the struggle for university admission led to the public learning that universities blamed their inability to accommodate most of the learners aspiring to acquire skills through a university education, on the insufficient subsidy from government as well as inadequate spaces at the universities. Government was then advised by various education experts to focus on and improve the quality of education in the Further Education and Training ("FET") colleges to make up some of the gaps in the current university programmes and produce additional skilled professionals.

Perhaps if the country produced as many of these skilled employees as it needs and with the appropriate quality of knowledge, the struggle for the skills will become reasonably reduced and there may be some stability in the retention of employees by the firms.

Conclusion

It is very obvious that we are indeed in difficult times. The firm continues to go through the cycle of talent attraction, development, training and investment only to lose such skills in the nearest future. The continuous loss of these skills has translated into high costs around the rolling cycle of recruitment, training and other investment in human resources that continue to exit the company within a short period of time, leaving management in a position where the return on the investment in human resources is not realised; leading to huge losses in this area of management spend.

Labour conditions prohibit that employees be tied into unnecessary contracts that will not allow them to leave the organisation at their will so it is expedient that management looks into innovative ways of solving this problem and keeping skills within the firm at least for a period long enough for such skills to be adequately transferred to other employees for sustainability of the business.

Should this trend of declining skills in the professional services field not be stemmed, the firms in the industry are certainly faced with a bleak future of declining growth and income, even possible liquidation of firms coming from the inability to sustain the provision of required services to their clients due to a lack of requisite skills.

This research was therefore focused on assisting management to explore ways of retaining employees, not just through immediate salary remuneration but by the introduction of some other financial security for employees.

1.4 Research or Problem Statement

The current rate of loss of key skills within the professional services firm is an on-going cause for concern amongst management. There seems to be a number of factors contributing to the inability of the firm to retain its talent and preserve its investment accordingly. Emerging themes such as remuneration, market opportunities and the education system have been identified, through this research study, as contributing factors. Management continues to invest time and money into attracting and developing skills but retaining these skills within the firm for a reasonable period of time to enable skills transfer and return on investment in those skills seem like an uphill task for management.

This research study was focused on investigating whether financial compensation through the implementation of wealth creation initiatives will improve the retention rate of scarce skills within the firm as well explore the preferred options when it comes to wealth creation for employees. The study was conducted through a detailed survey on a cross section of employees. Relevant questions that were explored include the following:

1. Is financial remuneration the most compelling reason why employees are leaving the firm?
2. If “No”, what are the other underlying reasons for the high rate of turnover?
3. If “Yes”, would employees stay longer with the firm if compensated with a wealth creation initiative?
4. What are the types of wealth initiatives that would make employees stay longer with the firm (this sought to ascertain the preferred length; whether short, medium or long term as well as the types i.e. accumulated bonuses, share schemes etc)

This study explored the various types of wealth creation schemes that may prove acceptable or otherwise to employees with the aim of giving management a supported initiative that can be considered for implementation across the firm.

1.5 Research Objectives

The purpose of this research was to understand if indeed financial compensation is the most critical reason why employees are leaving the firm, identify if wealth creation initiatives will make them stay longer with the firm and provide valuable recommendations to management on preferable initiatives that can be implemented.

The key objectives are as follows:

- To ascertain if financial compensation is indeed the most important reason why employees are leaving the firm;
- To confirm if employees would stay longer with the firm if provided with a wealth creation initiative; and
- To investigate the ideal wealth creation initiatives that would make employees stay longer with the firm.

The outcomes of the objectives above were to be utilised in making valuable recommendations to management in addressing the research problem.

1.6 Importance of the Research – Business Case

Firm A, as a professional services firm, is solely successful based on the availability of skilled personnel to analyse and assist clients with finding solutions to their business problems. It is therefore evident that people are the biggest assets and must be treated with the utmost care to preserve the business. Management is investing a lot of money and time into the development of its people and the rate at which loss of skills is currently being experienced is putting the firm in a situation where that investment is being lost. This research study is meant to assist management with gaining insight into how employees can be retained within the firm for a longer period thereby maximising the firm's investment in them through the on-going utilisation of their skills to generate income whilst they are with the firm. This should be supported with the continuous generation of income after they leave the firm through the transfer of such skills to other resources who will have had the chance to work with and be trained by them. Benefits expected from the study include the following:

- Understanding if financial compensation is indeed the most critical reason for skills loss within the firm;
- Understanding if the rate of retention of employees can be increased through the creation of wealth schemes;
- Identifying the preferred wealth creation options that will make employees stay with the firm and the ways in which such schemes can be implemented.

The study should provide management with the opportunity to understand what employees' desire in terms of financial security and provide guidance on actions that can be taken to implement these. This will assist the firm with improving its profile in the market as an employer of choice; attract increasingly scarce skills to the firm and lead to increased revenue generation through the utilisation of these skills and the transfer of skills to other staff members.

1.7 Delineation of the Study

1.7.1 Delimitations

The research study will not be extended to other organisations in the professional services industry; it will solely focus on Firm A, which operates within this industry. This is due to the fact that employee compensation is a very delicate and confidential area; as such other professional organisations may not wish to share this information.

The other factor considered in making this decision is the fact that remuneration in most other organisations are structured very differently to that of the professional services industry and incorporating the research results across such organisations may prove inaccurate and incomprehensible.

1.7.2 Limitations

Limitations to this study may include reluctance by employees to be part of the research due to fear of what the results may be used for; if it will be presented to management and affect their jobs etc. Obtaining company document around remuneration and retention may also prove challenging as such information is regarded as confidential and not widely shared even within the organisation, much less so, externally.

Additionally, the research study will not infer that the causes of the problem or proposed solutions are applicable to every company as this study will be focused solely on Firm A. It will therefore be limited in its use as it will be factually incorrect and invalid to project these same challenges to other organisations.

1.8 Outline of the Report

Chapter one entailed an insight into the background of the problem, delving into the context with a critical reflective analysis of emerging themes around the problem of retention of skills in the professional services firm. It went further to explore the problem statement and outlined the objective of this study indicating what will be achieved with the research. The importance of the study as well as the scope has also been outlined in this chapter.

In Chapter two, we undertook a problem analysis with the intent of exploring the research problem. Abraham Maslow's hierarchy of needs, Herzberg et al's motivation-hygiene theory, PEST theory, and Porter's 5 forces model were used to explore the emerging themes of Remuneration and working conditions, opportunities / market demand and education – supply and quality of skills as factors affecting the availability and retention of skills.

Chapter three was an in-depth literature review, also on the emerging themes above. The work of Ferraro J. (2005), Shiffman K. (2006), Hausknecht P. et al (2009), Blair M. (1996) amongst others were used to explore various views on remuneration of employees, working conditions, quality of education and wealth schemes.

Chapter four outlined the research methodology, mainly quantitative due to the sensitive nature of the topic which may make it difficult for employees to agree to interviews as a qualitative approach.

In Chapter five, the results of the survey are outlined with various analyses on responses by age category and positions to see the trend of preferences across the generations, on financial remuneration, wealth schemes and associated options.

The recommendations and conclusions are highlighted in Chapter 6. Recommendations around the research problem and other emerging matters highlighted during the survey are contained in this chapter.

1.9 Summary

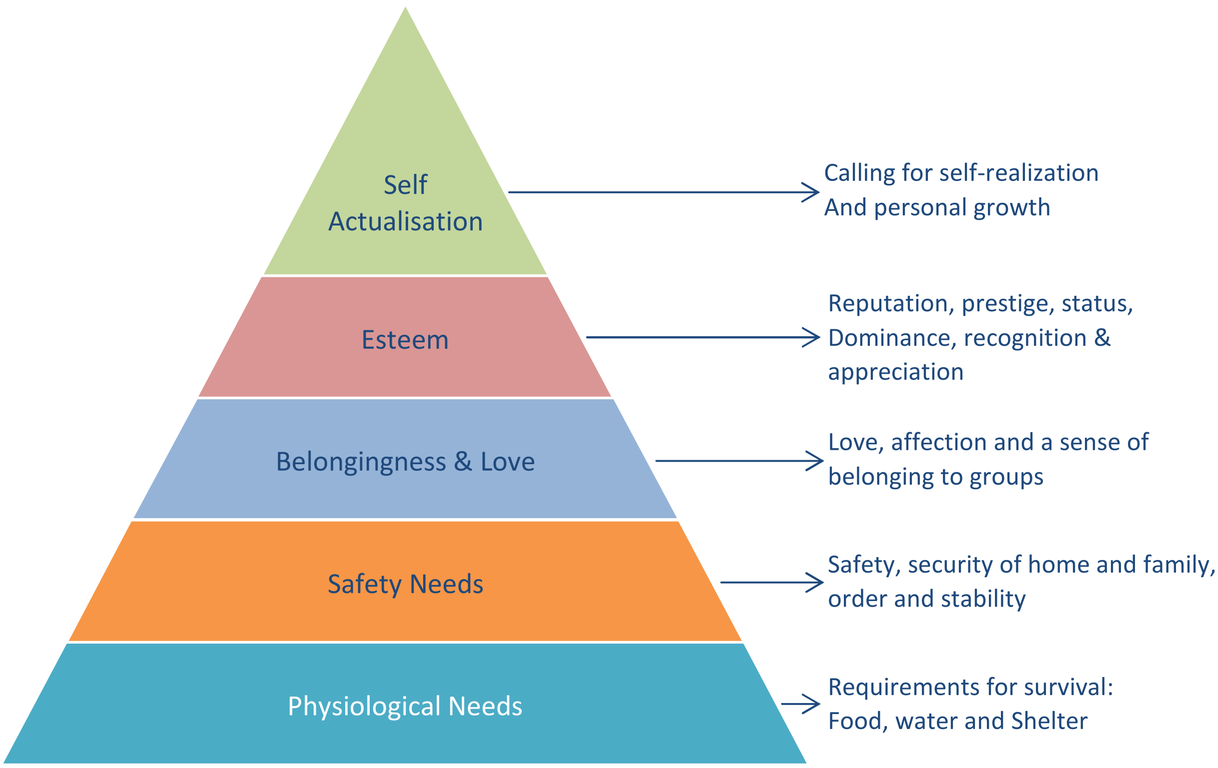
This chapter focused on the background to the problem of skills retention within Firm A. The critical reflection of the major themes emanating from the study was undertaken; these included human capital management around remuneration and working conditions, the market demand/ opportunities available for skilled workers as well as the quality and capacity of the education system which currently is not matching market needs around skilled workers.

Chapter 2: Problem Analysis

In this section, a critical reflective analysis will be performed using suitable management models that will assist in understanding the complexity of the research problem or construct.

2.1 Human Capital Management - Remuneration & Working Conditions

Diagram 1 – Abraham Maslow's Hierarchy of Needs



Source: Huitt, W. (2007). Maslow's hierarchy of needs. *Educational Psychology Interactive*.

Abraham Maslow's hierarchy of needs outlined above was propagated in 1954. He proposed a set of human needs that must be satisfied in progressive order. The first set of needs are the most basic and this fulfils the human need for physiological needs such as food, water and shelter needed for survival. He went on to sequentially outline the need for safety, belongingness and love at work, esteem and finally self-actualisation which is the top-most desire in his hierarchy, as the core needs of a human being that must be satisfied. This model is based on the premise that once a need is satisfied, human beings move on to desiring the next level of need. So an employee who has fulfilled the physiological needs of food, water and shelter will begin to crave security and may acquire security features in the home, car, take out policies and such other actions, to feel secure.

Then the need begins to be one of wanting to be part of a group and be recognised in the place of work. Once this is achieved, it is superseded by the desire for prestige and status. This may be when employees start craving those high positions that obviously come with additional salaries. The desire to be a manager or a director, have authority over reporting subordinates, be able to make decisions that affect other people/employees. All these are part of the journey of fulfilling the needs of a human being.

The ultimate need as propagated by Maslow is that of self-actualisation and this is the ultimate desire to realise one's innermost dreams and achieve that personal growth. Employees of Firm A are skilled and well-paid; therefore it could be that most of these employees have their physiological needs fulfilled as well as their safety needs. So their need to satisfy needs such as having a higher income to buy the kind of car that has the safety features that they desire; the house that has the kind of alarm and security systems that is deemed as befitting may all be satisfied. This then grows into the next level of wanting to feel part of a team and wanting to have that sense of fitting into the culture of the organisation.

The factors that lead to having a sense of belonging may be a bit more complicated than those of the initial two (physiological and safety needs). Having a similar source or level of income does not automatically give the same sense of belonging to people within the same work space. There are other factors like work ethics, cultural and religious preferences, race, interpersonal relationship and communication skills that may create a barrier amongst people that should normally belong to the same group sharing an identity.

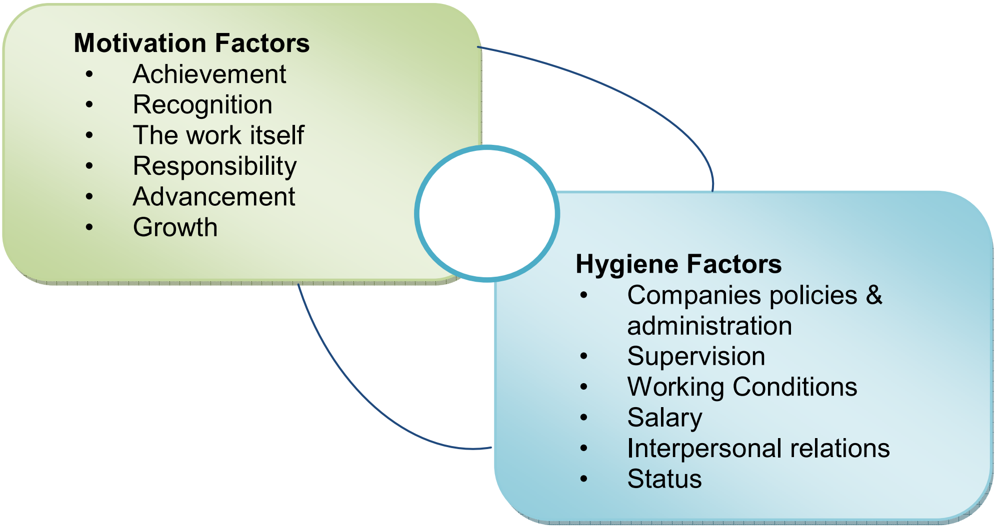
It follows in this model that if employees are not fulfilling their desire of satisfying the needs on a progressive basis, they may feel the need to exit the organisation; moreso if these needs can be fulfilled in another organisation. It is also obvious that once one level of need is satisfied, employees will start craving the next, it may therefore be highly important that management is aware of this and can arrange interventions in such a way that they come at a time needed to motivate the employee.

Satisfying employees' needs obviously relates very much to financial compensation but also working conditions that do make one feel that one is part of a viable team. So management may need to not only think about financial compensation but also creating an environment where an employee can have that sense of belonging. It has been the view of employees that salaries in the firm are not competitive enough, this may well be true and be a reason why employees seem to leave for "greener pastures".

However, there may be other underlying factors that may be influencing the exit of employees from the firm. There may be some employees that even though they have achieved all the hierarchy of needs and are managers, even directors with esteemed positions, they still leave the firm. This would imply that there has to be other factors. Considerations could be that the employee does not feel that he or she culturally or strategically fits into the organisation. So, even though the needs are being met, if an employee feels that the culture or ethics in that organisation are not aligned with theirs, they may start thinking of leaving. This would seem mostly applicable though at levels where initial basic needs have been satisfied.

Consideration must also be given to the differing nature of individual human beings; satisfaction levels are different. Even if management strives to, in their view, satisfy employees' needs through what they deem to be suitable remuneration at each level; the innate nature of humans will show that some employees have more needs than others. An employee who lives a flamboyant life would have a higher requirement for fulfilment than one who lives a modest life within his/her current earnings. Ultimately, such employee will be driven to leave the firm for another based on the drive for additional financial remuneration even though all his/her needs are being reasonably met by the firm. This could also be a factor causing the high turnover in the firm.

