

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Management**



**Bachelor Thesis**

**HRM Practices on Employee Motivation and Retention (A  
Case Study of SAP Č.R., s.r.o)**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Lennon Bera

Economics and Management

Thesis title

HRM Practices on Employee Motivation and Retention – a case study of SAP Č.R.,s.r.o.

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### Objectives of thesis

This bachelor thesis seeks to examine the influence of HRM Practices on Employee Motivation and Retention in current and dynamic business environments. The thesis will evaluate the HRM Practices of SAP ČR, s.r.o and study if they have an impact on employee motivation. The first Part of the theoretical part will examine motivation theories as they play a significant role in helping to understand employee motivation. This will be followed by an analysis of employee retention reviewing retention practices that businesses use. The final and third part will explore HRM Practices in detail and examine how they affect the motivation and retention of employees in the organisation.

### Methodology

Methodology of this thesis is conducted through an online HRM Practice questionnaire. The research target population is SAP Czech Republic employees. This questionnaire will help attain opinion feedback from the employees on current SAP HRM Practices and evaluation of this feedback will help to analyse the influence or impact of HRM Practices on employee motivation. Two hypotheses will be tested. First hypothesis attempts to link positive employee feedback on the questionnaire and employee motivation and a second research hypothesis which attempts to prove that employee retention is a result of employee motivation.

**The proposed extent of the thesis**

Approx 40-50 pages

**Keywords**

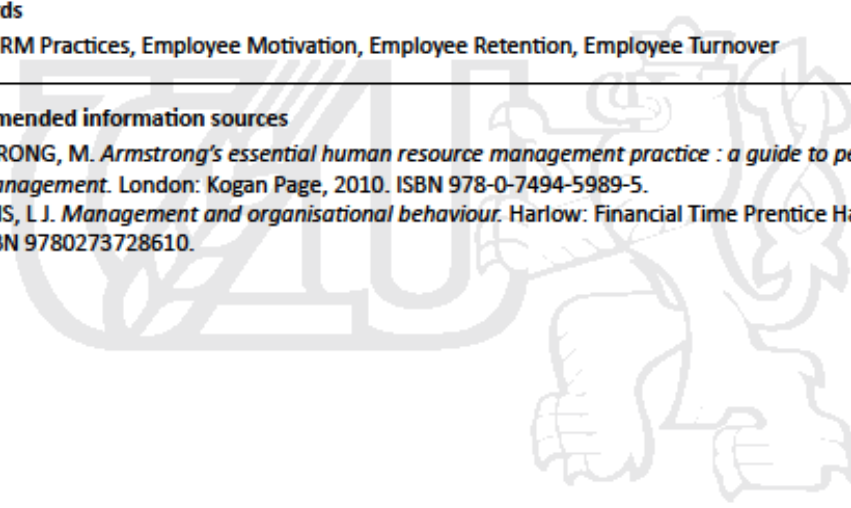
HRM, HRM Practices, Employee Motivation, Employee Retention, Employee Turnover

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**Recommended information sources**

ARMSTRONG, M. *Armstrong's essential human resource management practice : a guide to people management*. London: Kogan Page, 2010. ISBN 978-0-7494-5989-5.

MULLINS, L.J. *Management and organisational behaviour*. Harlow: Financial Time Prentice Hall, 2010. ISBN 9780273728610.



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## **Declaration**

I declare that I have worked on my bachelor thesis titled "HRM Practices on Employee Motivation and Retention (A Case Study of SAP ČR, s.r.o)" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on date of submission

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**Lennon Tatenda Bera**

## **Acknowledgement**

I would like to thank Dr. Richard Selby for his professional advice, support and above all his patience during my work on this research. Many thanks to all other persons who have helped through providing advice, support and feedback during the course of the research.

# HRM Practices on Employee Motivation and Retention

## Abstract

The study employed an online survey using a standard Likert-scale type questionnaire. The research design involved hypothesis testing. One hypothesis investigated the relationship between HRM practices and employee motivation. The second hypothesis examined the relationship between HRM practices and staff retention. The final hypothesis sought to determine if staff retention was a result staff motivation. A sample of thirty-four, conveniently sampled out of a target population of 1700 employees provided data for this study. The population was the Prague SAP Global mobility team comprising of thirty-four employees, managers included. The data analysis techniques employed included the following: Cronbach's Alpha (to test internal consistency), regression analysis (to establish the relationship between variables) and ANOVA analysis (to establish model significance). The study found out that a significant relationship exists between HRM practices and employee motivation and also found out the existence of a relationship between employee motivation and employee retention.

A larger population sample would be recommended for prediction purposes. Additionally, the study recommends further studies in a different industry or country.

**Keywords:** Human Resources Management (HRM), HRM Practices, Employee Motivation, Employee Retention, Employee Turnover

# Postupy řízení lidských zdrojů v oblasti motivace a udržení zaměstnanců

## Abstrakt

Studie využila on-line průzkum pomocí standardního dotazníku typu Likertova měřítka. Návrh výzkumu zahrnoval testování hypotéz. Jedna hypotéza zkoumala vztah mezi HRM postupy a motivací zaměstnanců. Druhá hypotéza zkoumala vztah mezi postupy HRM a udržením zaměstnanců. Konečná hypotéza se snažila zjistit, zda je udržení zaměstnanců výsledkem motivace zaměstnanců. Údaje pro tuto studii poskytlo 34 respondentů z cílové populace 1700 osob. Respondenti tvořili pražský tým globální mobility SAP, který se skládal z 34 osob, včetně manažerů. Použité metody analýzy dat zahrnovaly následující: Cronbachova Alpha (pro testování vnitřní konzistence), regresní analýzu (pro stanovení vztahu mezi proměnnými), analýzu ANOVA (pro analýzu rozdílů mezi skupinami ve vzorku) a hodnoty p (k určení významu výsledků). Studie zjistila, že existuje významný vztah mezi HRM postupy a motivací zaměstnanců a také existenci vztahu mezi motivací zaměstnanců a udržením zaměstnanců. Pro účely predikce se doporučuje větší a rozmanitější vzorek populace.

Studie doporučuje další výzkum v jiném odvětví nebo zemi.

**Klíčová slova:** HRM, HRM postupy, motivace zaměstnanců, udržení zaměstnanců, obrat zaměstnanců

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# 1 Introduction

Modern businesses nowadays have to cope not only with the rapid changes in technology but also keep up with the competitive talent market. As losing talent is costly for organisations, they have to find ways to keep their employees motivated to perform their work and also to retain this talent within the organisation. A good foundation to achieve this is through sound HRM practices. Human Resources Management (HRM) can be described as a strategic, integrated and coherent approach to employment, development and well-being of the people working in organisations (Armstrong, 2010). From the definition of HRM above, HRM practices are therefore the tools or activities that are aimed towards the development and well-being of a company's employees. This suggests that employees are one of the most important resources in businesses hence there is a great need to ensure that these employees are motivated to execute their jobs well and if they are doing well, the need to retain this talent within the organisation arises.

“Whether it is called “people,” “labour”, “intellectual capital,” “human capital,” “human resources,” “talent,” or some other term, the resources that lie within employees and how they are organised are increasingly recognised as critical to strategic success and competitive advantage (DiVanna, 2005). As human capital is so important for organisational success, it makes HRM Practices an interesting field of research as they are not only comprised of the whole employee experience from hiring to leaving or firing but also the day to day experiences such as manager-employee communication, work environment amongst many other factors to be discussed in this thesis.

The objective of this thesis was to evaluate the influence of HRM Practices on employee motivation and retention and simultaneously evaluate whether employee retention arises from employee motivation. The research was conducted through a case study of the organisation SAP Czech Republic s.r.o. with the aim of establishing a relationship between HRM practices and employee motivation as well as employee retention. SAP is a market leader in providing enterprise software solutions for companies in the world and its employees play a significant role in this success hence it is an appropriate sample for this research to find out whether their

employees are motivated to perform and whether this is the major driver to the organisations success. Not only does its success and ranking in the IT industry make it a good research environment but also its diversity with people from different nations and different cultures all working under one roof makes it an interesting target population. HRM practices can also be referred to as personnel management practices or in the modern world and trends people management practices.

