TALENT RETENTION AND ORGANIZATIONAL PERFORMANCE IN FAMILY OWNED RETAIL BUSINESSES IN THE NAIROBI METROPOLITAN REGION

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ABSTRACT

This study aimed at examining the relationship between talent retention and the performance of family owned retail businesses in the Nairobi metropolitan region. The choice of the retail sector was because family businesses in the retail sector in Kenya have experienced a lot of turbulence over the years especially after the exit of the founders from their management. The study adopted the Human Capital Theory as proposed by Schultz (1961) to expound on the concept of Talent retention. The research population consisted of 438 branch managers and their deputies drawn from 219 retail companies in the Nairobi Metropolitan Region in Kenya. The sample consisted of two hundred and seventy-four managers and their deputies who were chosen from family owned retail stores in the Nairobi metropolitan region that have more than 8 branches. Questionnaires were used to collect primary data. The study adopted a quantitative research design. Regression analysis was used with the SPSS software used in data analysis. The Pearson's R-correlation was used to determine the strength and direction of the relationship between the variables. The results show a significant positive effect of talent retention ($\beta = 0.346$, $p<0.001$) on the performance of family businesses. The study therefore concludes that talent retention increased organizational performance.

Key words- Talent retention, Retail sector, Performance

1. Introduction

Family businesses are a vital part of economic growth and plays a significant role in efforts to help countries escape poverty. In developing nations, small-scale businesses are the main engine of economic expansion, job creation, and poverty eradication. They have served as the vehicle for achieving both rapid industrialization and accelerated economic growth. Additionally, it has been acknowledged that small-scale businesses serve as a feeder service to large-scale industries (Fabayo, 2019).

Given the significance of family businesses for the growth of economies and societies, their short lifespans are, however, a cause for concern because business survival is essential to the sustainability of economies. Fewer than 14% of family businesses survive past the third generation globally, according to estimates made by Bjuggren and Sund (2023), and only 30% of family businesses make it to the second generation. The survival rates of smaller family businesses, which typically only last five to ten years, make them particularly vulnerable (Asiimwe, 2019).

In Britain, TM has been found to be of strategic importance, with structured and planned approaches in many of the organizations. A study that sought to and the role of line managers in the Scottish hospitality industry found that Line Managers are given a great deal of responsibility, thus organizations ought to provide them with time, resources and support. It was also found to be significant in managing emotions (Athey, 2018). Talent management has largely been perceived as a management issue. A study conducted in Hong Kong on management trainees (Damasetz & Lehn, 2020), found that Talent Management (TM) as a new form of human resource innovation has been described from the managerial and organizational point of view. Rarely is it captured from the early-career employees who are the subject of these initiatives.

Family-owned businesses in Kenya have been an important dimension of businesses for a long time. Most of them start as micro and grow into small, medium and large corporations if they are properly managed (Buckman, et al., 2020). Their contribution in the economic sector in Kenya cannot be underscored as their contribution to the Kenyan GDP amounts to 75 percent (Kehinde, 2018). Most notable however, is a dip in performance in family businesses especially after the demise or incapacitation of the founders which has been attributed to mismanagement, weak succession plans, lack of vision champion, among other factors (Sindambiwe, 2020; Ngugi & Patrick, 2023). In order to enhance performance, there is need to dwell on their Talent management practices. Talent Management (TM) has become a vital part of the HR job profile, and if rightly done, the whole company stands to benefit from it. TM has become a new field of great concern to enterprises in developed countries (Meyers, 2018), and following suit, are the developing countries.

2. Organizational Performance

Organizational performance can be said to be a measure of a firm's resource utilization success from its normal business operations (Kiwia, et al.,2019). Hosseini et al, (2018) defines organization performance as a multidimensional concept that considers situation of the firm with respect to competitors. He further asserts that organizational performance is a result that occurs as the outcome of organizational behavior. Some researchers contend that performance should be defined as the work results, as they are most strongly linked to strategic goals, customer satisfaction, and financial earnings.

Organizational performance may be realized due to varied reasons. The nature of management, competition, strategies in use, the nature of employees among others are likely to determine whether an organization registers superior performance or not. Collings et al., (2019) found a positive relationship between Global talent management and performance in multinational enterprises. Kiwia, et al (2019) attributes it to Succession planning while Sfreddo, et al., (2023) found that ISO 9001 based quality management systems positively affected performance. AlintahAbel and Ugochukwu (2020) found that the choice of company strategies affected organizational performance.