Diagram 2 – Herzberg et al's motivation-hygiene theory



Source: House, R. J. and Wigdor, L.A. (1967). Herzberg's Dual-Factor Theory of Job Satisfaction and Motivation: *A review of the evidence and a criticism.*

Frederick Herzberg, Barbara Snyderman and Bernard Mausner in the 1950's came up with a model of satisfiers and dissatisfiers for employees in an organisation. According to them, some factors when present within an organisation will prevent employees from being dissatisfied and this they called "hygiene factors". To move employees to a state of job satisfaction, other factors are needed called "motivation factors".

According to them, if the company has policies and procedures that guide employees adequately in terms of their roles and responsibilities, there is adequate supervision, favourable working conditions, a good salary, and good interpersonal relations within employees in the organisation as well as a suitable status attached to being employed by the organisation, then employees would not experience dissatisfaction with the organisation. All these factors, they say would not make the employees satisfied or motivated but they would serve as hygiene factors that would prevent any dissatisfaction in the organisation.

Achievement, recognition, the work itself, responsibility, advancement and growth are indicated as factors that will actually create job satisfaction and motivate employees.

The work environment in the firm may very well be said to have most of the components of the hygiene and motivation continuums. Firm A is an established organisation with policies, procedures, structures, management all well defined as well as a formal functioning performance management system which ensures there are salary reviews, adjustments and promotions at least once a year. The firm also has various staff recognition initiatives; some involving the award of financial compensation. So why is the firm losing its employees? Is the firm not availing these factors in the right proportion? How much more does the firm need to do and how do does it go about doing these things? The firm has indulged in various industry benchmarking exercises around salaries but is the firm benchmarking the wrong companies? Is the firm not implementing the results of the benchmarking in a way that it translates effectively into a positive retention tool for the firm? Maybe the initiatives designed to recognise and advance employees are not satisfactory? Could the firm achieve more by accumulating wealth for its employees and how can this be done?

2.2 Opportunities / Market Demand

Diagram 3 – PEST Theory

Source: Peng, G. C. and Nunes, M.B. (2007). Using PEST Analysis as a Tool for Refining and Focusing Contexts for Information Systems Research.

The PEST analysis above seeks to explore the effects of environmental forces on the functioning of the firm's business. It highlights four major forces that can push or pull business in a number of directions.

Political Forces

Starting with political forces, the effect of legislation and government decisions such as that taken in the case of the Broad Based Black Economic Empowerment Act ("BBBEE" Act) can never be under-emphasised. What that has caused in the market is the increased demand for a particular "colour" of skills which has in turn led to increasing turnover and job-hopping by black professionals. Companies fall over themselves to attract the available skills which are also not in abundance and this greatly affects the ability of the firm to retain these skills.

Economic Forces

The next angle is the economic one. The global recession that we have seen over the last three years or so has come with a higher cost to living and survival. The prices of oil, food and commodities has risen in line with the unstable political landscape in most oil producing countries and this has led to people needing a higher level of income to survive. This has again led to an increasing demand for higher salaries every year to sustain lifestyles in the professional environment.

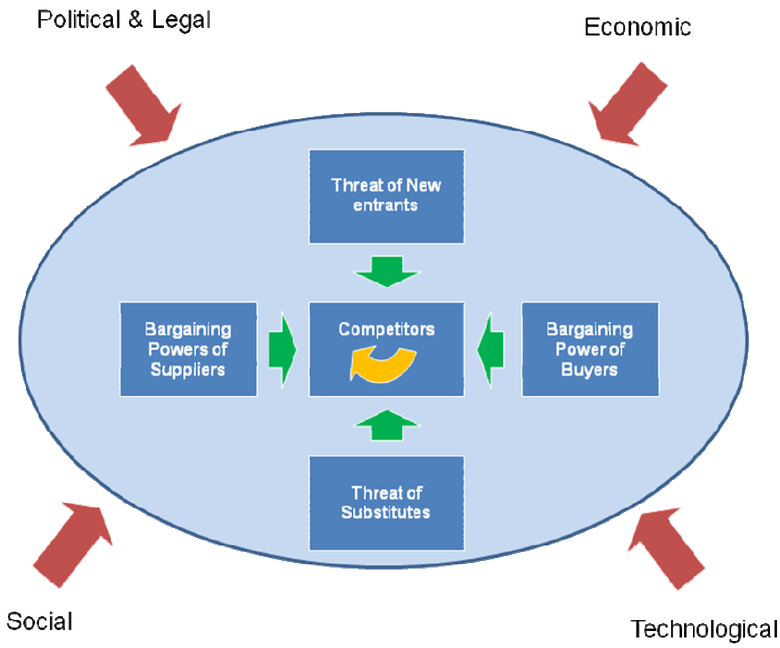
Social Forces

Social forces have also contributed to this problem of retention of skills. Consideration around family, lifestyle, age and other social factors now form a big part of decisions around job mobility. The need for the professional man or woman to provide for their family, match up with the lifestyles enjoyed by people on the same social ladder as them all lead to an increasing desire to have a high source of income. Generation differences also seem to have come with changing priorities. It could seem like the baby boomers and Generation X is a bit grounded; however the new Generation Y is very suave and well informed. The baby boomers constitute the people born in the 60s; the X generation are those from the 70s while the Y generation are those born in the 80s and 90s. The generation Y group is said to know what they want and they seem to live at a faster pace than earlier generations; hence they want a good standard of living, which obviously comes with high salaries. All this, in the end, constitutes a strong propellant for employees to seek other higher paying employment.

Technological Forces

Technological forces have played their own part in the current situation. The internet makes it extremely easy to access information that was not historically easily accessible. Information on salaries and job opportunities can be gotten at the click of a mouse and this is probably another factor contributing to this struggle and demand for talent that is also becoming increasingly scarce in the country.

Diagram 4 – Porter's five forces model



Source: Grundy, T. (2006). *Rethinking and reinventing Michael Porter's five forces model. Strategic Change*

The interesting fact about porter's five forces model above is that it goes a step further to highlight how environmental factors can affect the strategic intent of the organisation. In this case, the strategic intent of the firm being to retain skills within the firm.

Threat of New Entrants

The professional services industry has been made increasingly attractive to new entrants, mostly local firms, through the BBBEE Act. The preferential procurement practices in South Africa which favours local black firms means that they stand a higher chance to win government tenders through the empowerment initiatives. This has given courage to a lot of local specialists to start their own firm; most of them having trained and obtained the requisite skills from the "Big 4" firms and this in turn, leaves the firm with additional brain drain. Entry into the market is becoming easier and well-enabled due to these political factors.

Threat of Substitutes

The “Big 4” firms are very similar; they can boast of the same depth and breadth of skills, therefore they are always on their toes trying to come up with various initiatives that can set them apart from the rest. What this means is that for a client, they often view the firms at par but that competitive edge comes when any of the 4 firms is able to come up with something different that can sway the game to their side. As competitors nail some big wins as a result of this kind of innovation, so also do their need for resources rise and ultimately, the firm ends up losing some of key skills to them as they strive to build capacity to respond to new business opportunities.

Surprisingly though, the local smaller firms are beginning to even become a greater threat around substitution and competition as they are offering similar services at even cheaper rates, so beating them at the game becomes increasingly difficult. By the time they win on black ownership and price, the only thing that we have going for us as Big 4 firms in terms of competitive advantage is specialist skills and access to global knowledge and expertise.

Competitors

Competition is very rife in the professional services industry and this is one of the crucial reasons why there is such a struggle for resources. Competition is fuelled by the analogy above around the enablement of easy entry into the industry. As mentioned above, these smaller firms are also mostly started by previous employees of the “Big 4” firms. As these smaller firms grow bigger, they are also looking for skills and are offering competitive salaries to lure skills within the firm away.

Bargaining Power of Suppliers

As the firm’s employees become more aware of the expansion of the market without a corresponding expansion of skills availability to meet market demands, the field of play has definitely become theirs. Skilled resources such as actuaries, chartered accountants and others are well aware of how those skills are wanted and limited in availability in the market. They have therefore begun to see themselves as premium workers with demand for high salaries continuously on the increase.

Employees now job-hop more than ever, especially black professional who know that asides the fact that their skills are valuable, there is even a legislative obligation for companies to provide them with employment.

Matching the salaries offered by some of the competitors in the professional services' industry and even companies in other industries who also need these skills are becoming increasingly difficult.

Bargaining Power of Buyers

Clients are not least in the market factors competing for the skilled resources. Clients have come to realise that they save a lot when they have skills in-house compared to when they actually procure these skills from the professional firms. That has led to them taking over some of the firm's employees; even those seconded to provide them with business assistance sometimes end up becoming their employees. This is aggravated by the fact that most of the firm's clients are industry leaders who are able to offer salaries that the firm probably cannot sustain.

This ultimately lead to the firm going back the whole cycle of finding these skills, training them, investing in them and then losing them again to either clients or competitors. This, probably, is one of the most critical challenges we face as a firm seeking to keep talent retained and happy in-house. How does the firm achieve this?

2.3 Summary

In this chapter, the case analysis of the problem of retention was delved into. Models such as Maslow's hierarchy of needs as well as Herzberg et al theory of satisfiers were used to explore the individual needs that need to be assuaged to keep employees motivated. Progressive levels of needs were identified and explored and it was evident that as employees attain one, they desire the next.

The environmental factors were analysed through models such as PEST as well as Porter's five forces model. Political, social, economic and technological factors were all explored as having definite influence on the availability and retention of skills in the industry.

In assessing the impact of the environment and skills retention on competitive advantage; the ease of entry into the industry, the competitive nature of the industry and the fact that services are not very differentiated were all explored as contributing factors to the draining of skills away from the firm and industry. Other factors considered were the increasing bargaining power of both employees as suppliers and clients as buyers that has also aggravated the situation.

Chapter 3: Literature Review

In undertaking literature reviews on the research project, various elements of the human capital management affecting retention and wealth creation as a possible solution will be explored.

3.1 Human Capital Management

3.1.1 Employees as critical organisational resources

"Every time you lose an employee, all the money you have invested in that employee walks out the door at the same time": this was according to Mike Nicholas, president of the Michiana Chapter of the Society for Human Resource Management and Employment, as well as serving as Operations Manager at 1st Source Bank. Nicholas went further to indicate how the business and even customers are affected by the turnover of employees through the investment needed to train a new employee replacement as well as longer turnaround times in attending to clients. All of which may lead to a reduction in patronage and ultimately income for the company. In summary, Nicholas concluded that "People will either make or break a business. Rarely will any other factors provide long-term competitive advantage" (Ferraro, 2005).

Therkelsen D. and Fiebich C. (2003) identified several "publics" in an organisation and according to them, employees are the most important of these publics as they accomplish whatever tasks define success. They went further to say that employees' loyalty and support can be best earned by the supervisor. They see employees as having the power to affect public opinion about the organisation positively or negatively. Customer satisfaction, they say, is rooted in employee satisfaction and retention, more than anything else". To crown it all, their view is that organisations, whether they realise it or not, do have a psychological contract with employees.

Meier Kenneth J. and Hicklin A. (2008) came with the viewpoint that when people hear the word "employee turnover", they immediately think of a negative situation that has to be minimized. According to them, turnover is not necessarily bad all the time; where employees are underperforming so that the costs of replacement and retaining can be quickly compensated by higher performance by a new employee, turnover benefits the organization. In addition to replacing low performers, benefits can come in two indirect ways: replacing poor performers can (a) serve as a motivational signal to others remaining in the organization and stimulate them to perform better (McElroy, Morrow, and Rude 2001, 1294), and (b) provide a source of new ideas for innovation and reform (Kellough and Osuna 1995, 58). They reckon that even productive employees may, at a particular point, begin to return less than their remuneration to the company. Therefore they advise that instead of attempting to minimise turnover, management should rather try to manage the turnover process.

The above comments give strength to the notion that indeed employees are the most valuable asset to a company. One can however debate whether a high turnover is necessarily bad for every business. For businesses which are human capital intensive like that of Firm A's, turnover of highly skilled staff is bad news due to the implications around upskilling replacement and loss of income resulting in the inability to adequately service clients with required capacity and capabilities at that period.

There are however other businesses looking to shift from human capital intensive to machine or technology intensive modes. These organisations may be finding this difficult due to a number of reasons which may include labour regulations on staff retrenchments as well as consideration for the corporate social image of the organisation. This, in itself, can also result in financial loss to the company as they continue to carry the burden of maintaining unneeded human capacity and new technological investments.

The viewpoints of Meier and Hicklin could hold true here; sometimes turnover may really become necessary to curb poor productivity when it is not commensurate with the returns to the business.

3.1.2 Remuneration and Working conditions

Ferraro J. (2005) in her article, cited Aaron Austin, vice president of Administration and Human Resources who said, “a rewards and recognition program "is doing a great job" in keeping employees on staff. Anything from a simple "pat on the back" to a thank-you note from a supervisor or hospital executive can be directed to an employee who is consistently offering quality care, to the patients.”

"Employees normally stay because of who they work for," noted Austin. He further said that knowing their supervisors appreciate their efforts keeps the lines of communication open, and helps them maintain enthusiasm for their work.

According to Ferraro, if an organisation is loyal to its employees, then employees will also be loyal to it. Her review of New Energy Corporation showed that they had had a retrenchment exercise only once in twenty years; the business paid top wages to employees; implemented a comprehensive benefits programme; and rewarded employees for productivity.

Going on with her interviews with other executives, Ferraro identified organisations providing flexible work schedules for their employees to have a balance between their personal and work life. Flexibility in work hours, recognition of job performance and the leadership qualities of management were identified in her write-up as some of the reasons employees move around jobs. Other factors identified were unsatisfying job responsibilities, pay below market levels, inadequate benefits, lack of advancement opportunities and interpersonal conflicts.

Ferraro J. quoted Nicholas as saying "Many employers accept turnover as a given, something they have no power to change. Nothing could be further from the truth." He reckoned that companies should implement the following to increase their retention rate: retention policies which are proactive, featuring realistic job previews, an improved selection process for applicants, good employee orientation and training, well-designed employee mentoring systems, job enrichment opportunities, review of pay system to ensure it is fair and equitable as well as offering employees opportunities for career advancement within the company.

Therkelsen D. and Fiebich C. (2003) says employees' loyalty is firstly to their work unit and their supervisors. According to them, employees feel more comfortable within the organisation when they perceive that their immediate supervisor has influence. It goes without saying that this must be a supervisor that the employees "trust" and who communicates openly and honestly without distorting information; one who shows confidence in employees' abilities; listens to and values what they say; keeps promises and commitments and cooperates with employees. They propagate a strong working relationship between a participative work environment which has positive effects on the level of commitment to an organisation and employee satisfaction.

Shiffman K. (2006) wrote "One thing that costs nothing and can have an immediate huge impact is the practice of the supervisor giving recognition to employees on achievements and performance," says Rutledge. This need not be a complex reward system: "Most forms of recognition are just riffs on 'thank you'. Finally, experts say, one of the most often overlooked reasons why employees leave their job is bad bosses. If a worker has a good relationship with his boss, "it's amazing what he'll do, and do happily," says Rutledge. If the relationship is toxic, "then every little request feels like it weighs a ton and it's resented," leading to disengagement."

According to Hausknecht P. et al (2009), in their publication on human resource management, "Organizations that fail to retain high performers will be left with an understaffed, less qualified workforce that ultimately will hinder their ability to remain competitive (Rappaport, Bancroft, & Okum, 2003). They indicated that there was a lot of write-up on why employees quit but not enough on how to make employees stay. They went further to say that the reasons for why employees stay are not the same reasons that make them leave. In analysing the reasons why employees leave, they advanced a motion for talent management based on the employee's performance. In their view, poor or average performing employees as well as junior level workers are more inclined to long for extrinsic rewards while high performers or higher level staff members would want advancement opportunities and organisational prestige. In line with this, human resources practices or retention strategies should not be across the board but differentiated based on performance and job levels.