## **2 Objectives and Methodology**

### **2.1 Objectives**

This bachelor thesis sought to examine the influence of HRM Practices on employee motivation and retention in the contemporary and dynamic business environment. The thesis evaluated the HRM practices of the company SAP Czech Republic, s.r.o and studied what impact these practices had on employee motivation and retention. The first part of the literature review introduced the concept of motivation and examined two main motivation theories by Abraham Maslow and Frederick Herzberg as they play a significant role in explaining and elaborating the concept of employee motivation. This was followed by an examination of employee retention and a brief discussion on some of the staff retention practices that businesses use. The third part explored HRM Practices in detail and examined how they affect the motivation and retention of employees in the organisation. The final part of the literature review was a brief discussion of the current trends in personnel management practices.

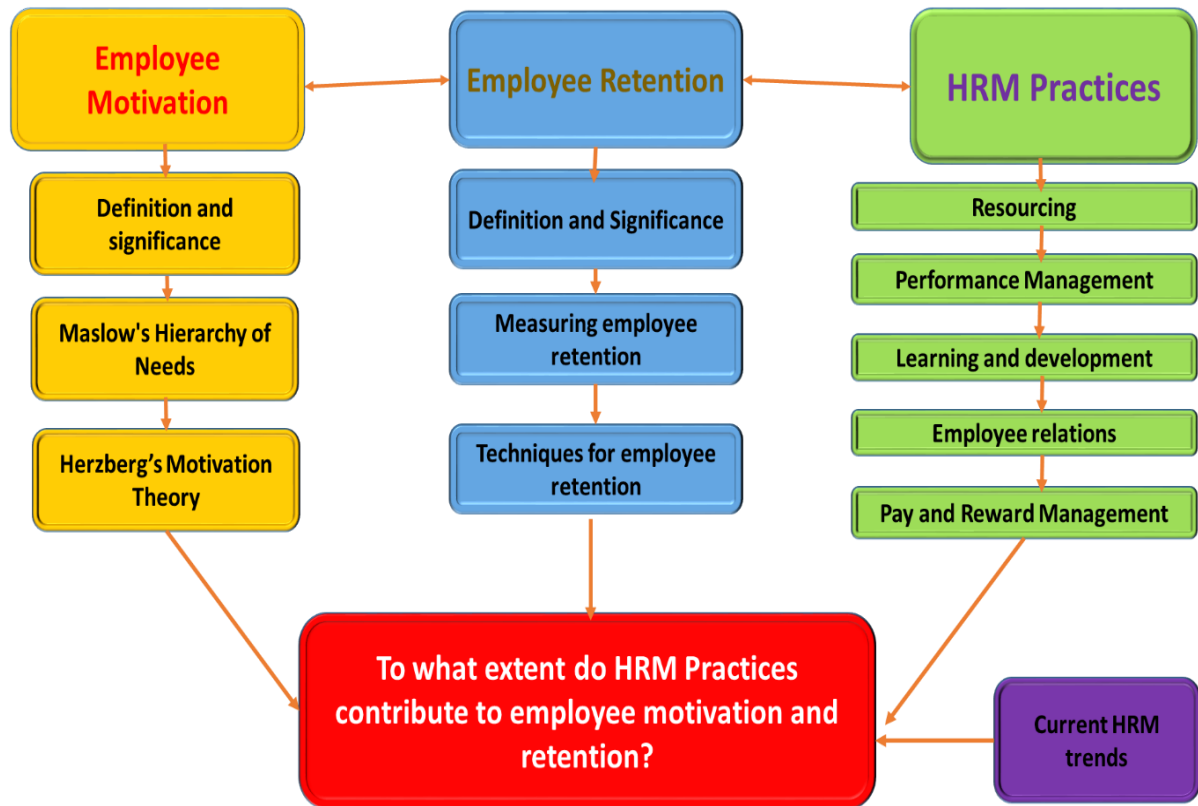
### **2.2 Methodology**

The research was conducted through an online HRM Practice questionnaire comprising of twenty-four questions. The research target population was the employees of the company SAP Czech Republic. The questionnaire helped to obtain opinion feedback from the employees on current SAP HRM Practices on the basis that evaluation of this employee feedback would help to analyse the relationship or impact of HRM practices on employee motivation and then to investigate the relationship between employee motivation and employee retention. Three hypotheses were tested. The first hypothesis investigated a relationship between employee feedback on the questionnaire with employee motivation. The second hypothesis examined HRM practice influence on staff retention. The final research hypothesis sought to confirm if employee retention is an offshoot of sound HRM practices and employee motivation.

### 3 Literature Review

#### 3.1 Literature Map

Figure 1 Literature map



Source: Researcher's PowerPoint Presentation

#### 3.2 Motivation

Motivation is the force that energizes, directs and sustains (Armstrong, 2010). The word motivation comes from the Latin word 'movere' which means to move. It can be referred to as an art of influencing the desire or urge of an individual to work when we talk about employee motivation. Organisations must therefore set it as a priority that their employees have this urge or desire to work. One may wonder why it is important to keep employees motivated. This is

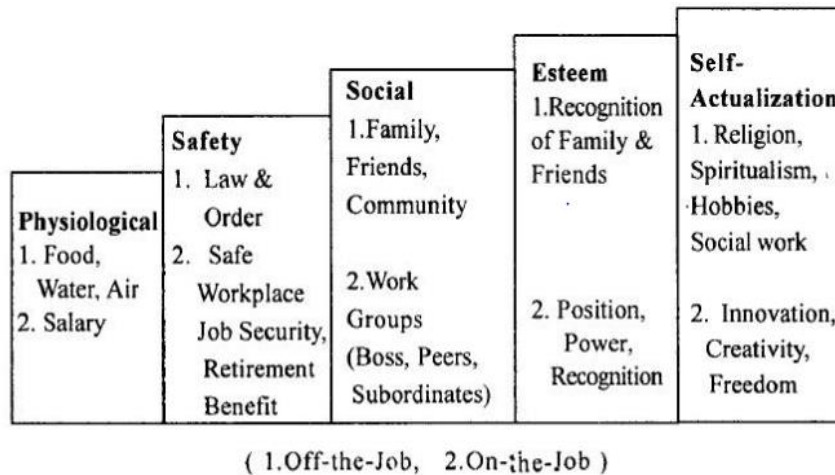
mainly because motivated employees are assets to an organisation hence sound HRM practices can be key to ensuring the success of the organisation through employee motivation which would lead to higher cooperation. The research evaluated two main motivation theories in an attempt to understand the complex concept of motivation better. There are several factors that influence employee motivation and still this may vary according to individuals. However, the theories provide a strong foundation for further research on this topic mainly on what motivates employees at work places and also examined how personnel practices affect employee motivation and at the same time the influence of motivation on the retention of employees by organisations.

### **3.2.1 Maslow's Hierarchy of needs**

One of the most famous motivation theorists is Abraham Maslow, also known and referred to as the father of psychology. Abraham Maslow came up with the Hierarchy of needs motivation theory consisting of various need levels or stages that have to be fulfilled in a sequential order for one to be motivated starting from the most basic of needs such as food and shelter going up to the highest level known as self-actualisation.

The Hierarchy of needs theory that this thesis examined is mainly focused on employee motivation (On the job motivation factors) not motivation in general. Figure 2 below contains both off and on the job factors influencing motivation according to Maslow. Maslow's hierarchy provides a base foundation in the research for the factors that influence employee motivation. According to Maslow, the need levels cannot be skipped, one will have to achieve the first level to be able to reach level 2 of motivation. Maslow's insights are still used in the contemporary research on motivation. The various level of Maslow's hierarchy are explored below.

**Figure 2 Abraham Maslow's hierarchy of needs**



Source: (Chaudhuri, 2010)

According to Abraham Maslow, Physiological needs are the most basic and first needs that need to be satisfied to achieve motivation. Normally these physiological needs are food, water and air and when looking at employees, this would be the salary. The questions invoked on this level include; whether the wages are fair, paid on time (and in full) and if the company provides other perks or benefits that come with the job. Usually, employees should be able to afford to pay for accommodation, food, water and other basic needs from the wage that they get from their employers for them to be motivated to execute their job. Once the initial level of basic needs is attained or achieved through a basic salary the safety needs kick in. These safety needs are usually law and order and when dealing with employees they encompass workplace job security and other benefits such as retirement benefits. The more an employee feels safe at their work, the more likely they are to be motivated at their workplace. Loyalty is also expected to increase due to benefits hence achieving not only motivation but retention too.

Social needs follow. Whereas outside the workplace, these needs would be family, friends and community, at work these would be work groups and teams. This encompasses relationships between employees and their managers, peers and or subordinates. Healthy relationships between an employee and work groups are more likely to have a positive impact



on the motivation of the employee as the employee will have a sense of belonging hence feel the need to also make a contribution to the success of the organisation.