Various indices have been used to measure organizational performance, for example profitability, continuity, growth, competitive capabilities, and the degree to which the objectives are achieved can be regarded as the result of good performance (Tolonen, et al., 2015). Amhalhal et al. (2023) classified performance measures into financial and non-financial performance. It may be also measured in terms of organizational operations, customer and employee satisfaction and organizational growth (Saranga & Nagpal, 2016). It is worth noting that Family businesses that have realized continuity and growth tend to perform poorly when the founders exit the scene (Sindambiwe, 2020; Ngugi & Patrick, 2023).

Notably, 70% of family-owned businesses tend to perform poorly after the exit of the founders from running them (Family Business Survey, 2023). This has also been found in a study conducted in Ghana on the transfer of family business from one generation to next. The study found that this has resulted in collapse of most family business in both developed and developing economies. This was attributed to the failure of the internal successors to understand the intention of founder (Coleman et al, 2020).

3. Human Capital Theory

The proponent of human capital theory is Schultz (1961) but was developed extensively by Becker (1964). Schultz (1961) in an article entitled "Investment in Human Capital" introduces his theory of Human Capital. Schultz argues that both knowledge and skills are a form of capital, and that this capital is a product of deliberate enterprise growth. Therefore, an organization should invest in people through education and training. According to Schultz acquisition of knowledge and skills is compared to acquiring the means of production. The difference in earnings between people relates to the differences in access to education and health. In the theory Schultz argues that investment in education and training leads to an increase in human productivity, which in turn leads to a positive rate of return and hence of growth of organizations.

The theory stresses the value addition that people contribute to an organization. According to this theory people are regarded as assets and it stresses that investments by organizations in people will generate worthwhile returns. These must be retained in the organization if it has to perform well. The theory is associated with the resource-based view of strategy developed by Barney (1991) who proposes that sustainable competitive advantage is attained by an organization if it has a human resource pool that cannot be imitated or substituted by its competition. Therefore, organization should always strive to attract the best talent through investment in training and development. This will always help retain the people who have the best skills that can create a competitive advantage for the organization that will improve its returns. These returns are expected to be improvements in performance, productivity, flexibility and the capacity to innovate that should result from enlarging the skills base and increasing levels of knowledge and competence. The theory supports talent retention in the organization. The human capital theory posits that human beings can increase their productive capacity through greater education and skills training. Intellectual and human capital are treated as renewable sources of productivity. Organizations try to cultivate these sources, hoping for added innovation or creativity. Sometimes, a business problem requires more than just new machines or more money.

4. Objective of the study

The study sought to examine the effect of talent retention on organizational performance in familyowned retail businesses in the Nairobi Metropolitan Region in Kenya.

H_0: Talent retention does not have a significant influence on organizational performance in family owned retail businesses in the Nairobi metropolitan region.

5. Methodology

The study employed a cross-sectional survey research design to investigate the research problem. When determining the correlation between two variables at a specific point in time, this strategy works well (Nardi, 2018). The researcher selected 137 branches in the Nairobi Metropolitan Area from a population of 219 retail shops in Kenya that have more than eight branches. The researcher then selected the manager and deputy or supervisor in charge of each branch from the metropolis' branches totaling to 274. Inferential statistics were used to look at the relationship between the independent and dependent variables and how the moderating effect played a role. Multiple regression was used to determine the correlation between the independent and dependent variables.

6. Results

Talent Retention on Organizational Performance in Family Businesses in Kenya.

		N	5 Strongly Agree	4 Agree	3 Neutral	2 Disagree	1 Strongly Disagree	Mean	Std. Deviation
1.	My organization uses effective leadership styles that create a conducive work environment	252	23	97	50	61	21	3.159	1.14026
2.	This company ensures its image remains good all the time in order to retain our talented employees	252	25	69	65	63	30	2.984	1.18177
3.	Conducive work environment enhances employee performance.	252	24	92	63	53	20	3.187	1.11311
4.	Our company ensures employees are motivated all the time	252	21	85	60	66	20	3.083	1.11492
5.	Our company offers attractive monetary and non-monetary rewards to employees	252	24	79	68	57	24	3.087	1.13753
6.	Proper reward systems enhance employee performance	252	32	90	71	47	12	3.329	1.06470
7.	Our organization has benefits that cater for various employee needs.	252	19	81	63	47	42	2.952	1.21405
8.	The benefits offered by our organization compare well with those offered by other organizations.	252	15	56	70	81	30	2.782	1.10014

9.	Competitive benefits enhance employee performance	252	34	78	62	54	24	3.175	1.18910
	Aggregate Score							**3.082**	**1.1395**

Source: Survey Data (2024)

The Table indicates the findings of the effect of talent retention on organizational performance of family businesses in Kenya. From the findings the respondents indicated with an overall average score of 3.082 with a standard deviation of 1.1395 further demonstrates the divergent views on the effect of talent retention on organizational performance. These findings emphasize the importance of understanding workers' perspectives and experiences when developing talent retention strategies for Kenyan family businesses.