The findings from Ferraro's literature above seem to give life to what Abraham Maslow termed the hierarchy of needs. A look at the insights into why New Energy Corporation is keeping its employees happy and retaining them shows that they seem to be satisfying all basic physiological needs and more, possibly up to self-actualization level. One would begin to indeed identify with why an employee would want to stay in an organisation that pays top of the range wages amongst its competitors as well as one where working conditions are flexible; viable; where one's efforts are acknowledged and rewarded.

One could possibly argue that an organisation like Firm A already has most of these programmes in place – employee benefits; bonuses; recognition schemes; suitable salaries; flexible working conditions. The next question would then be "how does Firm A compare to others in the industry?" What this literature probably does not do is quantity how much we really need to do and how we measure if we are then living up to employees' expectations. What if the firm thinks that it is doing enough; it does pay comparative salaries and offer similar benefits and working conditions, why then the consistent loss of skills? Surely, there must be something additional that needs to be done to reach that maximum satisfaction level that will make employees loyal to the company and stay longer with the firm.

Shiffman's proposition about employees being happy with little gestures of appreciation as well as good bosses may not always be the case. As an employee, if you are continuously an outstanding performer and all you keep getting is a "Thank you". After a while, you begin to ask yourself if you would not be better appreciated elsewhere and that is when dissatisfaction sets in. And yes, a good boss is a good start and good motivating factor but if other supporting factors such as suitable remuneration are not present, the weight of social responsibilities will begin to drive the employee to a level of dissatisfaction unless the "goodness" of the boss stretches to giving the employee an increase in salary upon request by such employee.

The view by Hausknecht P. et al that poor performing and lower level workers are those mostly focused on extrinsic rewards while higher level and star performers want advancement and organisational prestige may be true but not necessarily all the time. As a star performer, you would want the promotion but it has been known that promotion is expected to come with the requisite amount of compensation as well. Surely the prestige of the firm and advancement would yield greater satisfaction if the remuneration earned is commensurate.

3.2 Wealth Creation

Blair M. (1996) said that “wherever human capital investment is as important as – or more important than – physical or financial investments – new arrangements for sharing the wealth created by the activities of corporations are emerging.” Blair was strongly of the opinion that it was not only shareholders that had built up the company; she believed that employees were also “owners’ in a way who had also invested in the company through their skills, knowledge or networks of personal relationships and had their interests at risk should anything happen to that company. She supported this with the argument that over time, employers pay employees more salaries that are meant to be for firm specific skills and that as employees stay longer with a company, they earn more over time. She said this leads to the argument that employees share in the residual wealth of the company just like shareholders and that companies should thus be run, not only for the maximisation of the interest of shareholders but also that of employees. She then questioned whether this investment by employees should not also be recognised, through for example, equity participation in the company, perhaps in exchange for salary deductions.

This view was also shared by Duncan J. (2001) who wrote about stock ownership and work motivation. In his write-up, he mentioned Henry Dennison as being arguably the most interesting businessman of his time in the mid-nineties. He was Head of Dennison Manufacturing Company. He created a personnel department, a system of unemployment insurance for employees, a company clinic, library, savings bank, and an employee representation plan for improving work practices and handling grievances. He also invented an alternative corporate form of organisation that relied less on absentee investors and more on employee owners. Dennison was convinced, using the experiences of workers in Great Britain that once employees achieved a subsistence level, the distribution of profits became an important determinant of their productivity. He believed that despite the possibility of increased earnings, employees would reduce their effort if they thought their productivity increases also increased the returns to absentee investors. There was a perceived inequity when beneficial results accrued to people who had not contributed to profitability. The only way workers could reduce that perception was to reduce their effort. Rather than take such a risk, Dennison made managers and employees owners. He referred to a survey conducted on companies around compensation. Broadcom Corporation was one of the companies studied. According to Duncan in his write-up, Broadcom Corporation went public in 1998, and at one point it was estimated that 75% of the company's 800 employees were millionaires (at least on paper) because of stock options. The ownership has not only made employees rich, the stock price increased by 600%. The company is described as a "stimulating place to work, employees feel a sense of ownership, and senior management is smart enough to create on-going stock incentives to keep people working for the Company."

This author went further to outline a few advantages of facilitating employee ownership in companies. According to him, ownership adds the promise of extraordinary personal wealth creation to otherwise modest compensation programs. Routine salary increases alone will not significantly increase the real earnings of rank-and-file employees. Ownership also makes it attractive for talented and mobile employees to stay with the company rather than bouncing from one job to another for higher base pay. As retirement funds become more portable, vesting schedules will become increasingly important as a means of retaining valuable employees and executives. He cautioned that ownership works only when employees understand the risks. “Communication of the risks should be a part of any stock option program. Performance targets may not be met; if not, the extra earnings will not be forthcoming. Industry factors may affect the market so that even if performance targets are attained or exceeded, the options may have little or no value when they vest. Issues relating to perceived inequity may be increased unless employees understand the risks as well as the rewards of ownership”.

Hadaway L. (2009) wrote an article around share schemes for employees. In the article, he cautioned against employees investing in their companies’ shares as he cited this as “putting all their eggs in one basket” and the fact that they “concentrate risks”. He insisted that share schemes have not had a good success rate due to the turmoil in the market and proposed that employers must tailor schemes and participation for their workforce. He also said that level of participation of employees in scheme would depend on how well paid the employees are as well as how enlightened they are on the benefits of saving and its tax-advantages.

Hadaway quoted Phil Ainsley, head of employee share plans at scheme administrator Equiniti, who said: "It depends on why they are setting up the scheme in the first place. Do they want to promote staff retention or recruitment? Most companies will offer share schemes if their rivals do. Or do they want to provide corporate glue for a company with lots of different brands?"

Ainsley went on to express amazement that most companies do not provide reward statements to their employees which means employees would not know the scheme’s value.

Hadaway said pensions and share schemes are the most tax efficient and cost-effective but staff are usually encouraged to sign on, not because of that, but because of past performance and just because “they should”. He said all these should form part of one big flexible savings plan. He then went on to talk about ways of measuring the success of the scheme which can include employee retention and satisfaction levels; however he stressed that this would depend on whether staff truly appreciate the scheme’s value.

It is evident from the above that wealth creation could be a good source of motivation and retention especially when employees are aware that they are viewed as “owners” in the company. The propagation of employee investment in the company by Blair and Duncan is a good idea, one that could really make them stay; however as Hadaway outlined above, the option of buying shares in the company may either be too expensive, too risky or not fully understood by the employee.

Duncan cited employees who had become millionaires as a result share ownership in their companies. This may well be achievable whilst the company is increasing in value. However, what happens if the share price of the company falls and the value that should accrue to employees actually fall instead of appreciating?

As Hadaway said, it is important that employees understand why they have to be part of a wealth creation scheme; it may not necessarily be the purchase of shares in their company that will work. Employees must first have that in-depth understanding of why they need a wealth creation scheme and employers on their side, must truly define their intentions in creating such a scheme. Is it only for appearances or do they have the genuine interest of the employees at heart? This will be a strong determinant of the success or otherwise of the scheme. I suppose all risk angles must also be considered; the last thing desired is for employees to lose all their life savings to a wild-cat scheme. Employers must therefore ensure that all is appropriately evaluated; the scheme managers or trust are indeed trustworthy and the selected investments are those that will not jeopardise the future of employees. Surely, share schemes cannot be the only wealth creation options; managers should be able to explore any other wealth creation avenues.

3.3 Opportunities / Market Demand

Shiffman K. (2006) wrote “Don't believe the hype about a looming skills shortage, because it's already here.” The skills shortage is said to be aggravated by the exit of baby boomers over the next decade that will be going into retirement. A gap in skills and availability of resources is envisaged during this era based on the belief that the generations X and Y will not be able to meet the skills and experience requirements.

Shiffman believed that all sectors were experiencing these shortages and it was aggravated by the fact that demand outweighed the supply of skilled workers. He propagated that as employees get to know the fact that the market belongs to them as the seller of skills, the ability to retain them will become more difficult as they will tend to more likely leap from one company to another. This in turn will lead to high costs of replacement, not to talk about loss of business opportunity due to shortage of skills.

He even went further to say that some companies may be forced to exit the market due to their inability to retain their competitiveness as a result of the above loss of financial resources through retention woes. He quoted Mark Murphy, president & CEO of Washington, as saying "A shortage of skilled workers can stop growth or even shrink a company".

Dyschtwald et al (2006) identified the looming skills shortage based on the generation gaps. They propagated the phenomenon of the disproportionate size of the baby boomers that are still being forced into early retirement by managers as well as the declining birth rates which means the current generation and even generation Y will not be able to fill the gap that the baby boomers will leave in the job market. They also reckon that economic conditions and the rate of job creation govern the demand for workers. However, despite the increase in job creation, the supply of workers is still outstripped.

The above statement is the entire crux of this research; the knowledge that the continuous loss of or shortage of skills can actually lead to the collapse of the firm. The analogy that the gap left by baby boomers may not be filled by both generation X and Y may not play out that way. In the days of the baby boomers, most jobs were very labour intensive; nowadays most of what companies do is computerised. If the skills shortage is mostly based on man-power, some industries can definitely survive the shortage by switching to additional machine use in the conduct of their business.

Also, the declining birth rate is not necessarily a global phenomenon, it is mostly common in developed countries and they may feel this brunt more than developing countries. The challenge could be more of how do companies utilise the available skills even if they are not as much as they used to be, due to the retirement of old hands. The statement that the sellers of skills will inevitably make the market tighter in terms of demands for remuneration is a real one; it is probably one of the greatest challenges of the retention initiative.

3.4 Education System – Supply & Quality of Skills

Le Grange L. (2011) cited Olssen, Codd and O'Neill (2004, 146) in her article. According to them, human capital theory is the idea that investment in education is the most important determinant of economic growth. Although there are different perspectives on human capital theory, essentially a nation's human capital, 'is the sum of skills, talents and knowledge embodied in its population. These include job training, medical care, diet and formal education, amongst many. The main propositions of human capital theory are:

- that education and training increases an individual's cognitive capacity;
- which in turn increases productivity; and
- an increase in productivity tends to increase an individual's earnings
- which becomes a measure of human capital.

Le Grange explored the fact that in South Africa, the government is increasingly concerned about the social rate of return on education. The education sector gets the largest slice of South Africa's annual budget but on all international and national benchmark tests in mathematics, science and literacy South African learners perform poorly. These subjects are often referred to as gateway subjects because they are purported to serve as the basis for developing skills needed to enhance productivity in the economy. Le Grange then went on to talk about what she called "Human Capability" which she indicated is the internal ability demonstrated by a person as well as combined capabilities from opportunities open to such a person i.e. sports players.

According to her, the tertiary education landscape currently focuses too much on human capital to the detriment of human capabilities which she believes should also be a valuable measure of a country's economic growth.

According to Gbadamosi G. and de Jager J. (2009), Higher education institutions in South Africa have experienced dramatic changes, in their structuring, funding and student numbers. As a result of governments' policy to transform higher education in South Africa and the challenges brought about by globalisation and internationalisation, tertiary institutions are facing new challenges. More recently, these challenges include various mergers and the transformation of Technikons into Universities of Technology. This transformation has not only brought about a change of status for these institutions but also the merging of intrinsically different institutions. Continuous improvements of existing standards and increased students' satisfaction have been key issues in service quality at higher educational institutions in South Africa.

While Le Grange may be right about the need for skills to be expanded whether through formal training or artisan skills training and development; the fact is that the quantity and quality of skills within the country does need to be upgraded to match the increasing needs of the business environment as is highlighted by the research undertaken by Gbadamosi and de Jager.

3.5 Summary

This chapter started out with the review of literature around human capital management; the identification of people as the core of most businesses and went on to analyse those elements that should be present for employee motivation and retention. Factors such as competitive salaries, flexible working conditions, a good boss as well as gestures of appreciation were cited as factors that could keep employees. Blair's work identified employees as owners of the business alongside shareholders and explored the share scheme as an incentive for retaining employees. Duncan supported the concept that employees should have an active part in the company's ownership as a motivation for improving employees' productivity and keeping employees longer within the firm. Hadaway on his part cautioned against making employees invest in the company's share based on the riskiness.

This research study then went on to explore literature around shortage of skills which is as a result of the inability to match the skills exiting the market with those entering it. Lastly, education itself as a source of skills scarcity was analysed. Le Grange expressed the view that there was too much focus on human capital (formal skills) development to the detriment of human capabilities (internal and environment enabled skills) and this said, is the cause of the increasing shortage of skills that the industries seem to have on an on-going basis.

Chapter 4: Research Design

4.1 Overview of Research Design

A design is used to structure the research, to show how all of the major parts of the research project – the samples or groups, measures, treatments or programmes, and methods – work together to try to address the central research question(s). (Coldwell and Herbst, 2004: 35-36).

The critical elements of the Research Design include methodology, population and sampling, ethical issues and data analysis.

4.2 Population and Sampling

According to Coldwell and Herbst, a research population is the entire items that a researcher can select from while the sample is the representation of items drawn from the population. A researcher has to be methodical in the selection of samples to ensure that it is representative of the population being tested. The sample should be flexible to allow for any correction of errors as well as replication of samples.

The population for the research was the entire employees of the Southern African firm, from directors to line management and lower level staff. This also cut across functions from back office/ support – Finance, Human Resources, IT to client facing teams in Risk Advisory, Consulting, Tax, Audit and Assurance services.

To give allowance to a high probability and percentage of responses, samples were not selected. A web-based survey was deployed to all employees in the firm, to give them all an equal opportunity to respond and take part in the survey.

4.3 Research Methodology & Data Collection Methods

The research design will specify the methodology; whether qualitative or quantitative or a combination of both. The selection of a methodology should be based largely on the nature of the research problem.

Quantitative methods include experiments, surveys through questionnaire dissemination, sampling and observation. Quantitative research is statistical in nature and seeks to find and explain the logical relationships between variables as well as causality. It makes use of structured procedures and instruments to collect data.

Qualitative research gives room for expression and is not limiting like the quantitative method. This method provides a lot of detail and allows people to present their views without being judgemental. It is also less expensive than quantitative method. Qualitative research methods include interviews, focus groups, case studies, observation, rich pictures etc.

The methods in which data is collected whether through surveys through questionnaires, interviews, focus groups or any other method depends on what is deemed suitable to the research approach or methodology chosen.

Data can be collected through primary and secondary means. Primary data is first hand data collected by a researcher. According to Coldwell and Herbst, (2004), it is data collected for the first time. It is gathered through interaction with the research respondent. The good thing about collecting primary data is that the researcher will be collecting data suited specifically for the purpose of the research. Secondary data on the other hand is data collected by another source. i.e. documentation review, research study etc. Secondary data is useful and is normally a starting point for a researcher as it helps in building up a body of knowledge on the research subject.

Quantitative method was adopted in this research. The data was collected through primary method. Being an anonymous survey to encourage participation, it was not practical to conduct interviews to validate responses since the identity of respondents was not known. The questions asked in the survey started with closed ended questions and then led onto open-ended questions where employees expressed themselves fully and gave quite good insights into the research topic. The responses were thereafter analysed.

The secondary sources consulted included external publications on the retention of employees as well as wealth creation schemes. These were reviewed to provide some further context on the research problem.

A formal process was followed to initially introduce this research to the management team in the firm to ensure buy-in for the research. A "confidentiality" letter from the UNISA SBL was obtained and presented to the firm outlining the intent and requesting permission to conduct this research on the organisation.

4.4 Reliability & Validity

Reliability of data is very much dependent on the way the data was gathered; the instrument that was used and the way in which the data was gathered. According to Open University (2001), reliability implies that a second researcher undertaking the same research should reach the same conclusion as the initial researcher.

