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MILLENNIAL TALENT MANAGEMENT STRATEGIES AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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Abstract

The objectives of this study focused on establishing the influence of corporate branding and remuneration on the performance of commercial bank in Kenya. To achieve these objectives, the study employed descriptive study design to gain evidence in regard to the current status of the phenomenon. The target population was 42 commercial banks in Kenya and the unit of observation was human resource department from which 42 respondents were identified. The primary data was collected using structured questionnaire and the mode of administration was drop and pick and the secondary data was collected from the banks' annual reports and publications. Descriptive statistics was applied to establish the influence of millennial talent management strategies on the performance of commercial banks in Kenya. Regression analysis was used to analyze the quantitative data while data presentation was done inform of tables, charts and graphs. The study found that career progression from lower cadre to management level is well defined. Rewards and incentives are based on agreed performance criteria. Commercial banks have corporate branding strategies. The banks' CSR programs are linked to business strategy and their employees bond strongly with their customers. Commercial banks offer company branded items to their employees. However, the banks fail to rate internal branding experience. The study further revealed that corporate branding allows marketing efforts to easily target the most appropriate segments for product offers. The study recommended that the banks should ensure that employee remuneration contribute to staff mobility in the organization. Organizations should rate their internal branding experience so as to establish a strong brand image coupled with a desired, quality product to increase the company's profits.

Key Words: Remuneration Strategy, Corporate Branding, Performance Of Commercial Banks.

Introduction

Millennial generation employees can be described as those born after 1980 and the first generation to come of age in the new millennium (Gullicano, 2013). Globally, the millennial generation comprise 45% of the active labor force is projected to increase 75% of the total active labor force by 2025 (Deloitte, 2016). The millennial generation is slowly edging out the baby boomer generation from the workplace. As PWC (2013) noted, millennial are entering the job market in vast numbers and hence they will shape the workplace in years to come. Based on such trends, retention of skilled and talented millennial generation forms a fundamental component of strategic workforce planning (Oczelik, 2015).

According to the global workforce survey conducted by Deloitte (2016), millennial employees have increasingly outnumbered other generations in their share of the labor market. Developing dynamic millennial talent management strategies will eventually sustain the performance of the banking institutions since generation X and Y is exiting active employment. According to Hanif and Yunfei (2013), human resource training and development is one of the talent retention strategies used by banks, which encompasses leadership development. In addition, leadership development interventions for millennial employees reflect the organization strategies towards sustained talent retention and organization profitability.

According to Lyria, Namusonge and Kariuki (2015) despite myriad millennial talent management strategies such as clear career progression path, and training and development the level of millennial exit from the banking sectors has remained the biggest challenge for the modern managers. Devoid of an intentional effort to transfer knowledge from baby boomers to the millennial employees, the banking sector will lose skills and competences held by the baby boomers. In order to bridge the skills gap between baby boomers and millennial employees, banks enlisted succession planning to prepare young employee to take up leadership roles. In support of this observation, Lyria et al (2015) noted that commercial banks in Zambia were using internal leadership development program as a talent management strategy to improve the overall performance, a strategy that was echoed by the Standard Bank group (Standard bank, 2014). During the 2008 financial crisis, bank managers witnessed baby boomers exiting the labor market further highlighting need to develop millennial employees.

According to Gitonga (2012) an integrated set of activities that enable the organization to plan, procure, develop, retain, and motivate the retention of the right kind of employees actualizes the organization mandate. This is achievable through voluntary association of productive assets in order to boost firm performance. In addition, corporate branding incorporated employee branding promoted emotional and psychological alliance between the organization and employees that enhanced the rate of retention and firm performance. Equally, Sciarelli (2008) noted that collaborative management style and emphasis on learning produced the organization culture that facilitated employee retention and firm performance.

Statement of the Problem

In the Kenyan banking industry has grappled with electronic fraud and insider trading that has negatively affected the performance of the industry as a whole (CBK, 2016). Notably, the identified cases of fraud and electronic theft in the banking sector are perpetuated by young, multi-skilled employees as opposed to the generation X or Y employees. Millennial employees thrive in a digital world; hence, managers must develop challenging work environments to encourage young employees to exploit their talent and skills to the benefit of the organization. Illustratively, Pwc (2013) noted that two in every five millennial feel that their use of technology is not always understood and hence 75% of millennial in Africa compared to 65% worldwide feel they are held back by outdated and rigid working style (Kwong, 2016). Although 59% of the global employers provide state of the art technology in the workplace, millennial employees admit to using their own technology at work as a complimentary measure (Weiwei, 2007).

