

INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

HUMAN RESOURCES PRACTICES AND EMPLOYEE ENGAGEMENT IN THE BANKING SECTOR IN UGANDA

Author: STELLA N KEMBABAZI

Student No: I12002060

Supervisor: DR. JAGDEEP JASSEL

Submission Date: 15TH AUGUST 2013

Ethics Number:

Final Word Count: 12,030

FOR REFERENCE ONLY

FACULTY OF BUSINESS, COMMUNICATION AND LAW

Abstract

The ever changing world of business has made it more important than ever for organizations to learn how to keep up and over take their competition. Organizations have to learn to adapt to the uncertain financial climate brought on by the global economic crisis. The use of HR strategies is one of the most effective ways to main competitiveness as employees are regarded as the foundation of the organizations. Managers must therefore learn how to strengthen this foundation my ensuring they are emotionally and intellectually engaged their jobs and this might require the use of such motivating tools such as rewards and recognition as well are career advancement and job security. By surveying employees in the banking sector in Uganda, this research will try to understand, what factors contribute to employee engagement and the data will be analyzed using SPSS 20 to test for reliability and validity.

Acknowledgement

First of all, I would like to thank the Almighty God, for giving me life and sustaining me till this day, without whom none of this would be possible.

Secondly I would like to acknowledge my family especially my daughter Salma, who has had to endure almost a year without seeing her mommy. Everything I do is to ensure I can provide for her a brighter future. Secondly to my Mother, Ms. Kabonesa, who has supported me this past year both morally and financially as I embarked on this arduous journey in pursuit of my MBA.

To my supervisor Dr. Jagdeep Jassel, I give my heartfelt thanks for the priceless wisdom, guidance and support that you provided during these past months. The knowledge I gained from your supervision and the lecturers can never be fully measured and has greatly increased my understanding of research and Human Resource Management.

Last but not least, I would like to thank my fellow scholars and friends who have me much need morale boosts and support throughout my year in INTI, James, Lily, Said, Muhammad, Yang Liu, Davaaka, and Dinara. You shared your knowledge with me and made me a better scholar and most importantly, cheered me up and made me less homesick. You all have made my MBA experience one that I will treasure for the rest of my life!

Stella N Kembabazi

12th August 2013

Declaration by candidate

I hereby declare that this research project is my own work except for the information that has been used from various authors that has been cited accordingly and ethically

Stella NKembabazi

12th August 2013

Table of Contents

Abstract.....	i
Acknowledgement.....	ii
Declaration by candidate.....	iii
List of figures.....	vii
List of Tables.....	vii
Chapter 1: INTRODUCTION.....	1
1.1 Introduction.....	1
1.2 Background.....	1
1.3 Problem statement.....	1
1.4 Research Objectives.....	3
1.5 Methodology.....	4
1.6 Scope of the study.....	4
1.7 Data Collection Method.....	5
1.8 Sample Unit.....	5
1.9 Limitations.....	5
1.10 Significance of Research.....	6
1.11 Chapter summary.....	6
CHAPTER 2: LITERATURE REVIEW.....	7
2.1 Introduction.....	7
2.2 Competitiveness.....	7
2.2.1 Factors driving competition.....	8
2.2.2 Strategies businesses adopt to compete.....	9
2.2.3 Human Resource Strategy.....	9
2.3 Employee Engagement.....	11
2.3.1 Theoretical lens: Herzberg's Theory.....	13
2.3.2 Rewards and Remuneration.....	14
2.3.4 Career Advancement and Recognition.....	15
2.3.5 Job security.....	16
2.4 Hypothesis Development.....	17
2.5 Chapter summary.....	18

CHAPTER 3: RESEARCH METHODOLOGY	19
3.1 Introduction.....	19
3.2 Research Design.....	19
3.3 Research Dimensions.....	20
3.4 Research Approach	21
3.5 Research sampling	21
3.5.1 Sample size.....	21
3.5.2 Unit of analysis.....	22
3.5.3 Sampling design and techniques.....	22
3.5.4 Data Collection Method.....	23
3.5.5 Questionnaire Design.....	23
3.5.6 Data Analysis	25
3.6.1 Statistical Package for Social Science (SPSS).....	25
3.6.2 Partial Least Squares Regression (SMART-PLS)	26
3.6.3 PLS Estimation approaches.....	26
3.7 Chapter summary	27
CHAPTER 4: RESEARCH FINDINGS.....	28
4.1 Introduction.....	28
4.2 Response rate.....	28
4.3 Demographic Analysis of the respondents	28
4.4 Evaluation of PLS Outputs.....	31
4.4.1 PLS Outer model estimation.....	31
4.4.2 Inner Model Evaluation.....	36
4.5 Hypothesis Testing	37
4.6 Chapter summary	38
CHAPTER 5: DISCUSSION OF FINDINGS, RECOMMENDATIONS AND CONCLUSION	
.....	39
5.1 Introduction.....	39
5.2 Result discussion	39
5.3 Theoretical Implications.....	42
5.4 Practical Implications.....	43
5.5 Recommendation for future research	43
INTI International University (2013)	