Esteem needs are the next level that can only be attained when social needs are achieved. Whereas in general motivation this would be recognition from family and friends, in the work environment, this would imply position, power and recognition. This means that personnel practices should provide conditions that allow personal growth within the organisation. Recognising employees for their good work also falls under esteem needs. This can be through promotion or even recognition in the form of a pat in the back. One may say but this could go a long way in making employees feel important within the organisation and thus contributing to the increase in staff motivation.

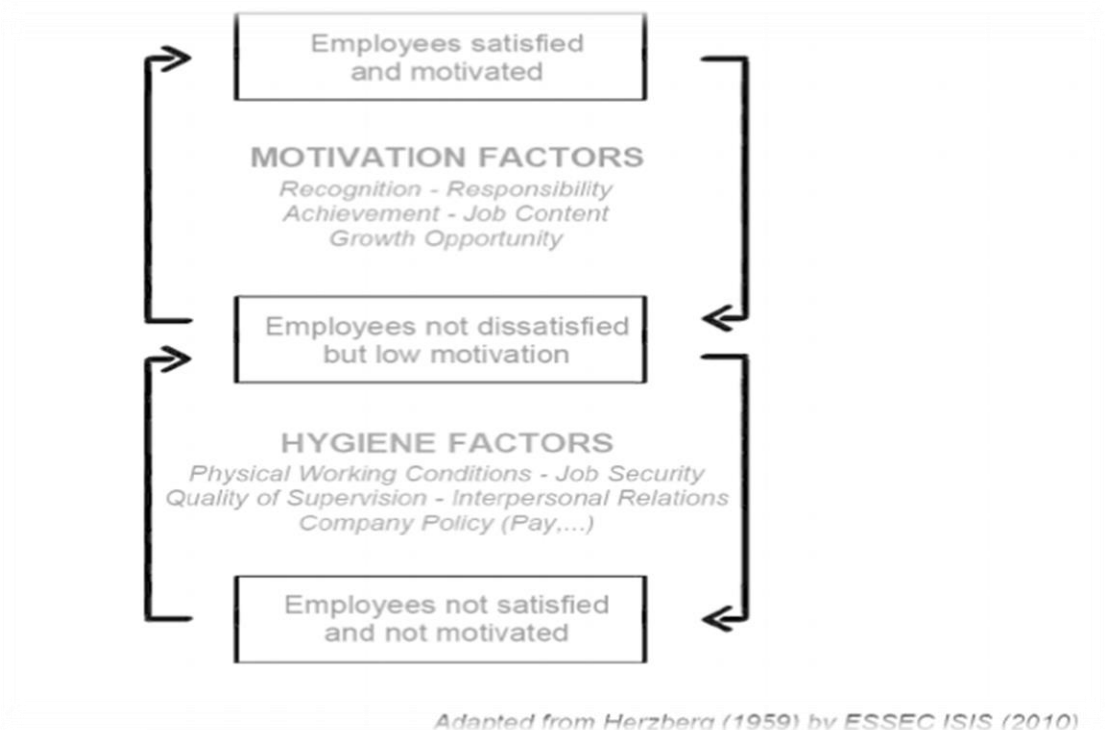
The last and upper-most level of Abraham Maslow's needs are the self-actualisation needs. These include things such as hobbies and social work and in the work environment, these would be innovation, creativity and freedom. Gone are the days of managers constantly guarding employees to make them work as now most businesses are embracing the concept of granting some degrees of freedom to their staff. This is a way of empowering employees as managers are showing their trust and confidence in their employees. The effect of such trust and confidence in the employees is therefore positive as the employees will trust their managers and organisation too. Resultantly, employees feel motivated to their job and also to come up and suggest new ideas and ways to improve work processes.

### **3.2.2 Herzberg Two factor Model**

The Two factor model is a motivation theory introduced by Frederick Herzberg where he distinguished two types of needs mainly hygiene factors which cause dissatisfaction and demotivation if they are unfulfilled. The factor refers to motivators which cause satisfaction and have an influence on increasing motivation. In his test, Herzberg found out that 69% of job dissatisfaction was influenced by hygiene factors such as pay or interpersonal relations. Hygiene factors refer to external environmental factors in work such as salary, security, interpersonal relationships, physical working conditions and HR practices. (HervÃ© Mathe,

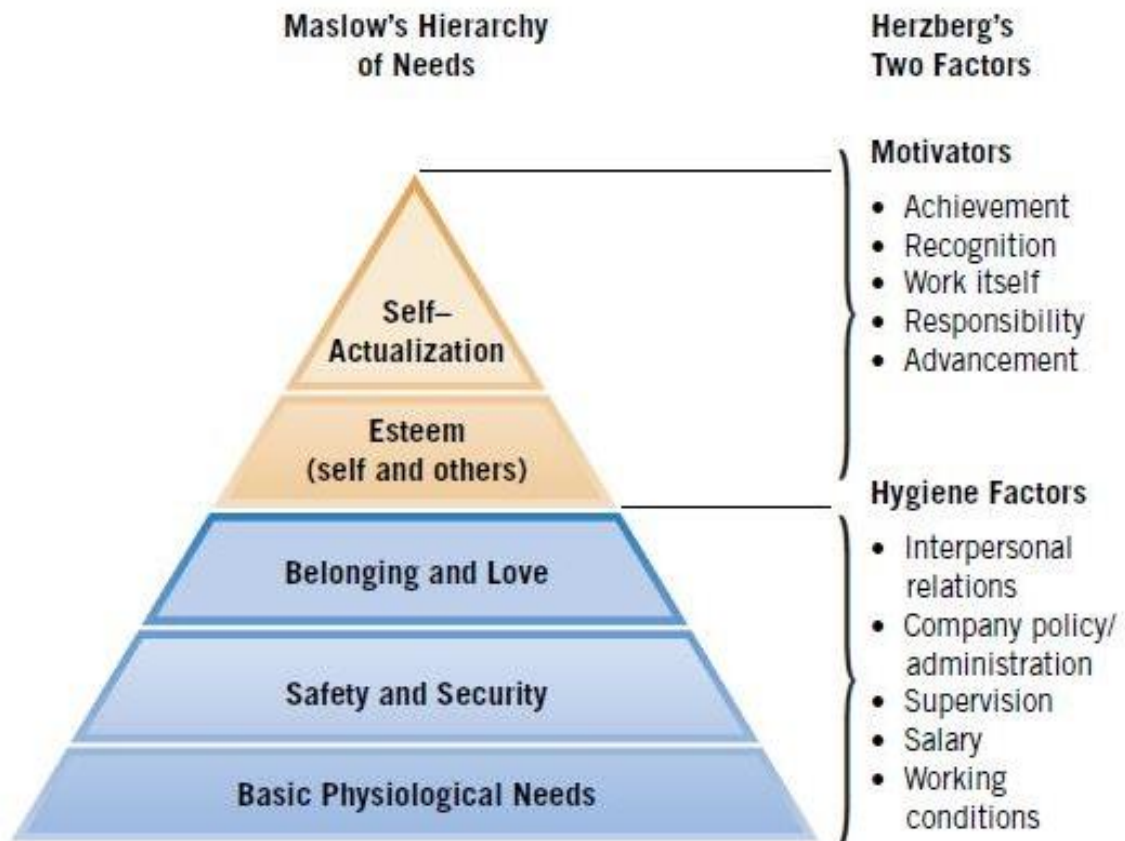
2011). HRM practices in this case become important in the sense that sound HRM practices such as fair pay and compensation of employees will most likely positively impact employee motivation and thereby reducing the probability of employee turnover. HRM practices that provide growth opportunities for employees, recognition and job content review are the ones that will have an influence on employee motivation thus improving retention. The diagram below provides an illustration on Herzberg's two factor theory for better understanding. Herzberg stated that in cases of insufficient financial reward, the result is employee demotivation. However, since money is a hygiene factor, beyond a certain level, it does not contribute to sustained motivation (HervÃ© Mathe, 2011). Herzberg's two factor theory was an eye-opener for many managers as it showed how complex the concept of motivation is as satisfaction of all needs may not guarantee motivation hence he emphasised more focus on intrinsic factors or motivators to be able to achieve employee motivation.