The indicator regarding effective leadership styles used by the company to foster a positive work environment has a mean score of 3.159, indicating an average level of employee agreement. Employees may have distinct opinions or experiences on the effectiveness of leadership styles in promoting a positive work environment, as indicated by the standard deviation of 1.14026, indicating to some different perspectives in the responses. The indicator that suggests the business maintains a positive public image to attract and keep talented people had a mean score of 2.984, indicating a modest amount of employee disagreement or neutrality. The standard deviation of 1.18177 suggests some variation, indicating that different employees may have different perspectives on the company's attempts to uphold its good name. The average score indicates employees do not strongly believe that the business continuously maintains a positive reputation in order to attract and retain talented employees. A moderate level of employee agreement is indicated by the indicator's mean score of 3.187, which indicates that a positive work environment improves employee performance. The replies were rather variable, as indicated by the standard deviation of 1.11311, indicating that different employees may have different perspectives or experiences with regard to how a positive work environment affects performance. The management employees believe that a positive work atmosphere helps to improve performance, according to the mean score. With a mean score of 3.083 and a standard deviation of 1.11492, the indication showing that the business ensures employees are motivated continually demonstrates an acceptable level of employee agreement. The indicator demonstrating that the business providing attractive monetary and non-monetary advantages to employees has a mean score of 3.087 and a standard deviation of 1.13753, indicating a moderate level of employee agreement. With a mean score of 3.329 and a standard deviation of 1.06470, the indicator indicating that proper rewards systems promote employee performance indicates a moderate level of employee agreement. The indicator suggesting that the company offers benefits that respond to different employee requests has a mean score of 2.952 and a standard deviation of 1.21405, which shows a minor amount of employee disagreement or neutrality. The indicator that the organization's benefits compare favorably to those provided by other businesses has a mean score of 2.782 and a standard deviation of 1.10014, indicating a low level of employee disagreement or neutrality. The indicator's mean score of 3.175 and standard deviation of 1.18910, both of which support the belief that competitive benefits promote performance among employees, indicate a moderate level of employee agreement.

Multiple Linear Regression Model Summary

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.241	.115		5.747	.000
	Talent Retention	.235	.065	.246	6.672	.000

Dependent Variable: Organizational Performance
Predictors: (Constant), Talent Retention, Talent Acquisition, Talent Attraction, Talent Development

Source: Survey Data (2023) Effect of Talent Retention on Organizational Performance

According to the regression analysis, talent retention significantly affects organizational performance in Kenyan family businesses ($\beta = 0.246$, $p<0.001$). The unstandardized coefficient (B) of 0.235 shows that there is an expected gain of 0.235 units in organizational performance for every unit enhancement in talent retention. The null hypothesis is thus rejected and the alternative hypothesis (H_1) that talent retention significantly affects organizational performance is supported by the results of this research. The significance of the coefficient indicates that it is unlikely that a random event could have caused the association between talent retention and organizational success. The relationship's statistical significance is also supported by the t-value of 6.672. Even after taking into consideration other factors in the model, the positive standardized coefficient ($\beta= 0.246$) shows that talent retention has a positive impact on organizational performance.

7. Conclusion

On the effect of talent retention on the organizational performance of family owned retail businesses in the Nairobi Metropolitan Region, it can be concluded that talent retention has a positive effect on organizational performance. The businesses should prioritize promoting a positive work environment through effective leadership styles, upholding a positive organizational image, and implementing a comprehensive rewards system that includes attractive monetary and non-monetary incentives with the goal to increase talent retention and improve organizational performance. Additionally, providing competitive benefits which satisfy a variety of employee demands and are on line with what other companies provide can help to improve employee performance. Thus, family-owned retail businesses need to reassess their talent retention strategies to ensure they align with employee motivation and contribute to improved organizational performance.

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