(Hussey and Hussey, 1997) as quoted in Open University (2001: Pg 17) describe Validity as "the extent to which research findings accurately represent what is really happening in the situation". It is the ability of the research results to support what is being claimed, consistently. Validity can be both internal and external. **"Internal Validity** is the approximate truth about inferences regarding cause-effect or causal relationships." (Research Designs: 2006); **External Validity**, on the other hand refers to the approximate truth of conclusions that involve generalisations. External validity is the degree to which the conclusions in your study would hold for other persons in other places and at other times. (Research Designs: 2006).

The reliability of the data collected was managed through an internal consistency method. This sought to ensure that certain sections of the questionnaires have questions designed to test similar hypothesis. The correlation of responses in this area was then reviewed to ensure that the data collected is reliable and consistent.

Validity issues were addressed by designing the questionnaires questions in such a way that it showed a good and logical relationship to the problem at hand. External validity was more cumbersome to manage as it has been mentioned earlier that it can be inappropriate to escalate the results of this research to other organisations.

4.5 Summary

This chapter focused on the method of data collection which will be mostly quantitative and primary data sources due to the sensitive nature of the research topic. The population for the research was outlined as well as the means through which internal and external validity will be managed, where possible.

Chapter 5: Results and Discussion

5.1 Introduction

This research study aimed to evaluate the possibility of utilising wealth creation initiatives to increase the rate of retention of employees within the firm. The study sought to understand if indeed financial compensation is the most critical reason why employees are leaving the firm, identify if wealth creation initiatives will make them stay longer with the firm and provide valuable recommendations to management on preferable initiatives that can be implemented.

The objectives of the research, the results of which will be highlighted and explored in this chapter are presented below:

- To ascertain if financial compensation is indeed the most important reason why employees are leaving the firm.
- To confirm if employees would stay longer with the firm if provided with a wealth creation initiative.
- To investigate the ideal wealth creation initiatives that would make employees stay longer with the firm; and

The outcomes of the objectives above were to be utilised in making valuable recommendations to management in addressing the research problem.

5.2 Demographics

The research survey was disseminated to the entire employees across the Southern African firm; a total count of over 2,000 employees. The survey was run on Survey Monkey; there were 307 views with 245 complete responses; thus a response rate of about 12% was achieved.

Information on demographics of respondents was collated and is presented below:

Table 1 – Demographic Information on Survey Participants

CRITERIA	CLASSIFICATION	NUMBER	PERCENTAGE
GENDER	Male	101	45%
	Female	124	55%
	Total	**225**	**100%**
AGE RANGE	15 - 29	88	37%
	30 - 46	122	52%
	47 and Above	26	11%
	Total	**236**	**100%**
POSITION	Consultant and Senior Consultants	121	50%
	Managers (Assistant to Senior Managers)	97	40%
	Directors & Associate Directors	25	10%
	Total	**243**	**100%**
REGION	Gauteng	190	79%
	Western Cape	25	10%
	KwaZulu Natal	11	5%
	Eastern Cape	8	3%
	Botswana	2	1%
	Other	6	2%
	Total	**242**	**100%**
YEARS OF SERVICE	Less than 1 year	36	15%
	1 - 4	90	37%
	5 - 10	102	42%
	20 - 30	11	5%
	Above 30	4	2%
	Total	**243**	**100%**
BUSINESS UNIT	Consulting	38	16%
	Risk Advisory	91	38%
	Audit	27	11%
	Corporate Finance	3	1%
	Tax	41	17%
	Support Services (Finance, HR*, GIS* etc)	41	17%
	Total	**241**	**100%**

**GIS - Group Information Services responsible for Information & Communication Management Support*

**HR – Human Resources Management*

5.3 Presentation of Results

The close ended questions on the survey were based on the Likert-Scale type of questioning.

Table 2 – Likert-Scale Scoring

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Score	5	4	3	2	1

The results of the survey on each of the objectives highlighted above are presented below:

5.3.1 To ascertain if financial compensation is the most important reason why employees leave the firm (Objective 1)

Statement 1: Financial compensation is the most important consideration for my continued stay with the firm.

Statement 2: I will resign from the firm today if I am offered a higher salary package by another company.

The two statements above were made to solicit responses aiming to see if indeed financial compensation played a major role in employees' decision to stay with the firm or otherwise. The responses highlighted below:

Table 3 – Responses to Statements 1 and 2

Survey Statement	Response Scale	1	2	3	4	5	Mean	Mode	Std Dev
Financial compensation is the most important consideration for my continued stay with the firm.	Number of Responses	12	46	75	76	36	3.32	4	1.09
	% of responses	5%	19%	31%	31%	15%			
I will resign from the firm today if I am offered a higher salary package by another company.	Number of Responses	9	60	79	59	37	3.23	3	1.09
	% of responses	4%	25%	32%	24%	15%			

Chart 1

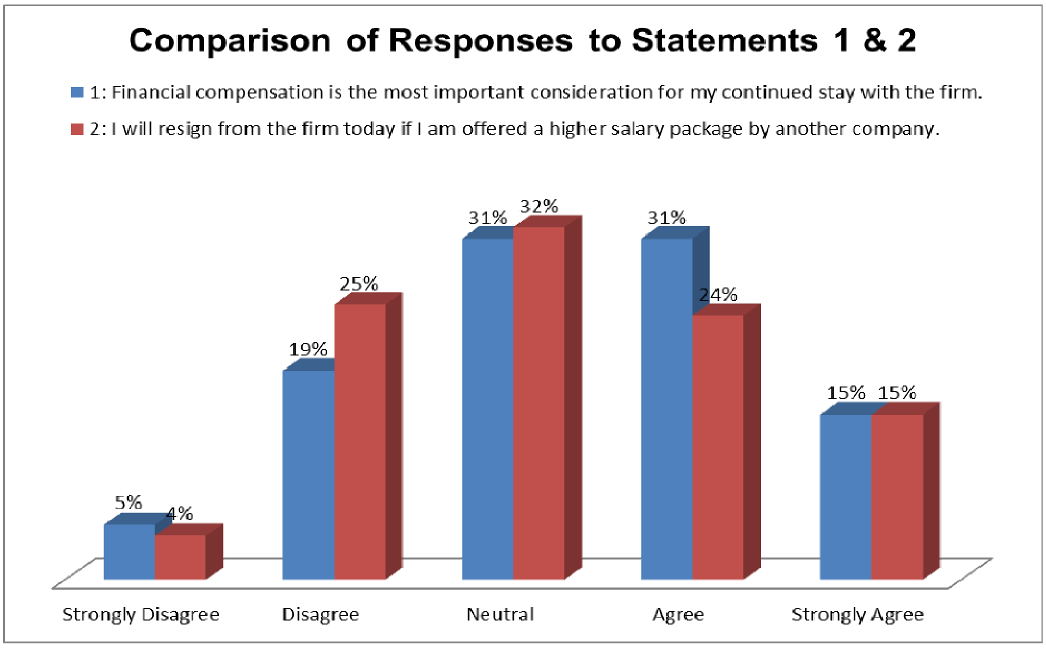
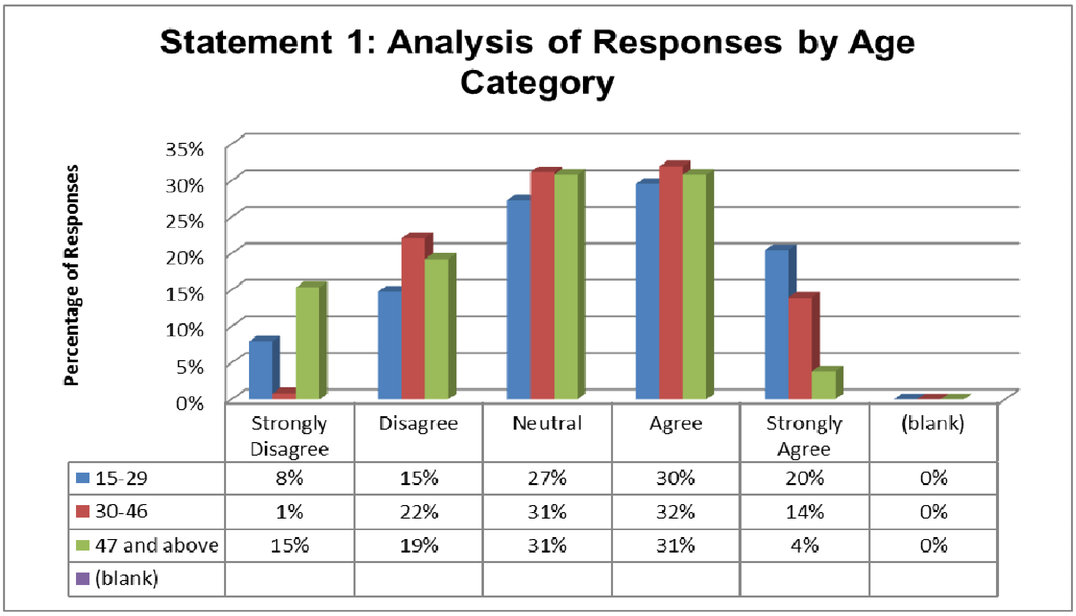


Table 3 and Chart 1 above show that the greatest percentage of respondents (aggregate of 46% on options of Agree and Strongly Agree) support the assertion that financial compensation is indeed the most important consideration for employees' stay with the firm. Statement 2 was designed to confirm responses in statement 1 and the above shows a clear relationship between the responses to both statements. A greater percentage of employees (aggregate of 39% on options of Agree and Strongly Agree) support the statement that they will leave the firm for another company that offers a higher salary. The similarity in calculation of the mean, median and standard deviation calculation also lends credence to the relationship between the responses to both assertions.

A further analysis of the responses was undertaken to show preference by age band. This was done to ascertain if there is a relationship between preference for financial compensation and generational categories.

Chart 2



	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	(blank)
15-29	8%	15%	27%	30%	20%	0%
30-46	1%	22%	31%	32%	14%	0%
47 and above	15%	19%	31%	31%	4%	0%
(blank)						

It is clear from Chart 2 above that 50% of respondents (aggregate of Agree & Strongly Agree) within the age band of 15 – 29 years (Generation Y) are in agreement with the statement that financial compensation is the most important consideration for their continued stay with the firm. 46% of respondents within the 30 – 46 years age bracket (Generation X) support this assertion while 35% of respondents in the 47 and above years bracket (Baby Boomers) are also in support of the statement.

The greatest % of respondents who disagree with the statement (aggregate of Disagree and Strongly Disagree) are from the 47 and above age bracket with a total respondent of 34% disagreeing with the statement. This could indeed imply that generational gaps do influence desire for financial compensation.

Statement 3: I believe that salaries currently paid by the firm are competitive.

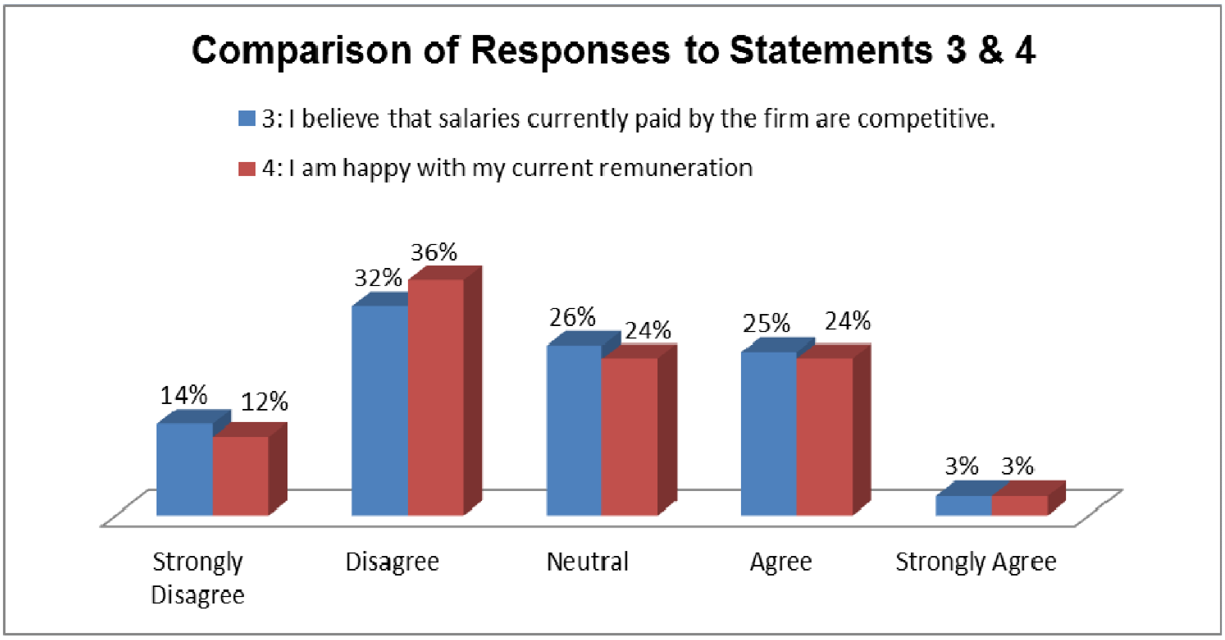
Statement 4: I am happy with my current remuneration.

Still pursuing the objective of analysing whether financial compensation played a major role in employee retention, the two statements above were designed to gauge employee's view of the competitiveness of remuneration within the organisation. Statement 4 was designed to validate the responses from statement 3.

Table 4 – Responses to Statements 3 and 4

Survey Statement	Response Scale	1	2	3	4	5	Mean	Mode	Std Dev
I believe that salaries currently paid by the firm are competitive.	Number of Responses	34	78	65	62	7	2.72	2	1.08
	% of responses	14%	32%	26%	25%	3%			
I am happy with my current remuneration	Number of Responses	30	88	58	58	8	2.69	2	1.07
	% of responses	12%	36%	24%	24%	3%			

Chart 3

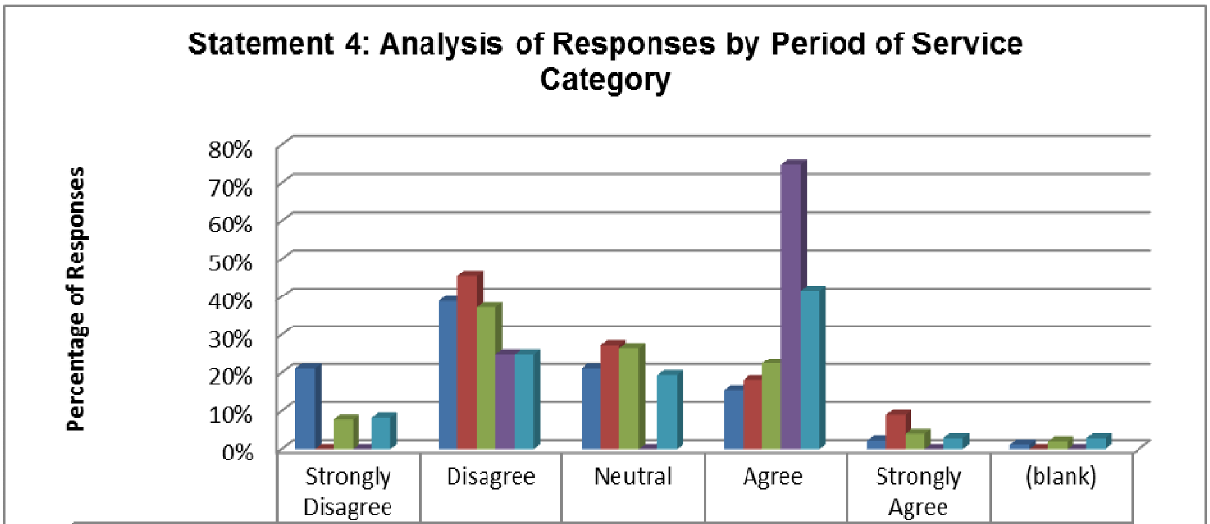


The above table and chart shows a greater percentage of employees (aggregate of options Disagree and Strongly Disagree) do not agree with the view that salaries paid by the firm are competitive or that they are happy with the salaries paid to them.