**Figure 3 Herzberg's Motivation theory**



Source: (HervÃ© Mathe, 2011)

**Figure 4 Linking Maslow and Herzberg**



Source: <http://hrmpractice.com/herzberg-two-factor-theory/>

### **3.3 Employee Retention**

Most business leaders with a common sense now know that talent retention is what drives customer retention and that customer retention sustains profitability (Branham, 2000). The biggest challenge facing many organisations today is to retain their talented staff. Retaining staff leads to retaining tacit knowledge within the organisation and reducing the costs of recruitment and induction. (Kermally, 2004). Employee retention is becoming ever more important for any business to achieve competitive advantage through talent retention. Not only is excessive employee turnover a sign of bad HRM Practices, turnover of employees is also

costly for the organisation as it means the organisation will have to replace the leaving employees making retention more and more important for the profitability of the business. HRM practices are significant and relevant to employee retention as they have a direct influence on how the employees are feeling about the organisation. Healthy HRM practices should have a positive influence of employees as they will feel that they belong to the organisation thus they will less likely feel the need to leave the organisation. Unhealthy or bad HRM practices are reflected by high rates of employee turnover whereas healthy practices are reflected by high rates of employee retention or low rate of employee turnover. There are several current HRM practices which also serve as employee retention practices that a business can use to retain its talent and some of them will be discussed below and the rest will be examined under HRM Practices.

Measurement of employee retention is done through dividing the number of employees terminated (those who have left the organisation) over the total number of employees and this can be done quarterly, bi-annually or once a year. High retention rates symbolize that a company is doing something well, perhaps HRM practices? Most companies also publicise their retention rates to show how stable they are and this is encouraging for potential employees. Employers will also want to retain good talent but do not have to hold on to underperforming employees.

Some techniques for employee retention according to (Branham, 2000) are as follows:

### **3.3.1 Hire talent from within when possible**

Gone are the days when replacing a manager position meant the company only looks outside to fill in this position. Nowadays, when a company seeks to replace an employee or a manager they begin by searching within the already available talent. This opens new avenues for the employees already working for the organisation. Possibilities for growth opportunities or to try out different job within the organisation have a positive impact on employees as they will feel motivated to stay and grow within the organisation. Not only does hiring from within

motivate employees, it also serves as a cost saving process for the business to some extent. The highest significance is giving employees opportunities to grow within the organisation.

### **3.3.2 Recognise efforts of employees**

As simple as the phrase may be, acknowledging results plays a major role in employee retention. The more employees are recognised for their individual and group efforts, the more they are motivated. Therefore, this is an HRM Practice that helps businesses retain talent. If employees are not recognised for their efforts, the chances are high that they will look for other jobs where they will get the recognition that they are denied by the business. This recognition can be through monetary means or gifts and in some cases, public recognition amongst other colleagues boosting the self-esteem of the employee and thus motivating them to stay longer with the firm.

### **3.3.3 Delegation of roles**

Delegation of roles not only reduces a manager's workload but it actually contributes to empowerment as employees will feel more important to the organisation if they have more responsibility and challenge than their usual day to day tasks. Employees will feel relevant to the organisational processes and thus have a feeling of importance arising from this. Motivated employees are therefore less likely to be looking for other jobs ensuring that organisational talent remains within the organisation thus helping employee retention.

### **3.3.4 Have More Fun**

All work and no play makes John a dull boy. Modern business work environments are no longer just places for work throughout. Entertainment rooms, game rooms, fitness rooms are increasingly becoming common as they also play an important part in making employees feel at home in their work environments. Such entertainment rooms provide an extra hand in helping employees stay motivated at their work and also to feel that they want to stay more with the organisation as it provides and all round experience, not just work only.

### **3.4 Current trends in Human Resources Management**

Personnel management like many other phenomena is dynamic and so has evolved a lot over time. Contemporary personnel management not only treats customer as king but it actually begins with the treatment of employees. Healthy organisations put a lot of consideration on the welfare of their employees as the staff are an organisations most valuable asset. This means that firms have to keep up with the developments in HRM so as to maintain or gain competitive advantage. Examples of recent trends in HRM are listed below:

#### **3.4.1 Technology**

Changes and developments in technology have a significant impact on people's lives. The evolution of HRM continues as new technology is developed to make processes smoother and more efficient. Technology now plays a significant role in organisations through. An example is big data which are large data sets that can be analysed computationally to reveal patterns. Big Data gives a managers fact-based views of their current staff, and helps to identify emerging patterns. Furthermore, analytics help recruiters assess potential employees and let you make better risk management decisions. Social media is also becoming a powerful tool to recruit staff using social media channels like Facebook, LinkedIn. Companies are also using blogs to share organisational success stories and this gives potential employees a chance to know more about the firms. Another impact technology has is use of cloud to archive employee data in a secure location and the major advantage is that this data can be access in real time.

#### **3.4.2 Employee Engagement**

“Full employee engagement represents an alignment of maximum satisfaction for the individual with maximum contribution for the organisation”. (Rice, 2012). Maximum contribution of individuals for the organisation has several benefits but this means that firms

also have to majorly contribute to the satisfaction of staff. According to the Courtney Moran website, a significant increase of 45% in employee engagement is expected in the year 2019. Several factors influence employee engagement and these include; compensation, career, job fit, recognition and rewards amongst others.

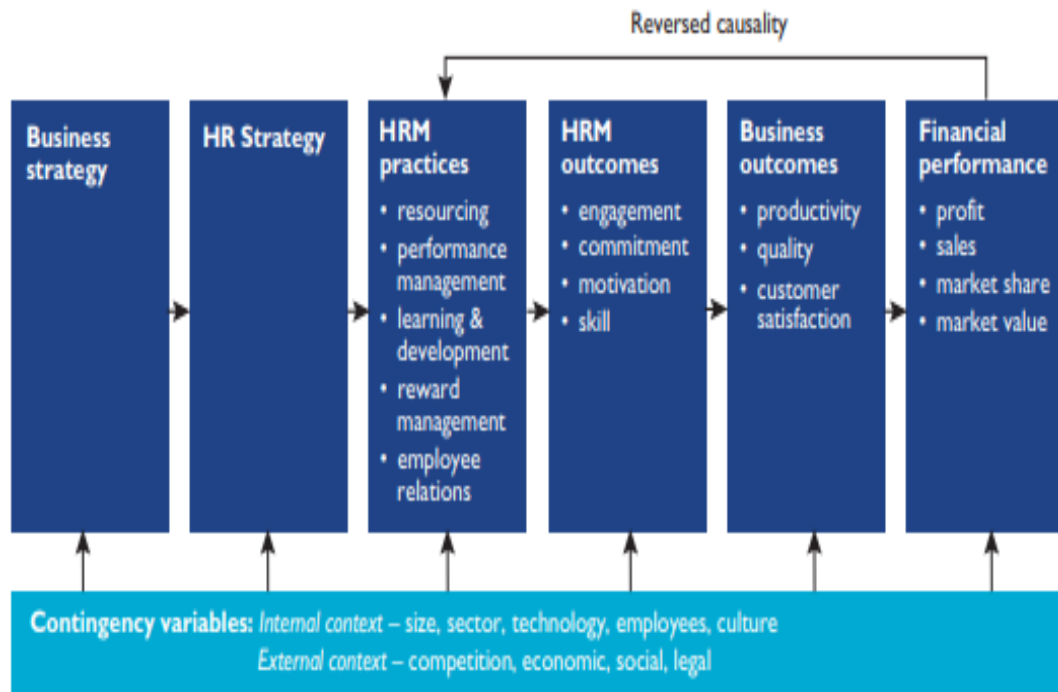
### **3.4.3 Blind hiring**

Since diversification is a major trend in many international companies all over the world, blind hiring may also contribute to making this happen much more effectively. Blind hiring will eliminate the hiring bias (deliberate or non-deliberate) that may arise by simple facts such as the sound of the name, ethnicity and race. Fortunately, there are a developing number of innovation arrangements went for helping HR faculty do only that. The innovations include initial screening interviews with robots. This type of hiring certainly has its benefits but at the same time surely has its disadvantages.

## **3.5 HRM Practices**

Cheng Ling et al, 2011 noted in their journal that HRM practices play an influential role in motivating employees to exhibit favourable attitudes and behaviours, which are acquired to support and implement the competitive strategy of an organisation (Hiltrop, 1995). According to Armstrong in Figure 5 below, HRM practices such as resourcing and performance management, if done properly lead to HRM outcomes. The HRM outcomes are employee engagement, commitment, motivation and skill. This research focused mainly on the motivation outcome and also engagement as highly engaged employees have lower probability of leaving. Competitive advantage is usually achieved by firms which manage to keep their employees engaged and motivated. It is important to note that HRM practices differ according to industry and demands of the job. Companies that stress innovation such as Apple will need to focus on HRM practices that provide a conducive environment for innovation. Different authorities use different terms to refer to HRM. However, this thesis evaluated the practices using Armstrong 2010's guidelines and these are examined in detail below.

