


The role of commission-based pay on employee retention in the Ghanaian banking industry: The case of GCB Bank Limited



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Background: Human Resource is one of the valuable assets for organisations to facilitate the achievement of competitive advantage. Managing human resources is very challenging and must be done with care in organisations. Retention of human resources has is integral to the development and the accomplishment of the organisation's goals and objectives. The main determinants for employee retention such as Career Development Opportunities, Superior Support, Work Environment, Rewards, and Work-Life Policies and recognition have a great paradigm to retain the employees for longer periods of time.

Aim: In this article, an attempt has been made to assess the impact of HRM practices and its effectiveness on employee retention in Ghana Commercial Bank (GCB).

Setting: The study was conducted in the Ghana Commercial Bank head office in Accra

Methods: The study made use of both the qualitative and quantitative research methods in data collection. Both primary and secondary data were collected to assess the role of commission-based pay on employee retention in the Ghanaian banking industry. The researcher sampled 10 senior management and 50 junior staff who are relationship managers and relationship officers of the bank for the sampling size.

Results: The study further revealed that commission-based pay involves meeting challenging targets which may contribute to demotivation if targets are not met. The study concludes that the form of motivation adopted by a company to remunerate staff on commission-based pay is essential to their work performance and retention.

Conclusion: The study recommends that banks should train and develop employees and create structures that will create organisational citizenship.

Introduction

The banking industry in the world has witnessed a paradigm shift over the past decades in operations in terms of the nature, level of technology and the scope of work. The changes have partly been informed the introduction of information technology and management approaches in designing compensation systems for employees. The human resource of organisations is one of the resources in organisations that cannot be replicated by competitors and must therefore be retained at all times for organisations to remain relevant because the actual performance of organisations can be traced to the willingness of employees to deploy their creativity, abilities and expertise to the attainment of the organisation's goals (Markova & Ford 2012). Organisations should not assume that employees are homogeneous and their needs taken for granted. It behoves on companies to have comprehensive understanding of the behavioural pattern of human needs, employee differences and perceptions of what constitute proper rewards and incentives, as well as the mixture of extrinsic and intrinsic rewards. Commission-based pay is one of the compensation packages for most employees, especially those in the banking sector in Ghana because it is considered as simple and convenient to both employees and employers. However, this motivation package becomes disincentive to employees when more than half of the basic salary is commission-based (Rees 2006). Hence, employers have to ensure that this mode of motivation package do not become disincentive by ensuring that not more than half the basic salary is influenced by commission-based pay. The aforementioned has made it difficult to retain employees in the banking sector in Ghana. This is compounded by the influx of foreign banks in the Ghanaian banking industry. Retention of skilled employees in banks has become very difficult for a lot of banks in Ghana. This occurrence has attracted debates from stakeholders in the industry. According to Barney and Wright (2000), banks tend to face difficulties of maintaining their competitive advantage in the short run when substituting workers with maximised human

impact on systematisation of work. Even though human capital is considered as a source of competitive advantage, organisations are still at risk of not obtaining that. In order to establish a competitive organisation, the need for committed labour personnel is inevitable. With the introduction of information technology and communication (ICT), organisations across the globe have drifted towards knowledge-based approach in their operations. With the paradigm shift, organisations require a highly skilful and dedicated labour force to remain competitive in the market. A study conducted by Rashid and Zhao (2010) concluded that employee retention is entrenched by the compensation and reward system that is made available to employees by the organisation. But the question is, does commission-based pay as a component of a reward management structure in banks determine high employee retention ratio? What exactly are the components of reward packages in the Ghanaian banking sector that has been agreed by human resource professionals as best practice? Is it only compensation and benefit that determine employee retention? These and other mind boggling issues surrounding reward systems and employee retention has warranted this article.

Other research conducted in this area looked at retention strategies in organisations, and extrinsic and intrinsic reward practices in organisations; but, this study will fill the research gap by providing detail analysis on the component of reward management systems with specific focus on commission-based pay that are tailored to ensure high employees' retention ratio in banks in Ghana.