Statement 4 was designed to corroborate statement 3 and the above trend of responses to both statements does show that the view around remuneration is consistent in both statements.

A further analysis of the responses was undertaken to relate response to length of service and the responses given. This was done to ascertain if there is a relationship between satisfaction with salary paid and period of service with the firm.

Chart 4



	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	(blank)
1 - 4	21%	39%	21%	16%	2%	1%
20 - 30	0%	45%	27%	18%	9%	0%
5 - 10	8%	37%	26%	23%	4%	2%
Above 30	0%	25%	0%	75%	0%	0%
Less than 1 year	8%	25%	19%	42%	3%	3%
(blank)						

Looking at the chart above, the most favourable response to the assertion that is from some respondents who have been with the firm for more than 30 years. This probably explains why they have been with the firm for so long. About 60% of respondents who have been with the firm for less than 5 years disagree with the statement that they are happy with their current remuneration. Surprisingly a higher percentage of respondents who have been with the firm for between 20 – 30 years also disagree with the statement that they are happy with their remuneration. The question would then be "why are they still with the firm?". Could it be that there are other factors being considered here which still makes the firm more attractive to employees than other companies?.

Chart 5

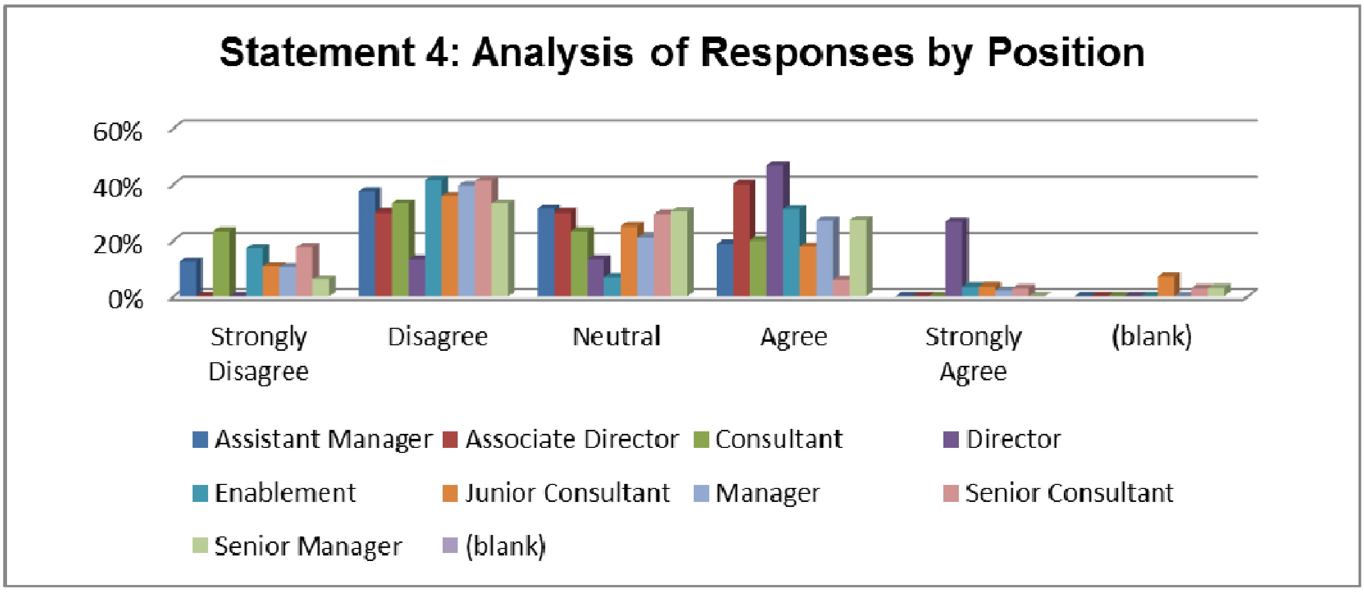


Table 5 – Analysis of responses to Statement 4 by Position

Response	Assistant Manager	Associate Director	Consultant	Director	Enablement	Junior Consultant	Manager	Senior Consultant	Senior Manager
Strongly Disagree	13%	0%	23%	0%	17%	11%	10%	18%	6%
Disagree	38%	30%	33%	13%	41%	36%	40%	41%	33%
Neutral	31%	30%	23%	13%	7%	25%	21%	29%	30%
Agree	19%	40%	20%	47%	31%	18%	27%	6%	27%
Strongly Agree	0%	0%	0%	27%	3%	4%	2%	3%	0%
(blank)	0%	0%	0%	0%	0%	7%	0%	3%	3%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

The chart and table above show that most of the staff grade levels except those at Director Level have a higher % of respondents who disagree with the statement that employees are happy with their current remuneration. A good percentage of Associate Directors agree that they are also happy with their remuneration.

Statement 5: Other factors such as flexi-time, work-life balance, career progression opportunities and brand reputation are as important as financial remuneration to me.

Statement 6: The factors mentioned in the question above (flexi-time, work-life balance, career progression opportunities and brand reputation) are present at a satisfactory level within the firm.

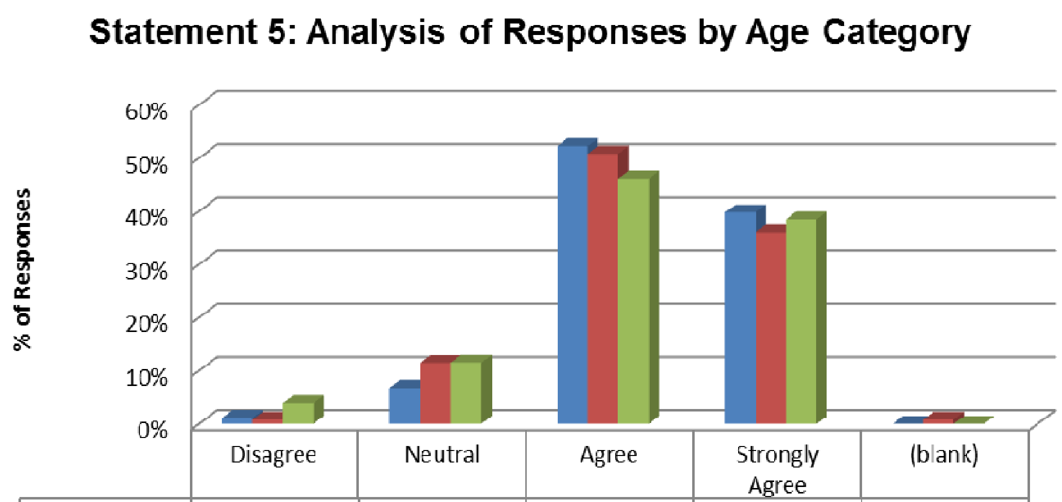
To corroborate the previous statements around the importance of financial remuneration, we sought to use statements 5 and 6 above to explore employees' view around other working conditions. The responses are presented below:

Table 6: Responses to Statement 5 and 6

Survey Statement	Response Scale	1	2	3	4	5	Mean	Mode	Std Dev
Other factors such as flexi-time, work-life balance, career progression opportunities and brand reputation are as important as financial remuneration to me.	Number of Responses	0	3	23	124	94	4.27	4	0.68
	% of responses	0%	1%	9%	51%	39%			
The factors mentioned in the question above (flexi-time, work-life balance, career progression opportunities and brand reputation) are present at a satisfactory level within the firm.	Number of Responses	11	39	63	106	24	3.38	4	1.02
	% of responses	5%	16%	26%	44%	10%			

Table 6 shows a strong agreement with the assertion that other factors affecting working life and conditions are equally important with a 90% aggregate response rate on Agree and Strongly Agree options for Statement 5. The aggregate response of 54% for statement 6 on the Agree and Strongly Agree options also show that majority of employees are of the view that the current working conditions are satisfactory. The high mode and mean figures for both statements are testimony to this.

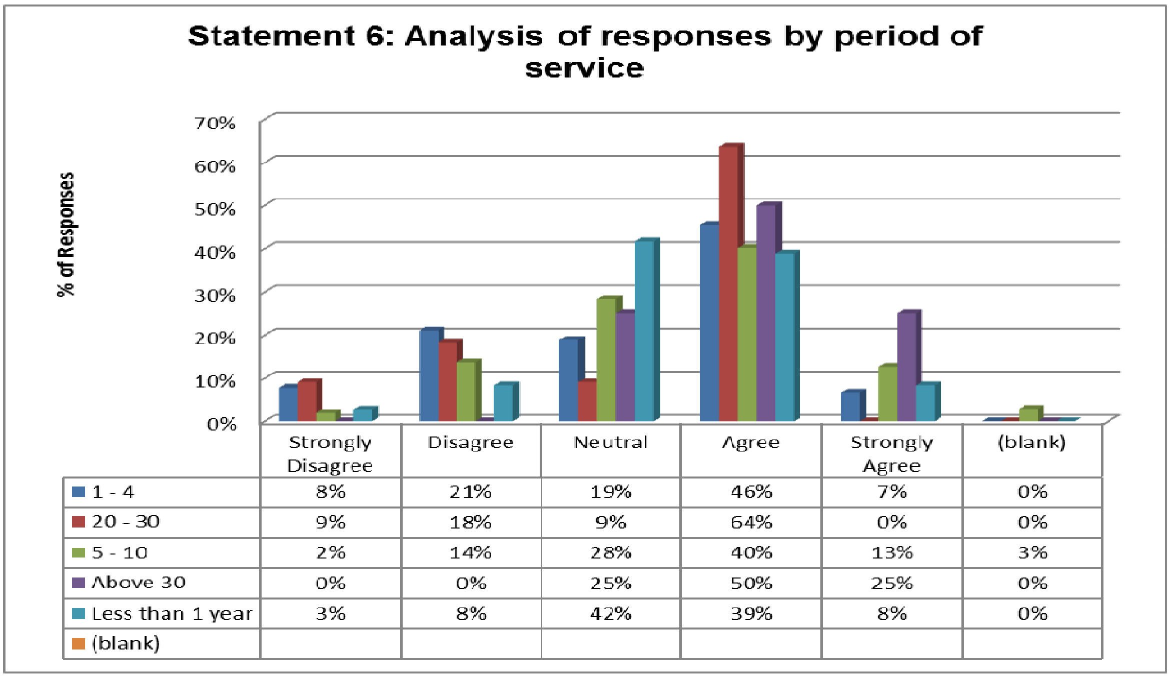
Chart 6



	Disagree	Neutral	Agree	Strongly Agree	(blank)
15-29	1%	7%	52%	40%	0%
30-46	1%	11%	51%	36%	1%
47 and above	4%	12%	46%	38%	0%
(blank)					

Chart 6 above sought to analyse the responses to statement 5 by age category to see if there is a preference scale for suitable working conditions based on generation difference. The chart above shows that majority of the respondents across all age categories consistently share the view that they deem suitable working conditions to be just as important as financial compensation. The standard deviation of 0.68 also shows there is not too much dispersion in the responses.

Chart 7



	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	(blank)
1 - 4	8%	21%	19%	46%	7%	0%
20 - 30	9%	18%	9%	64%	0%	0%
5 - 10	2%	14%	28%	40%	13%	3%
Above 30	0%	0%	25%	50%	25%	0%
Less than 1 year	3%	8%	42%	39%	8%	0%
(blank)						

Chart 7 explores the relationship between the responses given to statement 6 and the period of service with Deloitte. The chart shows that about 50% of respondents who have been with the firm for less than 5 years are of the view that the working conditions are satisfactory. Over 50% of employees who have spent 5-10 years hold this view; 64% of employees who have spent 10-20 years and 75% of employees who have spent more than 30 years share this view. This is a logical trend as it would explain why these employees have stayed this long with the firm as they consider the working conditions to be suitable.

5.3.2 To ascertain if employees will stay longer with the firm if provided with a wealth creation initiative (Objective 2)

Statement 7: I will like a wealth scheme that I can fall back on in future.

Statement 8: Being part of a wealth scheme will give me a sense of belonging in the firm.

Statement 9: I will stay longer with the firm if there is a wealth creation initiative in place for me.

Statement 10: The wealth creation initiative will reduce the current rate of employee turnover in the firm.

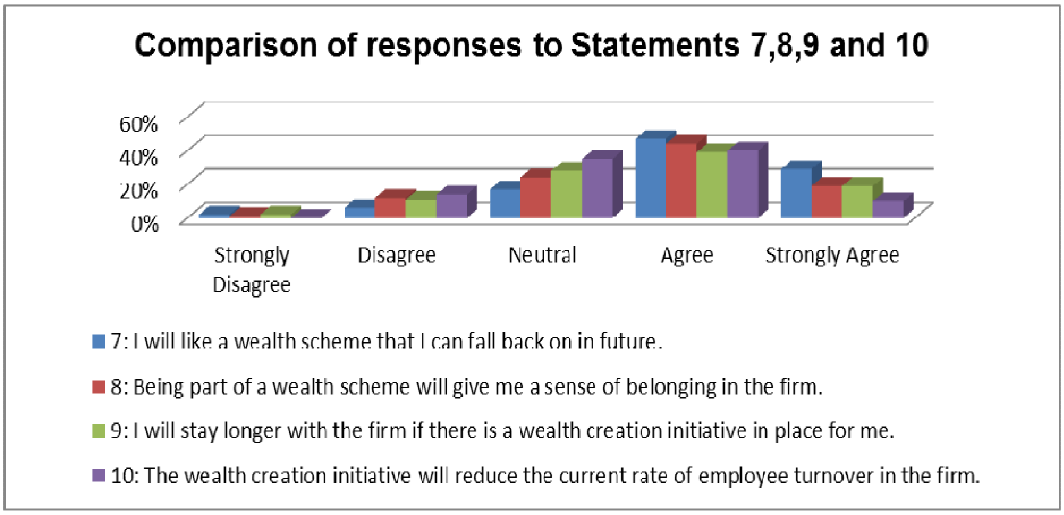
The above statements were made to gauge employees' views on the creation of a wealth initiative. The responses highlighted below:

Table 7 – Responses to Statements 7, 8, 9 and 10

Survey Statement	Response Scale	1	2	3	4	5	Mean	Mode	Std Dev
I will like a wealth scheme that I can fall back on in future.	Number of Responses	4	15	41	115	72	3.96	4	0.92
	% of responses	2%	6%	17%	47%	29%			
Being part of a wealth scheme will give me a sense of belonging in the firm.	Number of Responses	2	30	60	108	47	3.68	4	0.95
	% of responses	1%	12%	24%	44%	19%			
I will stay longer with the firm if there is a wealth creation initiative in place for me.	Number of Responses	5	28	69	97	47	3.62	4	0.99
	% of responses	2%	11%	28%	39%	19%			
The wealth creation initiative will reduce the current rate of employee turnover in the firm.	Number of Responses	1	35	87	100	24	3.45	4	0.87
	% of responses	0%	14%	35%	40%	10%			

The table above shows the rate of responses to statements 7 to 10. With the mode of responses for all the statements being 4 and the standard deviations all being less than 1, there is a high level of consensus and agreement with the statements above.

Chart 8



The trend of responses in statements 7 to 10 as shown in Chart 8 above shows that the statements which were designed to corroborate each other do so consistently with a higher percentage of respondents favouring the idea of a wealth creation initiative and supporting the view that it will reduce the current rate of employee turnover in the firm.