**Figure 5 HRM Practices**



Source: (Armstrong, 2010)

### 3.5.1 Resourcing

The HRM Practice of resourcing, according to Armstrong includes activities such as HR planning, recruitment and selection and finally interviewing and hiring. Manpower planning (HR Planning) is the first step of any effective HR program. It involves forecasting manpower needs and planning the steps necessary to meet these needs. (Chaudhuri, 2010). Effective HR planning is therefore essential for an organisations success. To a great extent, organisational success depends on effective HR planning to save costs and to have adequate manpower for proper execution of company tasks. Recruitment refers to an organisation’s ability to attract a suitably qualified pool of applicants for a vacancy, attract in a timely manner so that appointments are made quickly and provide a shortlist of candidates who proceed to the selection phase. (Petzall, 2013). For employees to be motivated, company resourcing has to be



effective and non-strenuous hence in the methodology section, there is a questionnaire which contains questions that are linked to resourcing. Four questions examined employee opinion on the HRM practice of resourcing of the organisation SAP so as to investigate whether these have an influence on employee motivation and retention.

Linked to this HRM practice are questions in Table 1, Chapter 4.7.1

### **3.5.2 Performance management**

“Performance management is about doing everything in your power to help your employees succeed and encouraging them to manage their own performance”. (CALDWELL, 2002) Performance management therefore plays a significant role in ensuring employees are motivated as it involves manager-employee relationships. Performance appraisals fall under HRM practice of performance and management. ‘A performance appraisal assures a periodic opportunity for communication between the person who assigns the work and the person who performs it, to discuss what they expect from each other and how well those expectations are being met...’ (Godding, 2000). Some of the benefits of performance management include:

1. Improved performance
2. Improved communication
3. Organisation alignment
4. Increased employee self-management
5. Increased employee satisfaction (CALDWELL, 2002)

Every successful organisation has to consider performance management important as it has an impact on employee satisfaction and this thesis evaluates impacts on motivation and retention.

Linked to this HRM practice are questions in Table 2, Chapter 4.7.2

### **3.5.3 Learning and development (Talent Management)**

All organisations, small and big, local, national and global need to develop and retain talent in order to do business in a fast-changing market place and market space. Developing talent is essential not only to win but also to sustain competitive advantage (Kermally, 2004). The statement above indicates how important the HRM practice of learning and development is for the success of any organisation. Developing employee skills and encouraging them or allowing them to learn what they may be interested in helps employees feel satisfied with their companies hence motivated to work and thus reducing overall employee turnover as the employees feel challenged and satisfied internally.

Linked to this HRM practice are questions in Table 3, Chapter 4.7.3

### **3.5.4 Pay and Reward Management**

The HRM Practice of Pay and reward encompasses the compensation of employees together with the benefits employees receive for working for a specific organisation. Compensation is a systematic approach of providing monetary value to employees in exchange for work performed...It represents both intrinsic (psychological mind-sets resulting from job performance) and extrinsic (including both monetary and non-monetary) rewards. The term, compensation, refers to all forms of financial returns and tangible benefits that an employee receives as a part of employment relationship. (Bhatia, 2009). Compensation is always a delicate topic for many organisations but it is important that a company pays its employees fairly for the work they do for the organisation. In developed countries failure to pay employees fairly usually results in low motivation and in most cases this then results in low retention. As stated in the definition above, compensation is not only about the monthly salary but also includes benefits such as food allowance, health insurance, pension contribution, paid holidays amongst several other benefits. A balance between the salary and benefits has a high probability of motivating employees to execute their job hence retaining these employees.

Linked to this HRM practice are questions in Table 5, Chapter 4.7.5

### **3.5.5 Work environment management**

The HRM practice of ensuring that the work environment is safe and conducive for employees to execute their work is one that is also important. Harvard University psychologists Robert Stringer and George Litwin explain climate as the quality of the workplace environment and its influence on the work experience and team members' behaviours and perceptions. (Murphy, 2015). According to the definition, the work environment can be understood to have a significant influence on the motivation of employees and ultimately their retention. It is therefore up to an organisation to find the best ways of ensuring that the work environment allows employees to perform their best. Some work environments are demanding hence it is up to managers to coach their employees well enough for such environments. Introduction of other activities such as entertainment also help to optimise employee motivation and if the employees are in love with the work environment, there is a low probability of them leaving such an environment.

Linked to this HRM practice are questions in Table 4, Chapter 4.7.4

## **4 Practical Part**

### **4.1 Introduction**

The objectives of this thesis were to evaluate the influence of HRM practices on employee motivation and retention at the company SAP Czech Republic. Since motivation cannot be easily measured, the researcher had to investigate the best data collection instrument, define clearly independent and dependent variables and finally implement this research on the target population so as to evaluate if HRM practices can influence employee motivation. This part of the thesis will discuss the research approach, target population/ organisation, sample, data sources and methods of data collection and the data collection instrument (questionnaire).

### **4.2 Research approach**

As indicated in the practical part introduction the aim of the research was to find the extent to which HRM practices influence employee motivation and retention. HRM practice areas that were evaluated in the end were;

- Resourcing (HR planning, recruitment and selection)
- Performance management (Performance appraisals, manager expectations)
- Learning and development (Career and growth opportunities)
- Employee relations (work environment and relationships)

The pay and reward practice area although initially meant to be analysed had to be excluded from the analysis as questions on pay and reward except for one fell into the realm of confidential information for the organisation hence the researcher had to make do without examining the influence of pay and reward practice area on the final ANOVA analysis. The statistical review of one of the questions on this practice area on whether wages were received on time was still done in Chapter 5.2.5.

The research approach therefore was to try to link the HRM Practices with employee motivation and retention scientifically. Two hypotheses were tested and these are as follows:

### **4.3 Hypotheses**

#### **Hypothesis for employee motivation**

H0: There is no statistically significant relationship between HRM practices and employee motivation

H1: There is a statistically significant relationship between HRM practices and employee motivation

#### **Hypothesis for employee retention**

H0: There is no statistically significant relationship between HRM practices and employee retention

H1: There exists a significant relationship between HRM practices and employee retention

#### **Hypothesis for employee retention**

H0: There is no statistically significant relationship between employee motivation and employee retention

H1: There is no statistically significant relationship between employee motivation and employee retention

### **4.4 Sample**

The target population for this study was all the workers in SAP Czech Republic, a total of 1700 employees. It is not always possible or prudent to carry out a census, that is, to get data

from all the respondents who constitute the target population. This is when sampling comes in handy. Convenience sampling, a technique whereby respondents are selected because of their convenient accessibility and proximity to the researcher, was used in this study.

In view of the time and financial constraints confronting a student researcher, convenience sampling offered an attractive sampling option. However, the researcher did not lose sight of the almost unavoidable shortcomings of the approach, particularly bias, this undermines the confidence with which the results from the sample can be generalized to the target population. This disadvantage is, however, mitigated by the fact that the work teams might be heterogeneous within them but they are generally homogenous between them.