5.6 Conclusion.....	44
5.7 Personal Reflection.....	44
REFERENCES.....	46
APPENDIX 1: RESEARCH MODELS AND SPSS OUTPUT.....	55
APPENDIX 2: INITIAL RESEARCH PAPER PROPOSAL.....	61
APPENDIX 3: PROJECT PAPER LOG.....	66
APPENDIX 4: LETTER OF PERMISSION.....	70
APPENDIX 5: QUESTIONNAIRE.....	71
APPENDIX 6: EC1 ETHICS FORM.....	74
APPENDIX 7: TURNITIN REPORT.....	92

List of figures

Fig.1: Theoretical Framework.....	17
Fig.2: Inner Model Evaluation	37

List of Tables

Table 3.1: Questions capturing the demographic characteristics of the respondents.....	24
Table 4.1: Demographic information of respondents.....	29
Table 4.2: Statistical results of the outer model after first test	31
Table 4.3: Convergent and Discriminant validity of constructs.....	33
Table 4.4: Correlation of latent variables	34
Table 4.5: Structural Modeling.....	35
Table 4.6: Inner Model Evaluation.....	36

Chapter 1: INTRODUCTION

1.1 Introduction

This Chapter gives an overall picture of the whole study. It starts with the background of the study and the problem statement which highlights the main issues and the importance of this study and the research gaps, followed by the objective of this study. Furthermore, gives a clear scope and limitations of the study and brief overview of the research methodology and significance of the study.

1.2 Background

The banking sector is one of the biggest contributors in any economy (Goddard et al, 2007). According to the study of the banking sector in Europe by Molyneux, Lloyd-Williams and Thornton (1992), banks were found to have a higher than average pay rate, and larger number of employee turnover and the reason was poor employee engagement (Storey, Cressey, Morris & Wilkinson, 1997; Vikalpa, 2003). Due to globalization, competitive rivalry has increased in the banking sector and therefore, banks need to learn how to retain their employees or risk losing them to their business rivals, and the way to do that is by learning what factors contribute positively to employee engagement and to apply them to their organization (Sparrow, 1996)

1.3 Problem statement

The pressure of globalization has caused most industries to become very competitive (Yee et al 2008). This has led to an urgent need for organizations to understand their business functionalities more in order to maintain competitiveness. In order for organizations to survive, they have to go back to basics and firm up their foundation. The foundation of any organization is their

personnel, which makes the human resource functionality the most important tool (by default) that a business can use to gain a competitive edge (Sun et al. 2007).

The banking sector is the biggest contributor to the economy (Goddard et al, 2007; Jokipii&Monnin, 2013). According to the study by Jokipii&Monnin (2013), they showed that banks need to be carefully monitored and regulated because they have the capacity to destabilize or stabilize an economy, or indeed the entire global economy.

In Uganda, like many other developing countries, many employees seek jobs in the banking sector because they are strongly motivated by high wages and benefits and are most likely to get them in banks. With high wages comes the determination and engagement to perform even better on their job (Hickey, 2013). Most workers in Ugandan culture are not very interested in advancing their career as this usually means extra responsibility and that might not necessarily increase their pay and this means they are less interested in jobs where the salary is low even though there might be a chance to advance their career and increase job tenure (Green & Murinde, 1993; Stringer et al 2011).

Employee engagement is the 'heightened intellectual and emotional bond that a worker has for his/her job, manager, organization, manager or colleagues, that will cause them to put some discretionary effort into his/her work' (Gibbons, 2006). Other researchers have defined employee engagement as the situation where employees consciously immerse themselves into their job roles without the expectation of any reward other than the satisfaction of a job well done (Andrew&Sofian, 2012; Rasli et al, 2012). While Menguc et al, (2012) describe employee engagement as the enthusiasm, energy and motivation that one has for their work, that translates into dedication and absorption with a sense of fulfillment and pride in one's contribution to their organization.

High employee engagement can translate into high employee performance which would translate into high customer engagement. Therefore high customer contact and service industries, need to harness this power and use it to their benefit (Vance, 2006)

According to The Gallup group which has done several studies about employee engagement in 2005 and 2009, there is a serious need for organizations to understand the factors that influence in in order to have a fighting chance in the business world. Also, Vance (2006) studied companies in America and according to his research of such reputable companies as Inuit, Caterpillar and General Electric, he found that employees who exhibited engagement to their organizations where 1.3 times more productive by 'going the extra mile' than their disengaged counterpart. These engaged workers were also discovered to be five times less likely to leave the organization voluntarily than the disengaged workers. These studies tried to shed a light on the entire global business world; however, there is not study that points specifically to the banking sector and in Africa. Therefore there is a gap in the research concerning factors that influence employee engagement in the banking sector in Uganda.