Talent management issues have become more challenging due to the dynamics of the millennial employee expectations (Gitonga, 2016). Talent management strategies have been widely perceived as the solution for the financial performance challenges in the banking sector. As such, there is need to examine the application of diverse millennial talent management strategies by the commercial banks in Kenya to how they influence their overall firm performance. Past scholarly research has not satisfactorily addressed the relationship between millennial talent management strategies and the organization performance (Weiwei, 2007). Therefore, this study bridges the gap by establishing the influence of the millennial talent management strategies on the performance of commercial banks in Kenya.

Research Objectives

To examine the influence of the millennial talent management strategies on the performance of commercial banks in Kenya. The specific objectives were;

1. To determine the influence of remuneration strategy on the financial performance of commercial banks in Kenya.
2. To establish the influence of corporate branding on the financial performance of commercial bank in Kenya.

Theoretical Review

Resource Based Theory

Initiated in the mid-1980 by Wernerfelt (1984) resources-based theory has become one of the dominant approaches to the analysis of firms' competitive advantage. This idea was further advanced by Barney in his 1991 article published in the journal of management that theorized resources and capabilities as critical sources of firms' competitive advantage (Barney, Ketchen &Wright, 2011). The assumption is that firms in an industry are heterogeneous in respect to the resources they control. The second assumption is that heterogeneity of the resources may persist

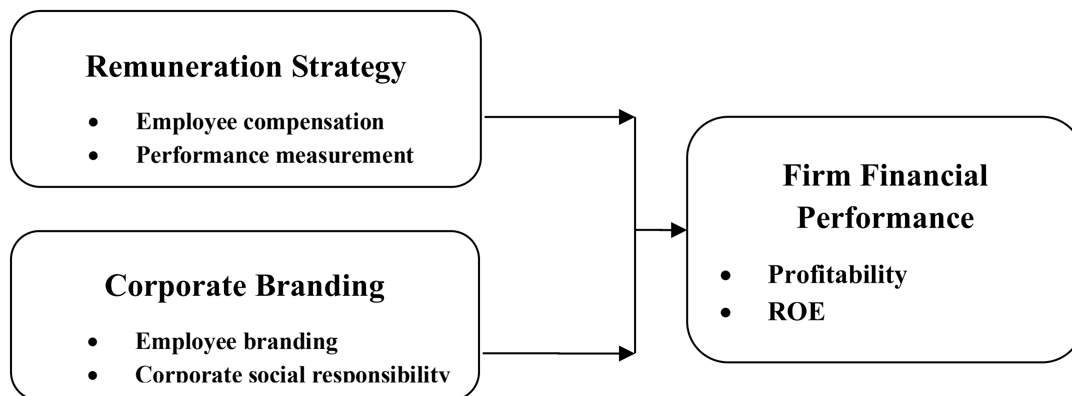
because the sources used to implement strategies are not uniform in all the organizations across the industry (Bromiley & Rau, 2016). Resource based theory emerged as one of the influential strategic management theories because it advances the idea that a firm success is dependent on owning and deploying valuable and unique resources. Barney et al (2011) underpins that 20 years later resource-based theory (RBT) is widely acknowledged as the most prominent and powerful theory for describing, explaining and predicting organization performance.

Expectancy Theory

Expectancy theory was originally developed by Vroom but later refined and advanced by Lawler and Porter (Sloof & Praag, 2007). Vroom focused on the motivation of employees and has served as a rich source of theoretical innovation in various domains such as performance, compensation, and organization behavior. From a strategic management point of view, the expectancy theory advances the idea that an employee will be motivated to a degree that s/he believes will lead to acceptable performance (Simone, 2015); performance will be rewarded and the value of reward is highly positive. This encapsulates three elements that form the core of the expectancy theory, which are expectancy, instrumentality, and valence. Combining the instrumentality and expectancy of the employees gives the management a platform to understand whether the implemented strategies can lead to sustained organization performance. Expectancy is concerned with the individual perception that effort is positively correlated with performance.

Conceptual Framework

In the conceptual framework, remuneration strategy and corporate branding form the independent variables of the study; while the dependent variable is firm performance.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

Managers in the corporate level face a variety of strategic decisions that concern the overall corporation, one of these decisions is using employee branding strategy (Shahri, 2011). Employee branding focuses the organization reputation as an employer and the value proposition to the employees as opposed to general corporate brand and reputation among the customers. As such employee branding a source of strategic competitive advantage leads to positive outcomes. On the employee branding in the banking sector, a survey conducted by Semnani (2014) revealed that although there is no extensive research on individual employee branding in the banking sector, employees can internalize the desired brand image and be able to project it to the customers. Engaging employees' in creating an organization brand that can be projected to the customers and stakeholders elicit organizational commitment among employee which maximizes firm performance.