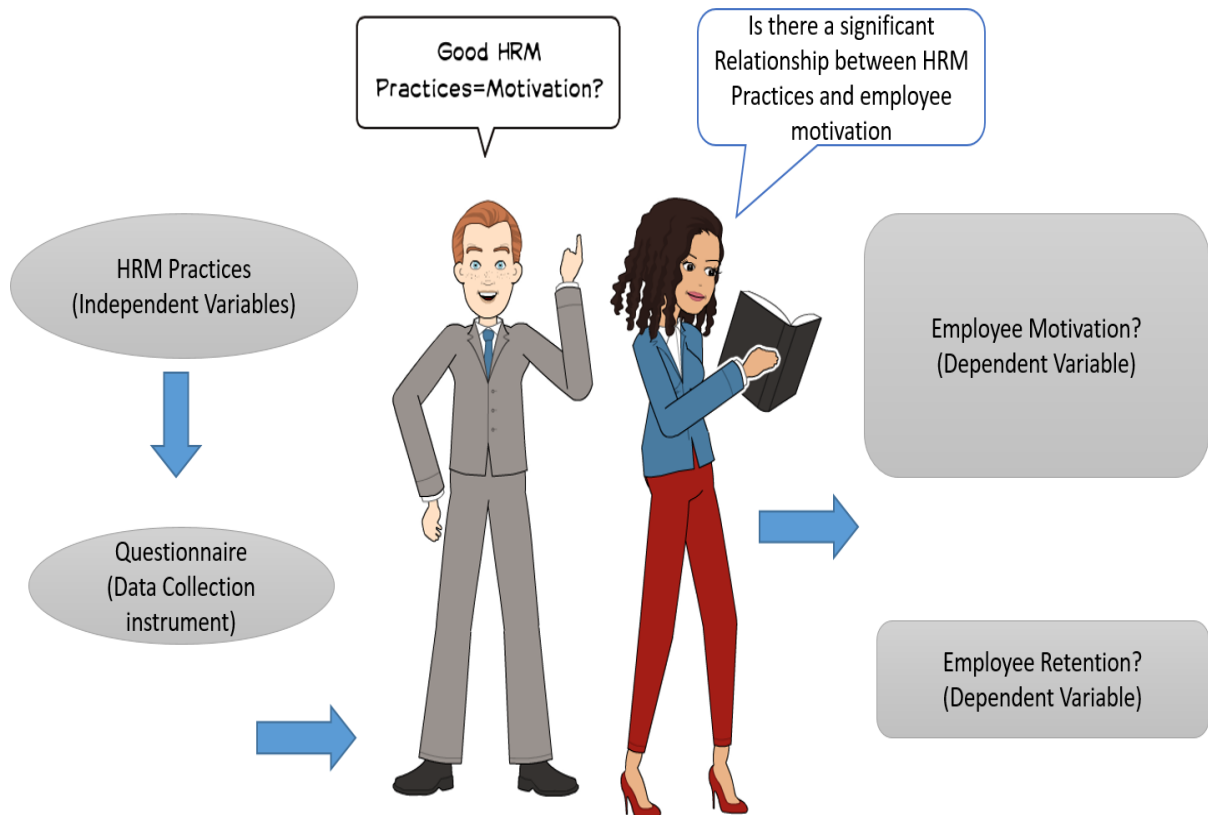
This enhances the representativeness of any work team selected. The size and accessibility to the chosen sample made it possible for the research to manage the follow-up process hence a 100% sample response rate.

## **4.5 Data sources**

The data sources for this thesis used can be divided into two categories, primary data and secondary data. Primary data can be defined according to the Statistics how to website as Primary data is data that is collected by a researcher from first-hand sources, using methods like surveys, interviews, or experiments. It is collected with the research project in mind, directly from primary sources. The data in the questionnaire can be analysed with quantitative methods by assigning numerical values to the Likert-scale. The secondary data that was used in this thesis was used to address the subject of employee retention. This information was extracted from the company website where they published the retention rates for the previous years.

## 4.6 Design diagram

Figure 6 Design Map



Source: Researcher's PowerPoint Presentation

## 4.7 HRM Practice Questionnaire

The data collection instrument used for this research was an online questionnaire with the aim to receive employee opinion or feeling feedback. The simply psychology website defines a questionnaire as a data collection tool that comprises of a series of questions for the purpose of gathering information from respondents. The data collected in this thesis was subjective supporting the researcher's choice to use a standard Likert-type questionnaire. The questionnaire was online as this is a cheap and fast way of gathering data. Questionnaires can be thought of as a kind of written interview.

The questionnaire initially had 32 questions. A pre-test was done as the questionnaire was sent to 5 employee to ascertain whether the questions were easily comprehensible. The result of this pre-test was that some adjustments had to be made and also the pay and reward questions classified as confidential. This brought down the questionnaire to 4 questions per HRM practice area, all comprising of an answer scale ranging from strongly agree to strongly disagree. The practice area of pay and reward only had one question that did not fall into the privacy policy of the company hence it is included in the analysis but analysed separately.

The questions were categorised according to practices as illustrated in the tables below:

**Table 1 Questions on Resourcing**

Position requirements were clearly stated when I applied for the job.	<b>Resourcing</b>
Based on my experience, the organisation (SAP) puts the right person on the right job.	
SAP Recruitment and selection process was professional and organised.	
Job training before I started working independently was adequate.	

**Table 2 Questions on performance management**

Managers have realistic expectations of their employees.	<b>Performance management</b>
SAP managers frequently provide proper and useful performance-based feedback.	
The goal of performance appraisal in SAP is to ensure that employee skills are developed.	
Managers have trust in their employees and thus allow them some degree of independence.	



**Table 3 Questions on learning and development**

Chances of career advancement depend on my skills and performance.	<b>Learning and Development</b>
SAP plans for the career and development of its employees.	
Employees are encouraged to participate in various developmental workshops or meetings.	
I am assigned challenging jobs or tasks that charge my enthusiasm and develop my skills.	

**Table 4 Questions on employee relations management**

Work environment and equipment are adequate for me to execute my work.	<b>Employee relations management</b>
My colleagues make me feel like I belong to the work community.	
My suggestions for process improvements to managers are met with enthusiasm.	
Casual meetings or events with my colleagues are common at SAP.	

**Table 5 Question on pay and reward**

My monthly salary is paid on time.	<b>Pay and reward</b>
------------------------------------	-----------------------

The questions that help to understand employee motivation are as follows:

**Table 6 Questions on motivation and retention**

<b>Question</b>	
On a scale of 1-10 (1 weak, 10 strong) how would you rate your motivation to work with respect to your current position?	Motivation & Retention
I am not likely to leave the organisation in the near future	

## **4.8 Variables**

Typical of any research is the importance of defining clearly what the variables are and also providing their operational definitions. The independent variables in this questionnaire are therefore the personnel practice areas mentioned earlier in the thesis that the researcher aimed to evaluate their impact on employee motivation and retention. The independent variables evaluated mainly are; (resourcing, performance management, learning and development and employee relations).

The Independent variables are the questions stated in Table 1 up to Table 5 excluding pay and reward practice are Measurement of these values was through a standard Likert scale where employees were asked their opinions or feelings towards several questions linked to each of the HRM practices measured in this thesis. The Likert scale in this questionnaire is ordinal seeking information on level of satisfaction or agreement to HRM practices. For scientific analysis, the responses from the employees had to be converted to numbers. An example of the range of responses is shown in the image below.

### Figure 7 Questionnaire example

Position requirements were clearly stated when I applied for the job. \*

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

Based on my experience, the organisation (SAP) puts the right person on the right job. \*

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

Source: Researcher's Questionnaire

The dependent variable to be measured was motivation. However, since motivation is not easily measurable, the researcher had to come up with a guideline of what motivation is hence the question on current employee motivation rating with regard to their current position. To allow the analysis of the impact or significance of HRM practices on employee motivation I also asked as part of the questionnaire employees to share their current feeling of their motivation with regard to their current working position. The question was also in the form of a standard Likert scale but the range was from 1 (weak motivation) to 10 (highly motivated). Table 6 shows the questions connected to both the measurements of employee motivation and employee retention. The question on employee motivation is illustrated in the figure below;

### Figure 8 Question on motivation and retention

\* Required

On a scale of 1-10 (1 weak, 10 strong) how would you rate your motivation to work with respect to your current position? \*

1 2 3 4 5 6 7 8 9 10

I am not likely to leave the organisation in the near future \*

- Agree
- Neutral
- Disagree

SUBMIT

Source: Researcher's Questionnaire

## 5 Results and Discussion

### 5.1 General Results

Analysis of data was conducted using a combination of IBM (SPSS) statistical software and excel data analytics. Cronbach's alpha provided information on the reliability of the questions on each practice area. Pay and reward descriptive statistics were also included in the results and discussion chapter. The goal was to examine the hypotheses set in the previous chapter and actually determine if a statistically significant relationship exists between HRM practices and employee motivation, HRM practices and employee retention and also to evaluate if motivation results in retention. ANOVA test helped establish the significance of both tests.

Cronbach's Alpha mentioned in the results below according to a statistics website (Statistics How To) is defined as a coefficient alpha created by Lee Cronbach in 1951. The test checks whether various inquiry Likert scale studies are dependable. Cronbach alpha provided internal reliability on questions from each practice area. Figure 9 below provides a categorised results scale for Cronbach's alpha.