1.4 Research Objectives

The purpose of this research is to examine the relationship that rewards and remunerations, career advancement and recognition and job security have with employee engagement in the banking sector in Uganda. Furthermore, the research sets out to determine which of the factors mentioned above contributes more to employee engagement than the others. The dependent variable is the employee engagement, and the independent variables are rewards, recognition, career advancement and job security.

- To examine the relationship between rewards and remunerations and employee engagement in the banking sector in Uganda
- To examine the relationship between recognition and career advancement and employee engagement in the banking sector in Uganda
- To examine the relationship between job security and employee engagement in the banking sector in Uganda
- To determine which of the above mentioned factors has the strongest influence than the others on employee engagement.

1.5 Methodology

The data will be collected using survey questionnaires containthirty questions that will help provide answers to the research questions. The questions will be adapted from another questionnaire about employee engagement by Langford, (2009)

The respondents will be asked to answer questions based on Likert scales of 5 to their feelings towards rewards, recognition and job security and this data will be analyzed using structural equation modeling (SEM), using Smart PLS software as well as SPSS version 20 to analyze the demographics using such as tests as frequency distribution.

1.6 Scope of the study

This research focuses on employee engagement in the banking sector in Uganda most specifically the capital city, Kampala. The bank tellers in seven (7) Kampala branches of KCB Bank will be requested to fill out survey questionnaires of about 30 (thirty) questions that will be analyzed using, Smart PLS and SPSS 20 to

analyze and see whether the increase in rewards, recognition and the possibility of advancement in their careers is enough to make them more engaged in their work, as well as to determine how much each of those variables contributes to employee engagement.

1.7 Data Collection Method

The data to be used in this research is quantitative method whereby primary data will be collected using survey questionnaires, which will be sent to the main branch of KCB bank in Kampala and two research assistants will help to distribute them to the bank employees in the seven branches of the bank around Kampala.

1.8 Sample Unit

The respondents in seven branches around Kampala, including the main branch will be given questionnaires. The target respondents are the workers in different departments in the bank. The reason for targeting only Kampala instead of the other districts is because, Kampala being the capital city has the highest population and is more urban development than other districts, also there are more branches of KCB (that is 7 out of 14 branches), than in the rest of Uganda.

1.9 Limitations

The time available to collect the data and analyze it is too short (only 14 weeks). This might affect my data collection process as there might not be enough time to collect the required sample size for more reliable analysis.

Furthermore, the target population is only from one bank out of twenty five banks in the whole of Uganda, this might not be able to accurately reflect the feelings of all the workers in banks in Uganda, as it is merely a small fraction of the entire working population and represents only Kampala district. Conclusions drawn from this data might not fully reflect the employee engagement attitudes of the more

rural areas in Uganda. This will leave therefore a gap in the research that could and should be tackled by future researchers

1.10 Significance of Research

This research will help banks in Uganda to better understand what motivates their employees to become more engaged, and this is significant in the banking sector which has become more of a high-contact service sector especially among the commercial banks which are facing intense competition due to the entrants of several international banks in the market.

1.11 Chapter summary

This chapter highlighted the background of this study and the research gap. It also discussed the scope of the research as well as its objectives. There are some limitations of this study mentioned, which will make way for future researchers, and the significance of this study is also clearly put forward. The following chapter will be the literature review.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter goes further to explain the concepts that are key to this study and reviews literature collected from various scholarly sources. This review is mainly about the increased global competition and how businesses can survive by using HR practices that are strategic in nature, in order to gain advantage by having highly engaged employees. It further explains the theoretical lens, Herzberg's theory and how its factors may contribute to employee engagement or disengagement, and further still into how each of those factors, which are remunerations and rewards, job security and career advancement and recognition might affect employee engagement. To test the relationship between rewards and remunerations, career advancement and recognition and job security with employee engagement, hypotheses have been formed and also to test which of the mentioned variables has a greater impact on employee engagement. The last part of the chapter presents a theoretical framework model of the study, showing the independent and dependent variable and the entire construct.

2.2 Competitiveness

Due to increase in globalization, companies are faced with increased competition. Multinationals can set up branches in many countries and offer better services and products. Since the cost of setting up a company is cheaper in developing countries, many organizations seek to cut costs and benefit from cheap labor and raw materials by moving operations overseas to increase their economies of scale.

Many companies have to study their internal and external environment and know what to expect and how to deal with their competitors, otherwise they cannot survive in the business world. (Porter, 2008)

INTI International University (2013)