A study conducted by Hani and Yumfei (2013) found that the psychological contract that exists between employees and the firm motivates the employees to apply their skills and competencies towards realizing superior firm performance. Also, the study by Shahri (2011) showed that there is a connection between strategic decision making in employee branding and firm performance. Specifically, the study revealed that the effectiveness of corporate branding is espoused in the SBUs leading up to their desired results (Semnani, 2014). As such, employees require special brands and logos, which form part of the corporate image. Corporate image increases performance of the organization for instance in terms of profitability. Understandably, branding strategy not only leads to economic growth but also contribute in firm performance (Shahri, 2011). Based on this argument, banking industry managers can involve employees as brand ambassadors thus enhancing their commitment to the overall organization performance.

Methodology

In the study, descriptive research design was used. The study collected primary data using semi-structured questionnaires with both open and closed questions. Secondary data was collected from the annual reports and other company publications of regulatory bodies mainly on firm performance variable. Descriptive statistics was applied in the analysis of the descriptive data in terms of percentages, frequencies, means, and standard deviations. Regression analysis was applied to establish the relationship between independent and dependent variables.

Results and Discusion

The study targeted a sample of 42 respondents from which 37 respondents were able to complete the questionnaires. A response rate of 88% was thus achieved which is regarded as satisfactory for the analysis and computation of the data. Reliability was calculated with the help of Statistical Package for Social Sciences (SPSS). All the Cronbach's alphas values were higher than the recommended threshold of 0.7.

Remuneration Strategy and Performance of Commercial Banks

Majority of the respondents agreed on the statements that they have a remuneration strategy as shown by a mean of 3.71, rewards and incentives are based on agreed performance criteria as shown by a mean of 3.84, their remuneration package is attractive and above industry average as shown by a mean of 3.74 and that they have structures to make salary scale predictable as shown by a mean of 3.56. The respondents however disagreed on the statements that employer remuneration contribute to staff mobility in the organization as shown by a mean of 2.37. The findings were consistent to Hong and Waheed (2011) whose study established that remuneration plays a significant role in determining the retention of talent and the overall performance of the organization. The respondents indicated benefits such as promotions, salary increment, and unsecured loans with low rates, allowances, and career development. Similar to the findings of this study, a study by Sloof and Praag (2007) also established that remuneration, rewards, and incentives is directly related with employee productivity which creates a direct link to the firm performance.

Table 1: Remuneration strategy and the Performance Commercial Banks

Statements	Mean	Std Dev
We have a remuneration strategy	3.71	0.250
Our remuneration package is attractive and above industry average	3.74	0.260
Rewards and incentives are based on agreed performance criteria	3.84	0.258
We have structures to make salary scale predictable	3.56	0.189
Employer remuneration contribute to staff mobility in the organization	2.37	0.225

Regression Analysis

Model Summary

The results in table 2 indicate that a variation in R^2=0.480 in dependent varibale can be attributed to changes in independent variable as a 48% change in the performance can be attributed to chages in remuneration. From the findings shown in the table there was a positive relationship between the study variables as shown by 0.693.

Table 2: Regression analysis Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	. 693[a]	.480	.461	.2344

a. Predictors: (Constant), remuneration

ANOVA Analysis

From the findings there was a significant goodness of fit of the model as the significance level of was 0.1% which shows that the data is ideal for making a conclusion on the population's parameter

as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance, 1 d.f, 35 d.f was 4.1213 while F calculated was 15.172, since F calculated is greater than the F critical (F_{cal} =15.172>Fcr=4.1213), this shows that the overall model was significant.

Table 3: ANOVA Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.197	1	11.197	15.172	.001b
	Residual	25.83	35	0.738		
	Total	37.027	36			

Coefficients

$$Y_i = 1.836 + 0.659\ X_1$$

From the regression equation it was found that holding remuneration strategy to a constant zero, performance would be at 1.836. At 5% level of significance and 95% level of confidence, the variable was significant ($p<0.05$). Similarly, Sloof & Praag, (2007) noted that employees' remuneration is closely tied with their level of performance.