Theories on reward management

This article is influenced by the expectancy and the equity theories. Expectancy theory, one of the process theories of motivation, was pioneered by Edward Tolman but was brought to fame by Victor Vroom. The expectancy theorists posit that employees are motivated to put up their best because of the desired results or outcome (Redmond 2014). These theorists argue that employee performance is influenced by anticipated outcomes (Fang 2008). This theory posits that individuals are motivated when they believe that they will get what they desire in the form of a reward. Equity theory on the other hand is the brain child of Stacey Adam. In 1963, Adam published the equity theory with the argument that fairness and equity are the basis for motivating employees. The theory is based on the assumption that fairness and inequality breed highly motivated workers. In the workplace therefore, the higher the perception of equity and fairness, the higher the level of performance and commitment from employees. As a result, in order to retain employees, it is important that employers ensure fairness and equity in motivating employees.

Review of related literature

Overview of employee retention

Employee retention is a process where employees of an organisation are encouraged to remain with the organisation

for a maximum possible tenure until the completion of a task or project (Roy 2002). Roy argues that retention is of more significance than hiring, and therefore employee retention policies must be geared towards addressing the diverse needs of employees in an effort to retain them. In addition, as it is expensive to replace workers, it is expedient that employers adopt effective strategies through compensation packages to attract and retain employees (Lochhead & Stephens 2004). According to Cascio (2006), its cost affirms more than double of the annual salary for the position being filled through the process of recruiting, selecting and training new employees. As a result, employers must seek better ways to manage turnover through the creation of retention strategies. These retention strategies place the employees' needs and expectations at the centre of the organisation's long-term agenda in order to ensure that they are satisfied and willing to remain and work for the organisation (Roy 2015).

Retention strategies

Employees' retention is essential for organisational success today. Trulson (2007) has suggested five methods of retaining employees by maintaining an adequate number of staff; implementing effective team management practices; making recruitment or screening process relevant to the prevailing objectives of the organisation; ensuring adequate compensation packages; and ensuring that employees are regularly trained and developed. Thomas (2007) also developed comprehensive retention strategies for organisations. These include linking payment of workers to performance, introducing and implementing succession management programme in the organisation, implementing career planning programmes, inclusion of employee retention strategies into corporate objective, introduction of structured training and development programmes in the organisation, instituting motivating compensation packages among others. Esemé Gberville (2010) also indicates that extrinsic rewards such as prompt payment of salaries and allowances and intrinsic rewards like job security, ensuring regular promotion, providing health care services to families of employees as the best of retaining employees.

Organisational reward systems

Motivated employees contribute greatly in organisational success. Well motivated employees give out their best in ensuring higher productivity in organisations, while ill motivated employees disrupt productivity. Therefore, it is important that managers understand and institute the best reward systems to attract and retain competent employees. Rewards are given to employees in recognition of their performance in achieving the organisational goals. There are two forms of rewards that are employed in an organisation. These are intrinsic and extrinsic rewards.

Intrinsic rewards are internal to the employee and does not depend on external forces to achieve. They are usually non-tangible rewards but are connected to employees and their performance. Work autonomy, sense of self-accomplishment

and achievement as well as recognition are some of the intrinsic motivations in the workplace. Extrinsic rewards on the other hand are physical and tangible rewards in organisations. Extrinsic rewards include pay, bonuses, profit sharing and well-equipped office space among others.

Commission-based pay

Commission-based pay is a compensation package that is determined by the quantity of sales made by employees. Rewards for employees under this scheme is dependent on the percentage of total sales made by employees. In this case, the more the sales, the better the reward. Although commission-based salaries also include a base payment (salary), the per cent of the salary is made up of the commission. The concept behind paying by commission is that sales representatives often work harder to make sales because their salaries depend on the percentage of the commission. There are two types of commission-based payments – the flat and the ramped commission-based payments. Flat commission-based type of compensation is often determined as a percentage on any sale made, for instance 5% on any sale made by the sales representative. The ramped commission-based payment on the other hand is determined when a certain percentage of sale targets is met.

Commission-based pay and employee retention

Organisations today develop their commission-based pay wage to vary with the level of performance. The rationale is that the employee is motivated by a commission structure which provides the incentive to sell more, as it will reflect on the salary. In recent times, the need for a strategic, holistic and integrated approach to reward management has become imperative in an attempt to attract and retain employees (Chiang & Birtch 2006). Commission-based pay could serve as an integral tool for this purpose. Herman (2005) argues that commission-based pay helps organisations to focus on the position and duties performed by the employee. Besides, commission-based payment serves different to objectives by an organisation of which attracting and retention of employees are paramount.