**Figure 9 Cronbach alpha results ratings**

<b>Cronbach's alpha</b>	<b>Internal consistency</b>
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Source: <https://www.statisticshowto.datasciencecentral.com/cronbachs-alpha-spss/>

## 5.2 Reliability Testing and Descriptive Statistics for HRM Practices

### 5.2.1 Reliability test for Resourcing

Figure 10 Resourcing reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,537	,526	4

	Mean	Std. Deviation	N
Position requirements were clearly stated when I applied for the job.	4,15	,558	34
Based on my experience, the organisation (SAP) puts the right person on the right job.	3,85	,744	34
SAP Recruitment and selection process was professional and organised.	4,24	,781	34
Job training before I started working independently was adequate.	3,91	1,164	34

Source: Researcher's statistical software results (SPSS)

The results above show a Cronbach alpha value of 0.537. According to the scale shown in Figure 9, a value of around 0.5 unfortunately does not show strong reliability of these questions hence we cannot fully rely on these questions to give us good prediction but still a value greater than 0.5 is quite okay considering sample size is just 34 people. The mode for all the above questions is 4 meaning 4 (Agree) was the most frequent response in this survey. Last question on job training seems to have the highest range as responses minimum was 1 (strongly

disagree) and maximum response being 5(strongly agree) hence. Removing any of these questions would not have had any significant increase in reliability hence the decision to keep all of them in the questionnaire as supported by Figure 15 in the appendix.

**Figure 11 Performance management statistics**

<b>Reliability Statistics</b>			
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items	
,725	,717	4	

<b>Item Statistics</b>			
	Mean	Std. Deviation	N
Managers have realistic expectations of their employees.	3,91	,900	34
The goal of performance appraisal in SAP is to ensure that employee skills are developed.	3,53	,929	34
Managers have trust in their employees and thus allow them some degree of independence.	4,56	,561	34
SAP managers frequently provide proper and useful performance-based feedback.	3,62	,985	34

Source: Researcher's statistical software result (SPSS)

The HRM practice of performance management scored higher in the Cronbach alpha reliability test. The value of 0.725 is considered in the scale shown above as an acceptable reliability. This means that the scale from these questions is acceptable and can be relied upon. As shown also in the figure above, the question on performance appraisal had 5(strongly agree) as the most frequent response 5 being the maximum response and 3(Neutral) being the minimum of all responses. The range (difference between maximum and minimum) was high for question on whether managers have trust in their employees and some individuals but a few

strongly disagreed with this notion. Removing any of these questions would not have had any significant increase in reliability hence the decision to keep all of them in the questionnaire as supported by Figure 16 in the appendix.

## 5.2.2 Reliability test Learning and Development

**Figure 12 Learning and development**

<b>Reliability Statistics</b>		
<b>Cronbach's Alpha</b>	<b>Cronbach's Alpha Based on Standardized Items</b>	<b>N of Items</b>
,688	,686	4

<b>Item Statistics</b>			
	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
Chances of career advancement depend on my skills and performance.	3,68	,843	34
SAP plans for the career and development of its employees.	3,56	,860	34
Employees are encouraged to participate in various developmental workshops or meetings.	4,12	,769	34
I am assigned challenging jobs or tasks that charge my enthusiasm and develop my skills.	3,82	,968	34

Source: Researcher's statistical software result (SPSS)

The results above regarding the HR practice of learning and development scored a 0.688 in Cronbach alpha reliability test. This value is considered questionable but it is very close to the acceptable range hence it can be taken as fairly reliable as it show signs of internal consistency Removing any of these questions would not have had any significant increase in



reliability hence the decision to keep all of them in the questionnaire as supported by Figure 17 in the appendix.

### 5.2.3 Reliability test for employee relations management

Figure 13 Employee relations

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,761	,769	4

	Mean	Std. Deviation	N
Work environment and equipment are adequate for me to execute my work.	4,65	,485	34
My colleagues make me feel like I belong to the work community.	4,47	,748	34
My suggestions for process improvements to managers are met with enthusiasm.	3,88	,686	34
Casual meetings or events with my colleagues are common at SAP.	4,38	,779	34

Source: Researcher's statistical software results (SPSS)

The results above show that questions on the HRM practice of employee relations management scored a 0.761 on the Cronbach alpha test of reliability. The figure 0.761 falls in the acceptable scale range hence showing these questions had good internal reliability. Removing any of these questions would not have had any significant increase in reliability hence the decision to keep all of them in the questionnaire. Removing any of these questions

would not have had any significant increase in reliability hence the decision to keep all of them in the questionnaire as supported by Figure 18 in the appendix.

#### 5.2.4 Pay and reward Descriptive statistics

**Table 7 Pay and reward**

<i>My monthly salary is paid on time.</i>	
<b>Mean</b>	4.911765
<b>Standard Error</b>	0.049375
<b>Median</b>	5
<b>Mode</b>	5
<b>Standard Deviation</b>	0.287902
<b>Sample Variance</b>	0.082888

As the questions on pay and reward management practice were considered internal and confidential, the only question that was asked was whether wages were paid on time. This question had the highest average of 4.91. The mode and median for this question was 5 (strongly agree) showing that many of the employees gave a positive response on whether they get their salaries on time.

Even though the questions on pay and reward management were not included in the final test of the model, the descriptive statistics on the question above were included in this bachelor thesis as the researcher believed strongly that employees getting their wages on time plays a significant role in establishing and gaining the trust of employees and this may contribute to employees feeling motivated to execute their jobs and also reducing turnover of employees simply because salaries are not paid on time.

### 5.3 Data Analysis for hypotheses

The results from combinational use of SPSS software and excel data analytics provided the researcher with statistical data that allowed the researcher to investigate and come to a conclusion with respect to the methodology section where two hypotheses were to be tested. The tests used were regression analysis and ANOVA and these are evaluated below:

#### 5.3.1 Regression Statistics

**Table 8 Regression analysis**

<i>Regression Statistics</i>	
Multiple R	0.834577181
R Square	0.696519071
Adjusted R Square	0.410889962
Observations	34

The total number of respondents in this research (highlighted in blue in the table above) was 34. The research was later focused on one team from the organisation which made it easier to make a follow-up contributing to the achievement of a 100% with regard to the number of employees.

Regression Statistics in the figure above show an R square value of 0.70 (figure rounded off to the nearest 10). In measurements, the coefficient of assurance, meant R square is the extent of the difference in the dependent variable that is unsurprising from the autonomous variable. This means 70% of the variation in the dependent variable (motivation) is explained by the model. Adjusted R square however is a lot lower than 70% and states that 41% of the variation in the dependent variable is explained by the independent variables and perhaps this could increase with an increase in sample size.

### 5.3.2 ANOVA Results for HRM Practices on employee motivation

Table 9 Model significance

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
<b>Regression</b>	16	43.69632881	2.731021	2.438544	0.038600011
<b>Residual</b>	17	19.03896531	1.119939		
<b>Total</b>	33	62.73529412			

The purpose of checking ANOVA results is to examine fitness of the model.

H0: There is no statistically significant relationship between HRM practices and employee motivation

H1: There is a statistically significant relationship between HRM practices and employee motivation

Significance F-value of this model is 0.0386. F-value is therefore less than alpha of 0.05 therefore F- value is less than alpha symbolizing the significance of the model. We therefore reject the null hypothesis that there is no relationship between HRM practices and employee motivation and **accept** the alternate hypothesis that there is a statistically significant relationship between HRM practices and employee motivation. From this data and analysis we can see that a relationship exists between HRM practices and employee motivations, in other words, HRM practices have an influence on employee motivation.

### 5.3.3 Individual statistics for each question from questionnaire (motivation)

**Table 10 Individual p value statistics**

<i>Question</i>	<i>Coefficients</i>	<i>P-value</i>
Managers have realistic expectations of their employees.	0.041604309	0.91431735
Managers have trust in their employees and thus allow them some degree of independence.	0.238106746	0.65987975
The goal of performance appraisal in SAP is to ensure that employee skills are developed.	0.074475406	0.857293072
SAP managers frequently provide proper and useful performance-based feedback.	-0.108021744	0.733684657
Chances of career advancement depend on my skills and performance.	0.655707539	0.078247543
SAP plans for the career and development of its employees.	0.632461818	0.085577711
Employees are encouraged to participate in various developmental workshops or meetings.	0.165586937	0.686689331
I am assigned challenging jobs or tasks that charge my enthusiasm and develop my skills.	-0.932365087	0.016240673
Position requirements were clearly stated when I applied for the job.	-0.630130959	0.265005363
Based on my experience, the organisation (SAP) puts the right person on the right job.	0.641741378	0.141405361
SAP Recruitment and selection process was professional and organised.	0.155544605	0.676914622
Job training before I started working independently was adequate.	-0.115365813	0.666517067
Work environment and equipment are adequate for me to execute my work.	-0.366955799	0.661130215
My colleagues make me feel like I belong to the work community.	0.9059025	0.113991763
My suggestions for process improvements to managers are met with enthusiasm.	-0.035520079	0.93722388

Casual meetings or events with my colleagues are common at SAP.	0.141223379	0.689131739
---	-------------	-------------

The P-value in the table above helps us to evaluate individual statistical significance of each question on the HRM practices resourcing, learning and development, work environment and performance management. However, the statistical significance of the questions individually are not as impressive as most are above the value of 0.05. An alpha value of 0.05 would mean that there is a probability that the results are due to chance. This means that the individual questions can therefore not really be used to predict employee motivation which makes sense in reality as the question of employee motivation is complex just as human beings are.