Chart 9

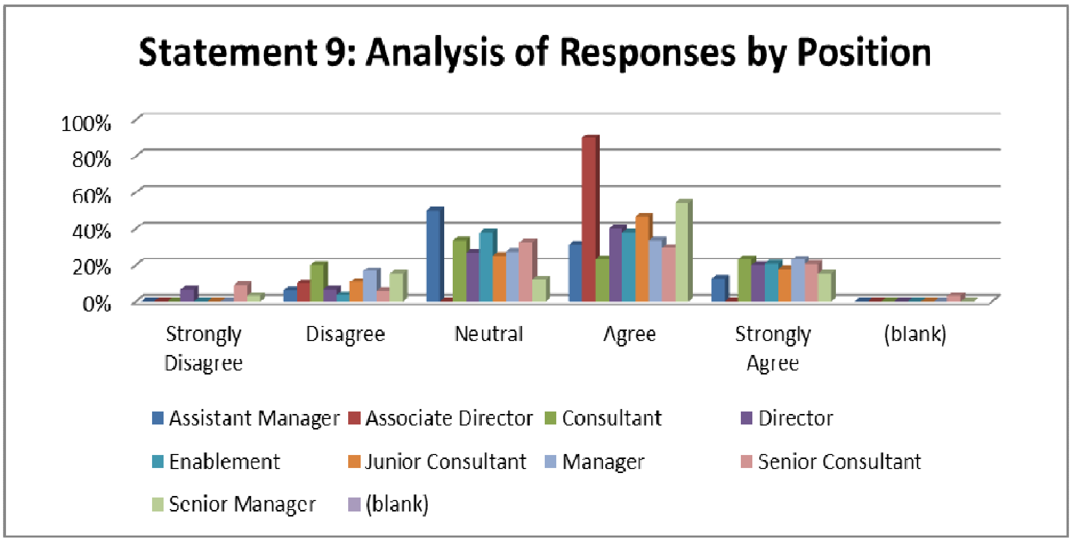


Table 8 – Analysis of responses to Statement 9 by Position

Response	Assistant Manager	Associate Director	Consultant	Director	Enablement	Junior Consultant	Manager	Senior Consultant	Senior Manager
Strongly Disagree	0%	0%	0%	7%	0%	0%	0%	9%	3%
Disagree	6%	10%	20%	7%	3%	11%	17%	6%	15%
Neutral	50%	0%	33%	27%	38%	25%	27%	32%	12%
Agree	31%	90%	23%	40%	38%	46%	33%	29%	55%
Strongly Agree	13%	0%	23%	20%	21%	18%	23%	21%	15%
(blank)	0%	0%	0%	0%	0%	0%	0%	3%	0%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

The above chart and table explores responses to statement 9 by position. The highest bar shows that the greatest support for the statement that an employee will stay longer with the firm if there is a wealth scheme in place comes from the Associate Director position followed by Senior Managers and then the other positions. Assistant Managers seem to be a bit sceptical of the statement as a higher percentage of respondents took a neutral stance on this statement.

Statement 11: I prefer to have all my financial compensation paid to me as at when due. I can create wealth for myself.

Statement 12: A wealth scheme will not make a difference to any decision I make to stay with or leave the firm. I do not deem it to be of any importance to me at this point in my career.

Table 9 – Responses to Statements 11 and 12

Survey Statement	Response Scale	1	2	3	4	5	Mean	Mode	Std Dev
I prefer to have all my financial compensation paid to me as at when due. I can create wealth for myself.	Number of Responses	2	44	97	72	31	3.35	3	0.94
	% of responses	1%	18%	39%	29%	13%			
A wealth scheme will not make a difference to any decision I make to stay with or leave the firm. I do not deem it to be of any importance to me at this point in my career.	Number of Responses	16	89	74	51	14	2.83	2	1.02
	% of responses	7%	36%	30%	21%	6%			

The table above shows that an aggregate percentage of 42% of total respondents (Agree and Strongly Agree options) agree with statement 11 that they can create wealth for themselves while about 43% of aggregate respondents disagree with the statement that they do not deem a wealth creation initiative to be of any importance to them. About a third of respondents to both questions seem uncertain and have taken a neutral stance.

Chart 10

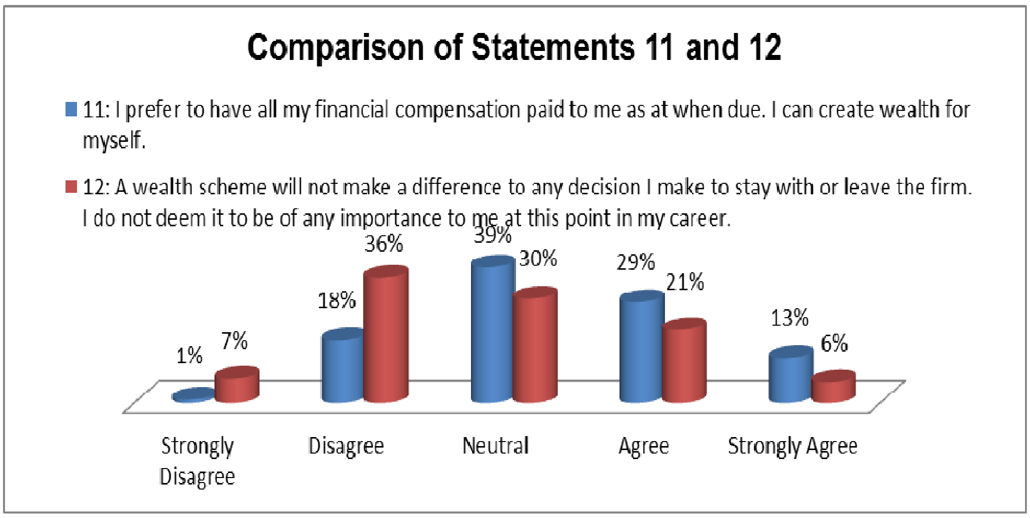
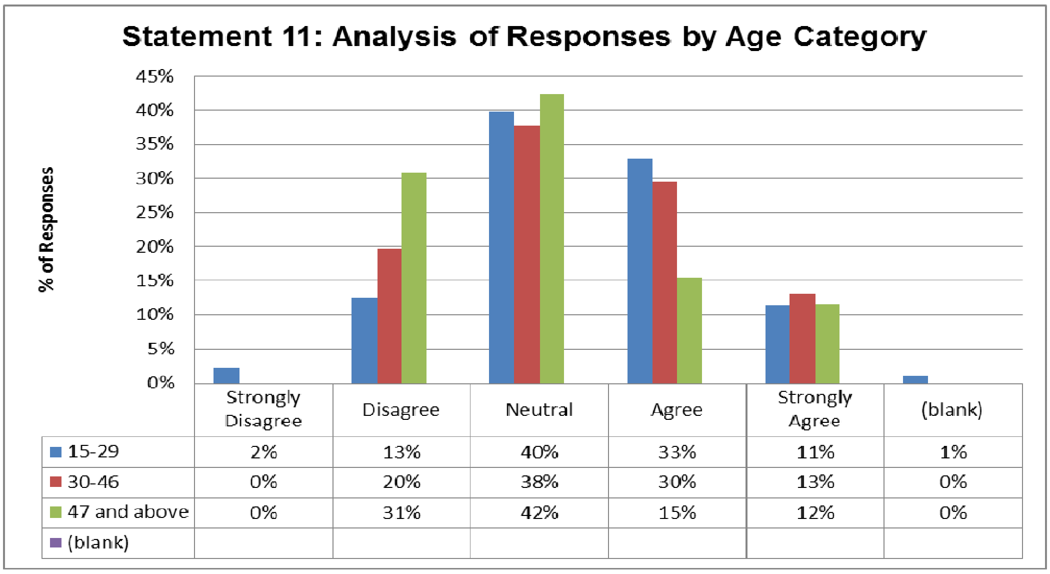


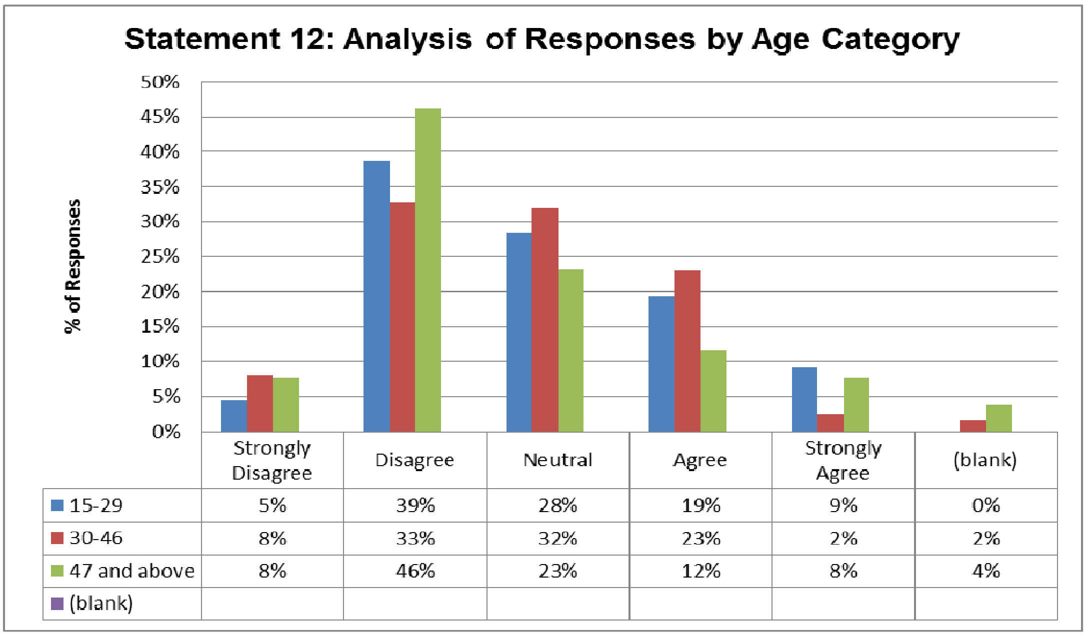
Chart 10 above shows the comparison of patterns of response to statements 11 and 12. It is obvious that there is a high level of uncertainty amongst respondents as mentioned earlier. One would also expect that the responses to statement 12 would move in the same direction as that of 11 as the two were meant to validate each other but the disparity in the response pattern could possibly mean that employees are uncertain about what a wealth scheme could mean to them and it seems on the other hand that they do not want to discard the idea as a possible retention initiative.

Chart 11



The above chart analyses the responses to statement 11 that employees prefer to have all their remuneration paid to them and can create wealth for themselves. One can see from the stratification by Age or Generation above that all 3 groups seem to have a high level of uncertainty about this. The strongest disagreement with the statement comes from the Baby Boomers with 31% aggregate of respondents in this age bracket. The group with the highest support for the statement is the Generation Y group (15-29 years) with an aggregate 44% of respondents agreeing with this statement; they are of course followed by Generation X with 33% and 27% of Baby boomers sharing this view. This result may be proof that there is a generation difference in the drive for financial remuneration versus stability.

Chart 12



	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	(blank)
15-29	5%	39%	28%	19%	9%	0%
30-46	8%	33%	32%	23%	2%	2%
47 and above	8%	46%	23%	12%	8%	4%
(blank)						

Chart 12 above has been used to analyse responses amongst the different age groups to the statement that wealth creation will not make any difference to employees' decision to stay with the firm**.** The degree of uncertainty amongst all groups decreased on this statement compared to statement 11. The greatest disagreement with the statement comes from the Baby Boomers and I suppose this is not surprising considering the group's pattern of response to statement 11. Generation X and Y employees seem to share similar views on this statement as they have a relatively close percentage response rate on both the aggregate Disagree and Agree options.

It is very clear from the chart that a higher percentage of respondents across all age categories disagree rather than agree with this statement while under a third of all the age categories are unsure and choose to be neutral on this one. One can then infer from the response pattern above, that majority of respondents across all the age categories do share the view that the wealth creation scheme may make a difference to their decisions to stay with or leave the firm.

5.3.3 To identify the ideal wealth creation initiatives that would make employees stay longer with the firm. (Objective 3)

Statement 13: I prefer a short term incentive scheme like the current 13th month bonus or a 2 years pay-out scheme for all my financial entitlements to be paid to me. I don't want my financial compensation to be tied into a long term scheme.

Statement 14: I will prefer a medium term wealth scheme that I can fall back on in the nearest future (3 - 9 years).

Statement 15: I will prefer a long term wealth incentive scheme (10 years or more) to a short term (1 -2 years) or medium term (3-9 years) one.

The three statements above were made to ascertain the preferential length and structure of a wealth creation scheme.

The responses to these statements are indicated below:

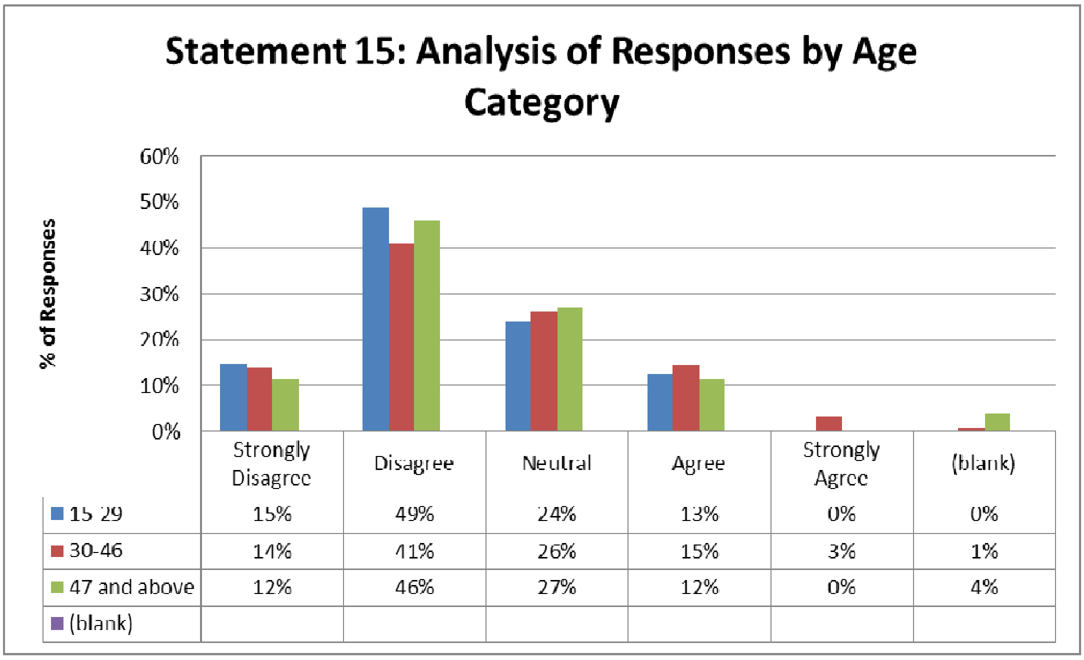
Table 10 – Responses to Statements 13, 14 and 15

Survey Statement	Response Scale	1	2	3	4	5	Mean	Mode	Std Dev
I prefer a short term incentive scheme like the current 13th month bonus or a 2 years pay-out scheme for all my financial entitlements to be paid to me. I don't want my financial compensation to be tied into a long term scheme.	Number of Responses	6	31	50	115	43	3.64	4	0.99
	% of responses	2%	13%	20%	47%	18%			
I will prefer a medium term wealth scheme that I can fall back on in the nearest future (3 - 9 years).	Number of Responses	13	50	69	100	12	3.2	4	0.99
	% of responses	5%	20%	28%	41%	5%			
I will prefer a long term wealth incentive scheme (10 years or more) to a short term (1 -2 years) or medium term (3-9 years) one.	Number of Responses	35	109	62	34	5	2.45	2	0.97
	% of responses	14%	44%	25%	14%	2%			

The table above shows a very strong preference for short term and medium term schemes. Short term schemes had an aggregate agree response rate of 65% (Agree and Strongly Agree options) while medium term scheme has an aggregate agree response rate of 46%. The mode of both options shows the strong preference in the response.