Research design

This study made use of exploratory and descriptive methodologies. Creswell et al. (2003) indicates that an exploratory design is employed when the study topic is new. The choice of the two study designs for this study was also based on the fact that both enhance the discovery of ideas and insight into the phenomenon. The target population of the study was the junior staff and senior management of GCB Bank Limited (formerly Ghana Commercial Bank) with focus at the head office. Because of time constraints and inadequate logistics, the researchers sampled 10 senior management and 50 junior staff who are relationship managers and relationship officers of the bank for the sampling size. This was so because they had some level of experience with different job positions and different level of reward systems.

Both primary and secondary data were collected to assess the role of commission-based pay on employee retention in the Ghanaian banking industry. The primary data for the study were collected by administering questionnaires, while the secondary data were obtained from published books, Bank of Ghana notices or publications, newspaper, journals and internet sources.

The questionnaire was designed using open- and close-ended questions. Open-ended questions provide the study with a range of possible answers that brings a valuable data (Brace 2004). On the contrary, close-ended questions were used to determine a particular outcome of the study. The questionnaires were administered personally to the respondents in a bid to ensure that copies got to the right respondents at the right time and also to be able to ask follow-up questions. The data collected were analysed using both IBM SPSS Statistics and Microsoft Excel 2013 and the findings presented in tables, charts and figures.

Data analysis and results

The components and effectiveness of reward management practices at Ghana Commercial Bank

Table 1 sought to determine the type of reward management practices at GCB Bank. The majority of the respondents forming 91.7% representing 55 respondents were of the view that both reward management systems – financial and non-financial – are practice by the bank. The minority forming 8.3% of the study representing five respondents only enjoyed extrinsic reward as their rewarding package. The study revealed that those on only extrinsic reward at GCB Bank were staff on contract who do not have the full package of the reward management practices at GCB Bank.

Relationship between reward management at GCB Bank and staff retention

Table 2 sought to determine the reasons of respondents that have kept staff still working at GCB Bank. Most respondents attributed factors such as good salary, competitive performance-related pay, job security, career development

TABLE 1: Type of reward management systems at Ghana Commercial Bank.

Component	Frequency	Percentage
Financial (extrinsic) reward	5	8.3
Non-financial (intrinsic) reward	-	-
Both	55	91.7
Total	60	100.0

Source: Field Survey 2018

TABLE 2: Reason for still working at Ghana Commercial Bank.

Reasons	Frequency	Percentage
Good salary	12	20.0
Competitive performance-related pay	10	16.7
Job security	26	43.3
Career development	4	6.7
Benefits (health care, insurance scheme)	8	13.3
Total	60	100.0

Source: Field Survey 2018

and benefits as their top most considerations. Job security formed the majority of the reason why most of the respondents are still working at GCB Bank. This recorded 43.3% of the study representing 26 respondents, while good salary came as the second top most reason for working at GCB Bank. The study revealed that 20% of the respondents still remained with GCB Bank because of good salary. The third consideration was competitive performance pay such as commission forming 16.7% of the study and representing 10 respondents with benefits such as health care and insurance scheme forming 13.3% of the study. Career development for staff at GCB Bank according to the study formed 6.7% making it the least consideration reason why most respondents are still working at GCB Bank. This shows that employees are motivated to stay with GCB when they are adequately compensated.

The employees were asked whether they are satisfied with the reward system at GCB Bank. From the study, 70% of the respondent said 'Yes' indicating that they are satisfied with the reward management practices at GCB Bank, while 18.8% were 'Uncertain' of the reward management practices of GCB Bank. This is so because the study revealed in Table 3 that most staff were 'Neutral' when it came to the effectiveness of the non-financial reward practices which are not made transparent to staff. The minority representing 11.7% of the study said 'No' that they are not satisfying with the reward management practices of the bank.

Table 4 sought to determine the overall effect of the reward management practices of GCB Bank as to whether it encourages staff retention. According to the study, 75% of the respondents were of the view that the overall reward management system encourages staff retention.