Table 4: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.836	0.303		6.059	0.001
Remuneration	0.659	0.133	0.624	4.955	0.001

Corporate Branding and performance of commercial banks

Majority of the respondents agreed on the statements that they have a corporate branding strategy as shown by a mean of 4.26, their CSR programs are linked to business strategy as shown by a mean of 4.12, their employees bond strongly with their customers as shown by a mean of 4.12 and that they offer company branded items to their employees as shown by a mean of 4.10 The respondents however disagreed on the statement that they rate internal branding experience as shown by a mean of 2.43. The finding is consistent to Semnani (2014) because he revealed that creating an organization brand that can be projected to the customers and stakeholders elicit organizational commitment among employee which maximizes firm performance.

The respondents noted that corporate branding allows marketing efforts to easily target the most appropriate segments for product offers. The branding distinguishes a company by lifestyle, geography and socio-economic factors. They indicated that corporate branding helps pave the way for a company to increase its market share through expanding its product footprint. An established, known brand requires less marketing effort to sell the company, products and services to a new market. A strong brand image coupled with a desired, quality product may infiltrate an established market and quickly take market share and increase the company's profits. To concur with the

findings, Shahri, (2011) found that corporate image increases performance of the organization for instance in terms of profitability.

Table 5: Effect of corporate branding on the performance commercial banks

Statements	Mean	Std Dev
We have a corporate branding strategy	4.26	0.232
We offer company branded items to our employees	4.10	0.290
We rate internal branding experience	2.43	0.358
Our CSR programs are linked to business strategy	4.12	0.177
Our employees bond strongly with our customers	4.11	0.169

Regression Analysis

Model Summary

The results in table 5 indicate that a variation in R^2=0.491 in dependent varibale can be attributed to changes in independent variable as a 49.1% change in the performance can be attributed to chages in corporate branding. From the findings shown in the table above there was a positive relationship between the study variables as shown by 0.701.

Table 6: Regression analysis Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	. 701[a]	.491	.475	.24770

a. Predictors: (Constant), corporate branding

ANOVA Analysis

From the findings there was a significant goodness of fit of the model as the significance level of was 0.1% which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance, 1 d.f, 35 d.f was 4.1213 while F calculated was 15.512, since F calculated is greater than the F critical (F_{cal} =15.512>Fcr=4.1213), this shows that the overall model was significant.

Table 7: ANOVA Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.441	1	12.441	15.512	.001b
	Residual	28.07	35	0.802		
	Total	40.511	36			

Coefficients

$Y_i=1.651+ 0.682X_1$

From the regression equation it was found that holding corporate branding strategy to a constant zero, performance would be at 1.651. At 5% level of significance and 95% level of confidence, the variable was significant ($p<0.05$).

Table 8: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.651	0.246		6.711	0.001
Corporate branding	0.682	0.138	0.661	4.942	0.001

Firm Financial Performance

Table 9: **Financial performance of commercial banks**

Ratio	Formula	2013	2014	2015	2016	2017
ROE	$\frac{Net\ income}{equity}$	0.29	0.28	0.23	0.24	0.23
Net Profit Margin	$\frac{Net\ income}{Revenue}$	0.25	0.24	0.24	0.23	0.22

From the study findings, the return on equity was highest (0.29%) in 2013; it dropped to .028 in 2014, dropped to 0.23 in 2015, rose to 0.24 in 2016, then dropped to 0.23 in 2017. The net profit margin was highest (0.25) in 2013 and lowest in 2017 (0.22).

Conclusions

The commercial banks have a remuneration strategy. Rewards and incentives are based on agreed performance criteria. The benefits offered to millennial employees to retain their skills and talents towards superior firm performance include promotions, salary increment and unsecured loans with low rates, allowances and career development. Commercial banks have corporate branding strategies. The banks' CSR programs are linked to business strategy and their employees bond strongly with their customers. Corporate branding allows marketing efforts to easily target the most appropriate segments for product offers. The branding distinguishes a company by lifestyle, geography, and socio-economic factors.

Recommendations

Commercial banks have a remuneration strategy where millennial employees retain their skills and talents towards superior firm performance. The study recommends that human resource managers

in collaboration with the top management should ensure that employee remuneration contribute to staff mobility in the organization. Performance driven remuneration structure is critical in sustaining superior firm performance. Commercial banks have corporate branding strategies; however, the study recommends that the marketing managers should collaborate with the human resource managers to rate their internal branding experience so as to establish a strong brand image coupled with a desired, quality product to increase the company's profits. Employee involvement is critical to the success of this recommendation.

Suggestions For Further Studies

The study sought to examine the influence of the millennial talent management strategies on the financial performance of commercial banks in Kenya. The findings of the study can only be generalized to suit the banking industry. The researcher therefore suggests that further studies be conducted to examine the influence of the millennial talent management strategies on the financial performance of organizations in other sectors.

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