The long term scheme option has an aggregate disagree percentage of 58% with only 16% supporting the option. It is very clear that respondents prefer shorter term options to long term ones.

Chart 13



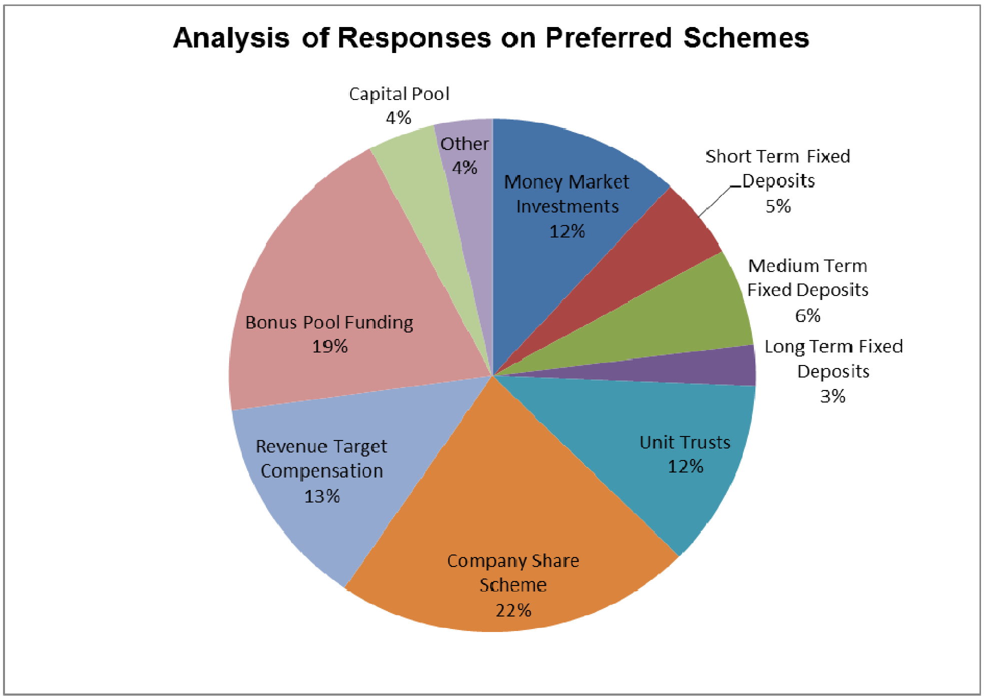
In Chart 13 above, the pattern of responses to statement 15 around the option of long term schemes is explored. This is done to see if there is a relationship between the aversion for a long term scheme and age or generation preferences.

The analysis shows that the responses amongst all age categories seem to be consistent. The greatest percentage of aggregate disagreements of 64% is from the 15 to 29 age group (Generation Y). This is followed closely by Baby Boomers with an aggregate disagreement percentage of 58% and Generation X being a bit more receptive to long term schemes with a disagreement rate of 55%.

Statement 16: What type of wealth scheme would you recommend for implementation?

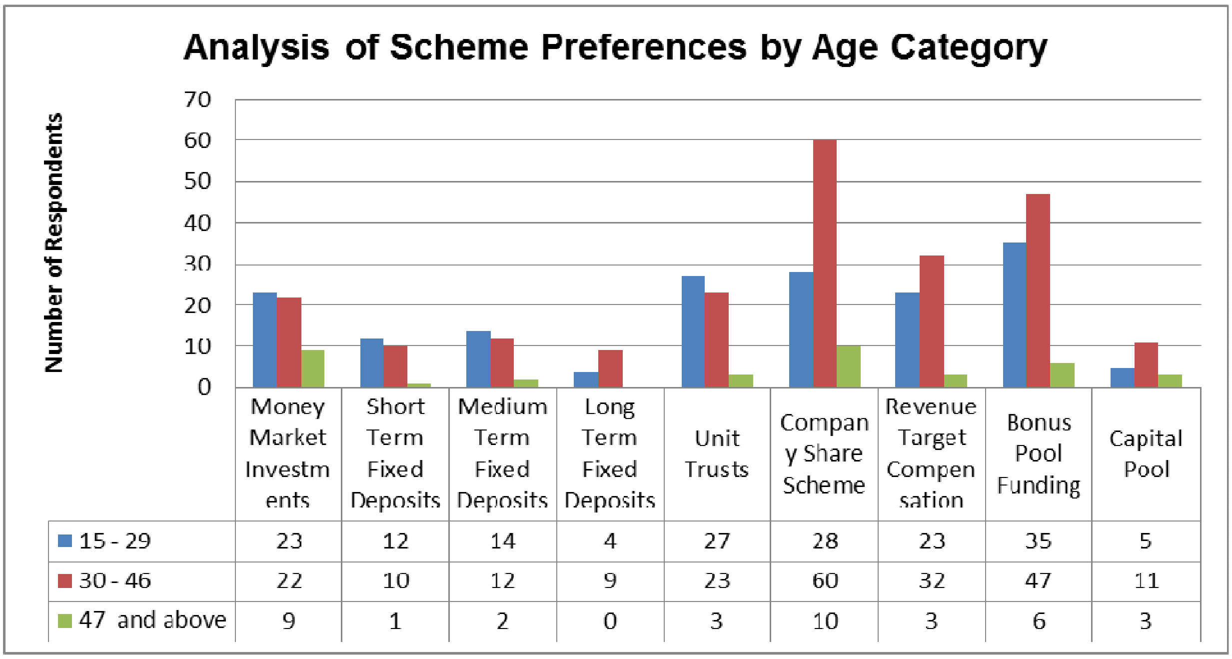
The statement above sought to elicit responses that would indicate employees preferred scheme type. The preferences of respondents are highlighted below:

Chart 14



The chart above tells a very good story on respondents' preferences. The most favourite option is company share scheme, followed by bonus pool funding, revenue target compensation, money market investments and unit trusts. This result does support the string preference for short and medium term schemes that appeared in the previous sections.

Chart 15



	Money Market Investments	Short Term Fixed Deposits	Medium Term Fixed Deposits	Long Term Fixed Deposits	Unit Trusts	Company Share Scheme	Revenue Target Compensation	Bonus Pool Funding	Capital Pool
15 - 29	23	12	14	4	27	28	23	35	5
30 - 46	22	10	12	9	23	60	32	47	11
47 and above	9	1	2	0	3	10	3	6	3

The above chart describes responses between age categories to highlight generational differences amongst respondents. The majority of respondents in the 30 – 46 years category (Generation X) support the company share scheme, followed by bonus pool funding and revenue target compensation.

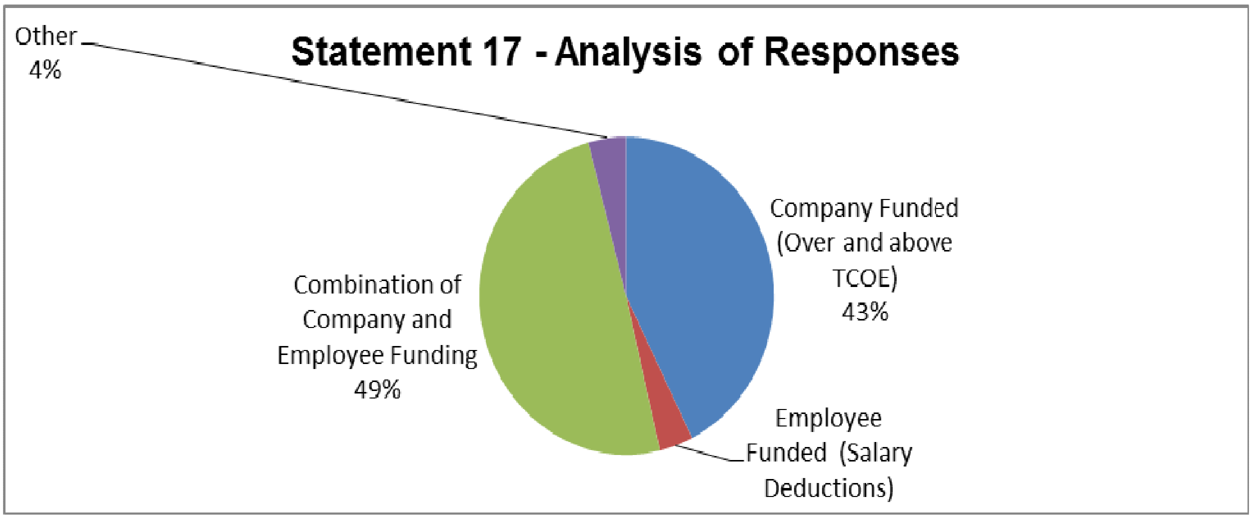
The Baby boomers preferences are also company share scheme, followed by money market investments and bonus pool funding.

For the Generation Y respondents, their top preference is bonus pool funding, followed by company share scheme and then unit trusts.

Statement 17: How do you think the initiative should be funded?

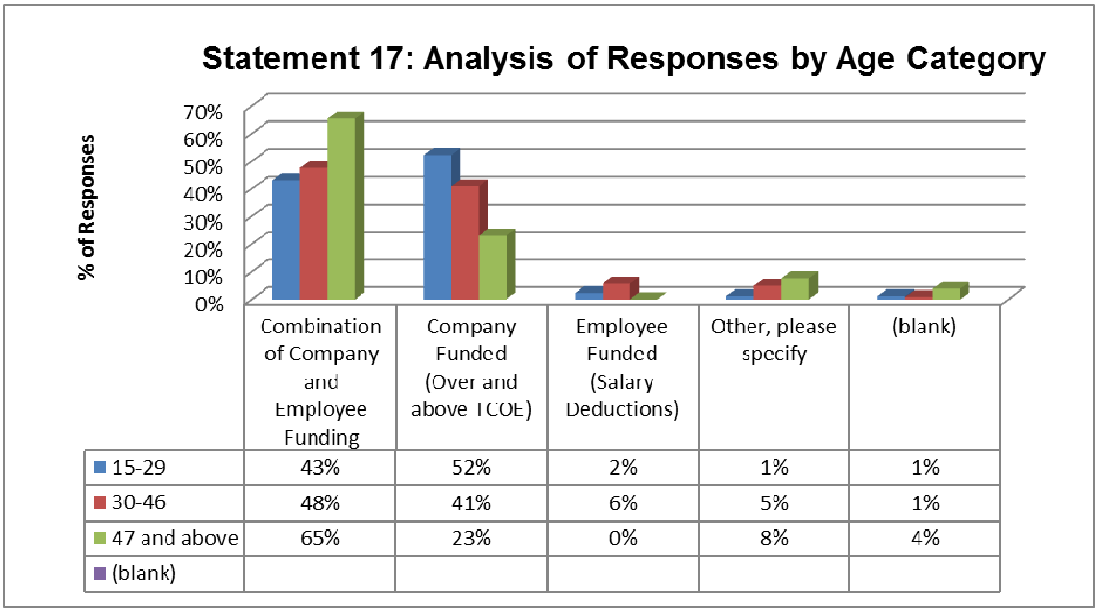
With this statement, the aim was to further explore employees' preference for the structuring of any proposed wealth creation scheme.

Chart 16



From the above chart, the highest number of respondents seems to favour a scheme where the company as well as employees contribute. A similar number of respondents also seem to rather favour a company funded scheme, over and above TCOE. It is very clear that respondents were averse to any scheme that deducts solely from their salaries.

Chart 17

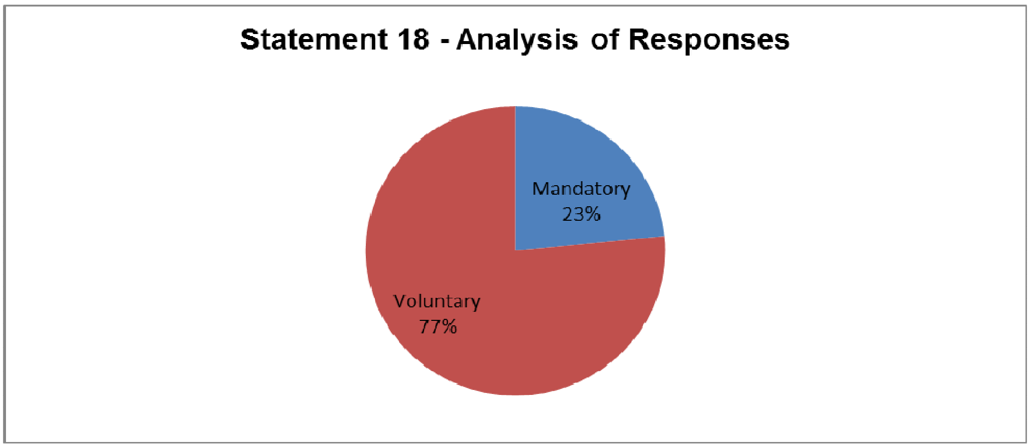


The above chart describes the preferences of the various age categories. Majority of the Baby Boomers support a joint contribution. The Generation X group are split between combination of company and employee funding as well as the sole company funding model. The Generation Y have a greater preference for company funded (over and above TCOE) and then the joint contribution option.

Statement 18: If a wealth scheme is initiated, do you think it should be mandatory or voluntary for employees to be a part of it?

Responses to the above statement are highlighted below:

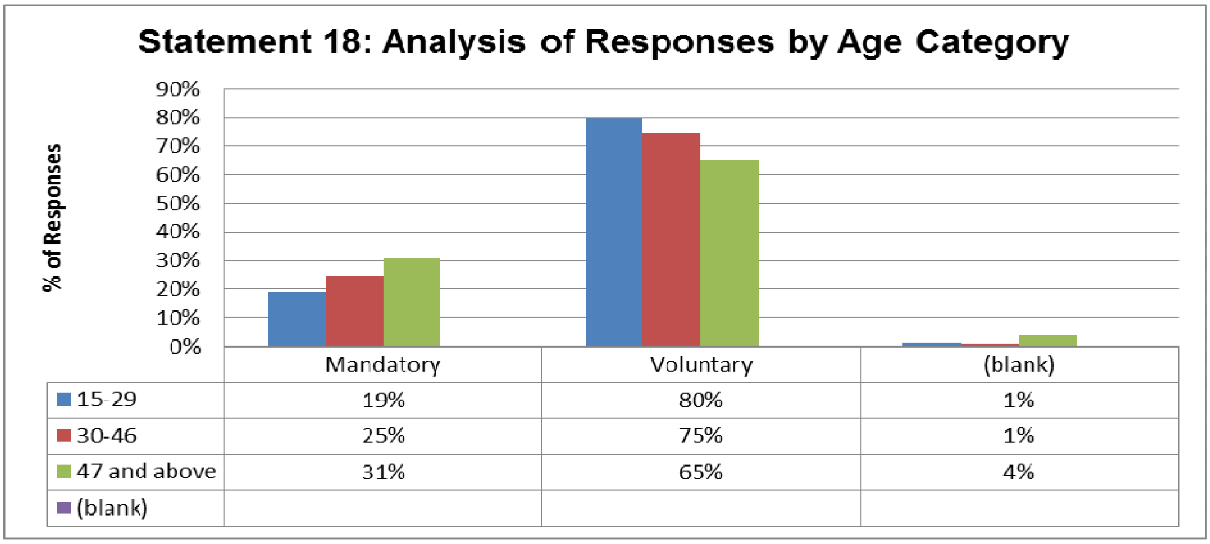
Chart 18



The above chart shows that over two-thirds of respondents are of the view that the scheme should be voluntary and not mandatory.

We also analysed the preferences of respondents by Age Category or generation in Chart 19 below. A higher percentage of Generation Y respondents support the voluntary option compared to Generation X and Baby Boomers.