Impact of commission-based pay on staff retention at GCB Bank

Table 5 indicates that all the respondents representing 100% of the study knew that the reward management at GCB Bank included commission-based pay. This was because the study sampled only relationship managers and officers.

TABLE 3: Participants response towards the reward system at Ghana Commercial Bank.

Response	Frequency	Percentage
Yes	42	70.0
No	7	11.7
Not sure	11	18.3
Total	60	100.0

Source: Field Survey 2018

TABLE 4: Participants response to the fact that the reward management system encourage staff retention.

Response	Frequency	Percentage
Yes	45	75.0
No	5	8.3
Uncertain	10	16.7
Total	60	100.0

Source: Field Survey 2018

Respondents were asked further to indicate whether their role involve commission-based pay. All the respondents were of the view that as they operate as relationship managers, their role is driven by targets in the form of assets (loans) and liabilities (deposits) which attracts bonus and commission and they are achieved.

Table 6 illustrates the percentages respondents take as commission on sales earned. The study revealed that the majority of the respondents representing 65% of the study received commission between 1% and 10%, while the second majority representing 20% of the study received commission between 21% and 30%. Sales commission in the category of 40% and above was 3.3%, while 11.7% of respondents receive between 11% and 10%. The study shows that sales commission percentage was made according to target per staff and position.

Challenges in using commission-based pay as a retention tool

The findings as depicted in Table 7 illustrate that with a deviation of 45.6% (Standard deviation [SD] = 0.456) of the study and a mean of $M = 4.25$ respondents 'Agrees' generally that there are challenges in using commission-based pay for retention. Respondents agree that commission-based pay is performance driven, involves meeting challenging targets and involves aggressive sales employees and commission may demotivate if targets are not met. Respondents under the study 'Agree' to the statement that commission-based pay is performance driven and this recorded a mean of

TABLE 5: Participants response to the reward management at Ghana Commercial Bank which includes commission-based pay.

Response	Frequency	Percentage
Yes	60	100
No	00	00
Total	60	100

Source: Field Survey 2018

TABLE 6: Commission percentage.

Rate	Frequency	Percentage
1% – 10%	39	65.0
11% – 20%	7	11.7
21% – 30%	12	20.0
40% and above	2	3.3
Total	60	100.0

Source: Field Survey 2018

TABLE 7: The challenges in commission-based pay for retention.

Challenges	Mean	SD	Variance
Commission-based pay is performance driven.	4.48	0.588	0.345
It involves meeting challenging targets.	4.04	0.188	0.035
It involves aggressive sales employees.	4.82	0.388	0.150
Commission may demotivate if targets are not met.	4.76	0.429	0.184
Average	4.25	0.456	0.237

Source: Field Survey 2018
SD, standard deviation.

$M = 4.48$ and a deviation of 58.8% ($SD = 0.588$). In addition, respondents 'Agree' to the fact that commission-based pay involves meeting challenging targets before the commission is earned; this represents a mean of $M = 4.04$ and a deviation of 18.8% ($SD = 0.188$). The majority of the respondents representing a mean of $M = 4.82$ and a deviation of 38.8% ($SD = 0.388$) 'Strongly Agree' that commission-based pay involves employees being aggressive on their sales. A cross-section of the respondents with a mean of $M = 4.76$ and a deviation of 42.9% ($SD = 0.429$) 'Strongly Agree' that commission-based pay may demotivate employees who do not meet their target on a monthly basis.

Conclusion and recommendations

Retaining top talented employees has become critical for employers in recent times because of the difficulty in compensating them adequately. To overcome this challenge of attracting and retaining qualified employees, employers have to institute an effective rewards system that is motivating enough in organisations. Moreover, it could be concluded that the form of motivation adopted by a company to remunerate staff on commission-based pay is essential to their work performance and retention. This position is expressed by respondents confirming their level of agreement to this assertion. In addition, regardless of certain sentiments expressed on the rewards system, it could be concluded that the employed reward system reasonably motivates staff. It could also be deduced that most commission-based pay staff receive monthly commissions from achieving their targets. These commissions can be cited as significant in enhancing respondents' retention. The findings from the study indicate that commission-based pay play a key role in employee retention. There are, however, challenges that need conscious planning interventions in the overall reward management system of organisations.

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Competing interests

The author declares that he has no financial or personal relationships which may have inappropriately influenced him in writing this article.

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