Chart 19



5.4 Discussion per objective and integration

5.4.1 Ascertaining if financial compensation is indeed the most important reason why employees leave the firm (Objective 1)

The results of the survey around the above objective showed that most employees indeed do consider financial remuneration as the most important consideration for which they will be willing to leave the firm for another. The study also showed that the younger generation, from their responses, set a higher score on financial remuneration than the older generation.

The study also shows that a high percentage of respondents deem the salaries paid by the firm to be non-competitive and indicated unhappiness with their current remuneration. This was related to length of service and staff grades / levels; employees who have spent a longer period of service with the firm responded that they are satisfied and a higher percentage of employees below Associate Director level expressed the view that they are not happy with their current remuneration.

The above analysis, coupled with the strong affiliation with the statement that employees are willing to leave the firm for another with a higher remuneration package, buttresses the point that there is a need for management to strengthen financial remuneration as a means of keeping employees within the firm.

Surprisingly, there was a high response rate form the group of employees that have spent 20 – 30 years with the firm. One then begins to question why they are then still with the firm. This could be due to the fact that they consider other factors along with financial remuneration in deciding whether or not to stay with the firm.

This could well be supported by the responses to our questions around the importance attached to flexible working conditions and whether employees deem those conditions to be adequately present within the organisation. Nearly all respondents (90%) strongly agreed that suitable working conditions were as important as financial remuneration to them. Slightly over 50% of respondents agreed that these conditions were present at a satisfactory level in the firm. Further analysis of responses by period spent with the company showed that employees who had spent a longer period of time had a higher percentage of response rates supporting the fact that working conditions were satisfactory. Perhaps, testimony to why they are still with the company. This shows that, indeed employees do give due consideration to working conditions alongside financial remuneration and this means that the firm must continue to enhance both working conditions and financial remuneration.

5.4.2 Ascertaining whether employees will stay longer with the firm if provided with a wealth creation initiative (Objective 2).

With majority of respondents in support of statements that they will like a wealth creation scheme that they can fall back on in future and supporting the view that they will stay longer with the company if such a scheme is in place, it is quite evident that the wealth creation initiative may indeed be well received by employees.

Further analysis of responses by position showed that nearly all grade levels from Junior Consultants to Directors strongly supported the view that employees will stay longer with the firm except for respondents at Assistant Manager level who seemed to take a more neutral and perhaps, sceptical stance on this.

Even though a sizeable number of respondents indicated that they can create wealth for themselves, quite a number were uncertain about this. The analysis of responses on this by age category showed that younger people (Generation Y) supported this statement that they can create wealth for themselves more strongly than the older generations (Generation X and Baby Boomers). This showed the link again between generation preferences on financial remuneration.

Further probing on whether the presence of a wealth scheme would influence a decision to stay with or leave the firm showed quite varied responses. The fact that most respondents indicated that it would while quite a sizeable number stayed neutral showed that it is indeed an initiative that may be well worth considering. The high number of neutral responses showed that employees may probably not know what to expect from such a scheme. This would relate to what was highlighted by Hadaway L. (2009) that it is important for employees to understand why they are part of a wealth creation scheme as well as what the scheme is about. This is necessary to build the trust and ensure that employees' needs are always at the forefront of any decisions made.

5.4.3 Identifying the ideal wealth creation initiatives that would make employees stay longer with the firm (Objective 3).

Respondents showed a very high preference for short term initiatives, followed by medium term while long term initiatives came out as the least favourite. This trend was consistently across age categories which means there seemed to be a generation consensus on the preference for shorter term schemes.

When asked to select some schemes that may be deemed suitable, the following schemes were the top five selections.

- Company Share Scheme
- Bonus Pool Funding
- Revenue Target Compensation
- Money Market Investments
- Unit Trusts

We analysed the selections by age category again and found that Company Share scheme is the favourite for Generation X and the Baby Boomers while the preferred option for Generation Y is Bonus Pool funding. Generation preferences and risk appetite at play here again?

On the funding of the scheme, there was division of opinions amongst respondents as some supported a joint funding model between the company and employees whilst others supported the sole company funding model (over and above TCOE). Baby Boomers showed the greatest support for joint funding, followed by Generation

X and then Generation Y while the story was the other way around with sole funding; Generation Y led the pack here followed by Generation X and then Baby Boomers.

When asked if the scheme should be voluntary or mandatory, respondents overwhelmingly opted for the “Voluntary” option.

5.4.4 Other contributions from Respondents

5.4.4.1 Other actions that can be taken to improve retention

Respondents were requested to suggest to management, other actions that can be taken to improve employee retention. The following are the key responses that were given:

- Minimum Accidental cover if on road because of work.
- Profit sharing
- Savings plan
- Job enrichment initiatives.
- Leadership initiatives that focus on people rather than the job alone.
- Transformation initiatives driven by senior leadership to ensure that the firm is representative of what is happening outside the firm's walls.
- Non-monetary recognition of employees who are top achievers. Training of key performers in the organisation. New challenges for star performers to keep them motivated and passionate - maybe consider secondments to other areas of the firm for some time to gain experience and bring it back into their business unit.

5.4.4.2 Other factors leading to key loss of skills in the firm

Respondents were also asked to provide inputs on other factors which may be contributing to the loss of skills in the firm and below are the key contributions received:

- Slow movement of promotions. Inadequate growth opportunities.
- Lack of work-life balance in certain instances.
- Lack of challenging work.
- The firm does not take care of top talent, until such employee threatens to leave the firm.
- No real implementation of flexi-time working.
- No money in the industry, it is more profitable to work outside an audit firm doing the same work.
- Overtime is not paid and the job often requires such overtime, implementation of leisure pay could work where overtime is given back in leave days.
- Transformation issues.
- The leadership does not seem to listen and fully understand the grievances of their employees.
- Work load not matching salary.
- Mismatch of qualification versus actual work.
- Poor training and development initiatives; poor communication/bad strategies, environment of general mediocrity and a sense that one is not working within a leading team/firm.
- Too much focus is placed on developing the business and too little on the employees. Few tangible benefits/incentives.
- The lack of interesting work has contributed to people seeking other employment.

5.5 Summary

In this chapter of the study, we have presented and analysed the responses from the survey that was disseminated to all employees in the Southern African firm. The objectives of the study have been pursued with various questions and analysis on responses received. The study has sought to not only give a broad overview of preferences based on the responses but to associate preferences to generation gaps and grade levels where possible.

It is evident from the results of the survey that respondents do consider financial remuneration to be important but also set great value on suitable working conditions.

It is also clear that wealth schemes are viewed as a possible solution to increasing the rate of retention but that management would have to undertake some enlightenment for those employees who are uncertain about what this would mean for them.

The preferences of respondents around scheme structures and design has also been explored and it emerged that employees may be willing to enter into a joint scheme while preferring an option where the company funds the scheme solely on behalf of employees. It is also clear that such scheme would have to be voluntary.

Chapter 6: Conclusions and Recommendations

6.1 Introduction

This study was commissioned as a result of the current rate of loss of key skills within the professional services firm which is an on-going cause for concern amongst management. Management continues to invest time and money into attracting and developing skills but retaining these skills within the firm for a reasonable period of time to enable skills transfer and return on investment in those skills seem like an uphill task for management. This is resulting in massive investment and financial loss to the firm.

In previous chapters of the research, we explored emerging themes around this inability to retain talent. Themes such as remuneration, market opportunities and the education system were identified, at the problem analysis phase of this research study, as contributing factors.

The literature of a number of authors on various aspects of employee retention, wealth creation and education were explored which brought out diverse views around creating and managing wealth as well as employee retention.

The survey conducted on employees within the firm was to obtain real time first-hand information on employees' views around wealth creation, financial remuneration, and conditions of employment within the organisation. The survey also sought to elicit views on whether wealth creation is an initiative that can indeed be explored by management as an incentive to retain skills in the organisation and if so, how it should be structured.

6.2 Conclusion

The study showed that most employees set stock on good financial remuneration as well as working conditions as factors that will make them stay with the firm. A number of employees while unhappy with their current rate of remuneration which they deem uncompetitive seem to still stay with the firm due to working conditions which they consider satisfactory. We saw the trend of employees who have stayed longer with the company saying that working conditions are satisfactory.

Based on the responses, it is highly likely that a wealth creation scheme will be well received by employees depending on how it is structured as the initiative is viewed by most respondents as one that will make them stay with the firm. A number of respondents seemed sceptical about the proposition, possibly due to lack of details on what exactly to expect from such a scheme and how it would affect their current earning power.

Most respondents favoured a voluntary scheme, which can either be joint funded (company and employee) or a sole company funded scheme, over their TCOE.

It was very clear from the study that whatever the wealth scheme that will be implemented, it should be one where the financial benefits can be reaped over a short or medium term. It seemed employees would not want their finances to be tied down over a long period of time. They also seemed to favour schemes that would give them some part ownership of the firm as majority opted for company share scheme as the top preferred option or could it be because this is surely the mostly popular kind of employee scheme known? Given that the firm is not a publicly owned company but a partnership, this option may have to be explored further in terms of how and if share schemes can be structured for employees in this kind of a business structure.

6.3 Recommendations

From the results of the research study, the following recommendations are made to address the research problem:

- The implementation of a wealth scheme is recommended for implementation.

- A representative employee-management committee should be set up to look into the various wealth creation schemes which came out of this study as those preferred by employees. This should entail a thorough analysis of the pros and cons of each scheme type. An adaptation of certain scheme types to the professional services environment should be explored i.e. how can a share scheme be implemented in such a business?

- Consideration should be given to piloting two major schemes at once, instead of one, to give room for comparison on the functioning of each of the schemes over a period of time and to also give employees some leverage to choose their preferred scheme.

- The wealth scheme should be short to medium term. It should be structured in such a way that financial benefits can be reaped over a short term.

- The scheme should be voluntary and should be promoted in such a way that employees will be encouraged to be a part of the scheme.

- The scheme should be structured in such a way that it does not affect the earnings or take home income of employees. Various ways should be considered to structure and fund the initiative for each employee. If it will be a voluntary scheme, then a joint contribution model may be appropriate to ensure that there is a price for the decision to be a part of the scheme. However if the fund will be mandatory, management should then consider a sole company funded structure. A system of integrating the funding into TCOE should be explored.

- Consideration should also be given to incentivising junior level and younger generation staff who seem to be more focused on financial remuneration probably due to the fact that they earn less. This can be done by making their scheme wholly company contributory while managers and above may be joint contributory. This will reflect the outcome of the survey, which showed a more matured and receptive response towards a joint contributory scheme.

- It should be ensured that there is adequate communication and transparency on the structures and functioning of the scheme. Employees should understand why they are a part of the scheme, what the benefits would be for them and be able to do some short term projections in terms of the financial benefits that will accrue to them.

- Consideration should also be given to how to address the other concerns and contributions made by respondents to this survey on key issues affecting retention such as:
  - development of star performers – global short term secondment opportunities can be considered to expand their knowledge and capabilities and also demonstrate a focus on employee development by the firm,
  - promoting work-life balance – especially for junior employees. A process of engagement with this group is advised for management to enquire and design a suitable flexi working arrangement for them,
  - transformation – mentorship for key transformation star performers should be considered (with a clear path of growth outlined for such candidates), communicated and monitored,
  - consideration for other employees benefits such as work accident cover and other lifestyle benefits,
  - expansion growth and advancement opportunities,
  - adequate communication of strategies,

- additional engagement with employees on the part of the leadership – team-building sessions and activities should be brought back.

6.4 Summary

In conclusion, this study has been able to conclusively show that the creation of a wealth scheme, if implemented in a transparent, understandable and result-oriented way, may assist with reducing the rate of loss of skills within the firm.

Recommendations have been made on actions and activities that will aid the implementation of the wealth scheme as well as those that can be undertaken to address other concerns raised by respondents.

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Appendices

Appendix 1 – Introduction of Survey to Respondents

MBA Research Topic: ***"Retention of Employees through Wealth Creation Initiatives"***

In the professional services industry, it is no secret that our people are our greatest assets. The investment in human capital is the core of our business, the dividends of which can never be under-estimated. Our continued success therefore lies in being able to retain that investment within our organisation.

The current high rate of turnover within the firm, and in the professional services industry, is indeed a big challenge for management, one that necessitates a look into a variety of ways of keeping our talent within our environment.

This research work has been commissioned to look into one of the proposed initiatives for retaining employees; that of wealth creation. We aim to source your views on wealth creation as a way of increasing rate of retention or otherwise.

This survey is an anonymous one; hence we have not requested for names but other demographic information needed to analyse the responses given to the research questions.

It will take you approximately 15 minutes to complete this research. Your inputs are highly appreciated.

Regards

Bukkie Adewuyi
Senior Manager
Risk Advisory

Appendix 2 – Survey Questionnaire

Demographic Information

Sex	Male Female
Age Range	15 - 29 30 - 46 47 and above
Race	African Black Indian Coloured White EQ White (Non South African Blacks)
Service Line	Consulting Risk Advisory Audit Corporate Finance Tax Deloitte of Tomorrow Group Finance Group HR & D Reputation, Risk & Independence GIS Security Office Risk & Quality Review Clients & Markets Other
Office / Region	Woodlands Pretoria Cape Town Durban East London Botswana Port Elizabeth Other

Position	Enablement Junior Consultant Consultant Senior Consultant Assistant Manager Manager Senior Manager Associate Director Director
Years of service with the firm	Less than 1 year 1 - 4 5 - 10 20 - 30 Above 30

Objective 1: To ascertain if financial compensation is indeed the most important reason why employees are leaving the firm.

No	Questions	5 Strongly Agree	4 Agree	3 Neutral	2 Disagree	1 Strongly Disagree
1.1	Financial compensation is the most important consideration for my continued stay with the firm.					
1.2	Other factors such as flexi-time, work-life balance, career progression opportunities and brand reputation are as important as financial remuneration to me.					
1.3	The factors mentioned in the question above (flexi-time, work-life balance, career progression opportunities and brand reputation) are present at a satisfactory level within the firm.					
1.4	Salaries currently paid by the firm are competitive.					
1.5	I will resign from the firm today if I am offered a higher salary package by another company.					

(Answer Scale)

Objective 2: To confirm if employees would stay longer with the firm if provided with a wealth creation initiative.

2.1	I will like a wealth scheme that will give me a sense of belonging in the firm and that I can fall back on in future.					
2.2	I will stay longer with the firm if there is a wealth creation initiative in place for me.					

2.3 The wealth creation initiative will reduce the current rate of employee turnover in the firm.					
2.4 I prefer to have all my financial compensation paid to me as and when due. I can create wealth for myself.					
2.5 A wealth scheme will not make a difference to any decision I make to stay with or leave the firm. I do not deem it to be of any importance to me at this point of my career.					

Objective 3: To investigate the ideal wealth creation initiatives that would make employees stay longer with the firm.

3.1 I prefer a short term incentive scheme like the current 13th month bonus or a 2 years pay-out scheme for all my financial entitlements to be paid to me. I don't want my financial compensation to be tied into a long term scheme.					
3.2 I will prefer a medium term wealth scheme that I can fall back on in the nearest future (3 - 9 years).					
3.3 I will prefer a long term wealth incentive scheme (10 years or more) to a short term (1 -2 years) or medium term (3-9 years) one.					
3.4 A wealth creation scheme will definitely make me stay longer with the firm.					

What type of wealth scheme would you recommend for implementation?

Money Market Investments

Short Term Fixed Deposits
Medium Term Fixed Deposits
Long Term Fixed Deposits
Unit Trusts

	Company Share Scheme Revenue Target Compensation Bonus Pool Funding Capital Pool Other If other, please state below
How do you think the initiative should be funded?	Company Funded (Over and above TCOE) Employee Funded (Salary Deductions) Combination of Company and Employee Funding Other If other, please state below

What other initiatives (apart from wealth creation) would you recommend for the company to implement in addressing the issue of retention of talent?

What other reasons can you identify for the firm's loss of key talent?

Please provide any additional inputs that you may have on this topic.