It can however be seen that in the coefficient's column that most of the questions (highlighted in green) had positive correlation with the dependent variable (motivation) meaning if the independent variable increases the dependent variable also increase. An increase or improvement in these HRM practices will most likely result in an increase in employee motivation.

The figures highlighted in red according to the results have a negative correlation with the dependent variable but this may not be as accurate as this may be debatable, for example, one would expect work environment and equipment to have a positive impact on employee motivation hence retention but this is subject to discussion and further research.

### 5.3.4 HRM Practices on employee retention regression and ANOVA

H0: There is no statistically significant relationship between HRM practices (independent variables) and employee retention

H1: There is a statistically significant relationship between HRM practices (independent variables) and employee retention

**Table 11 HRM on retention model significance**

<i>Regression Statistics</i>	
<i>Multiple R</i>	0.844278
<i>R Square</i>	0.712806
<i>Adjusted R Square</i>	0.442505
<i>Standard Error</i>	0.3912
<i>Observations</i>	34

**Table 12 HRM on retention model significance**

<b>ANOVA</b>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
<b>Regression</b>	16	6.457182	0.403574	2.637087	0.02760237
<b>Residual</b>	17	2.601642	0.153038		
<b>Total</b>	33	9.058824			

The results above show that 71% variation in employee retention is explained by personnel practices. Significance F value highlighted in green (0.027) is less than alpha 0.05

hence we reject null hypothesis that there is no statistically significant relationship between personnel practices and employee motivation and accept the alternate hypothesis that proves relationship between employee HRM practices and employee motivation. We can conclude from these results that HRM practices have an influence on employee retention. Employee retention is therefore a result of good HRM practices in the organisation.

### 5.3.5 Employee motivation and employee retention

**Table 13 ANOVA results for Employee motivation and employee retention**

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	15.58594	15.58594	10.57809	0.002698245
Residual	32	47.14935	1.473417		
Total	33	62.73529			

H0: There is no statistically significant relationship between employee motivation and employee retention

H1: There exists a significant relationship between employee motivation and employee retention

From the information stated in the table above, the null hypothesis is therefore rejected and the results means the alternate hypothesis is accepted thus, there exists a significant relationship between employee motivation and employee retention. It can be concluded according to the data that employee retention is an offshoot of employee motivation thus for



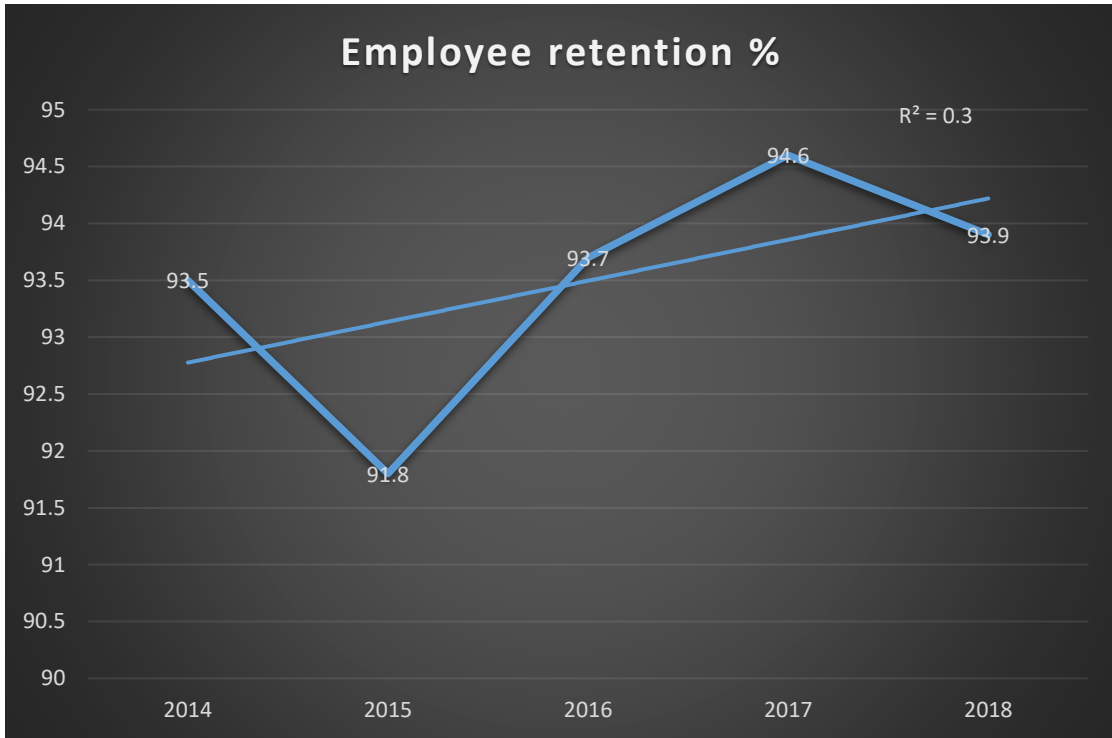
companies to achieve employee retention, organisations have to achieve employee motivation first.

### 5.3.6 SAP employee retention Historical data

**Table 14 SAP Global retention figures**

<b>Year</b>	<b>Employee retention %</b>
2014	<b>93.5</b>
2015	<b>91.8</b>
2016	<b>93.7</b>
2017	<b>94.6</b>
2018	<b>93.9</b>

**Figure 14 Global SAP employee retention figures**



Source: <https://www.sap.com/integrated-reports/2018/en.html>

The table and graph above show how the company SAP values employee retention and has managed to retain its employees from 2014 achieving over 93% of retention each year. This information is added to thesis to support that employee retention is a result of HRM practices that result in employee motivation. The table below shows an R square value which is quite low as only 24% of the variation in the dependent variable (employee retention) is explained by employee motivation. F value is however less than alpha (0.05) symbolizing significance of the model which is what is important in this research.

## **6 Conclusion**

This research, focused on SAP Czech Republic s. r. o., sought to investigate the relationships between HRM practices and motivation, HRM practices and retention as well as the link between motivation and employee retention. A brief background of the organisation under study was given to provide a context for the study. A review of related literature clarified the theoretical background to the thesis. The study involved hypothesis testing, employed the online survey technique, eliciting data from respondents through a Likert-scale questionnaire. Data was collected from a purposively selected work team comprising of thirty-four people, workers and managers included.

The data analysis involved a number of techniques and enabled the researcher to arrive at sound conclusions. On the basis of the Global Mobility work team studied, it is concluded that sound HRM practices lead to high motivation which in turn contribute to high employee retention. One major limitation of this study was time. Given more time and other resources, the study recommends a longitudinal study, as opposed to this snapshot. This would yield invaluable insights of changes over time. A study of an organisation in a different industry or geographical location may also provide interesting dimensions.

A recommendation for the case study company and all organisations as a whole is to keep up with the current trends in personnel management. These trends include those mentioned in the trends in HRM for example the trends include, employee engagement, fighting unconscious bias, improvement in people training and expanding employee wellness.

## 7 Appendix

**Figure 15 Resourcing Cronbach Alpha if independent variable is deleted**

	Cronbach's Alpha if Item Deleted
Position requirements were clearly stated when I applied for the job.	,541
Based on my experience, the organisation (SAP) puts the right person on the right job.	,363
SAP Recruitment and selection process was professional and organised.	,574
Job training before I started working independently was adequate.	,244

**Figure 16 Performance management Cronbach Alpha if independent variable is deleted**

	Cronbach's Alpha if Item Deleted
Managers have realistic expectations of their employees.	,650
The goal of performance appraisal in SAP is to ensure that employee skills are developed.	,580
Managers have trust in their employees and thus allow them some degree of independence.	,756
SAP managers frequently provide proper and useful performance-based feedback.	,622

**Figure 17 Learning and development Cronbach Alpha if independent variable is deleted**

	Cronbach's Alpha if Item Deleted
Chances of career advancement depend on my skills and performance.	,626
SAP plans for the career and development of its employees.	,576
Employees are encouraged to participate in various developmental workshops or meetings.	,679
I am assigned challenging jobs or tasks that charge my enthusiasm and develop my skills.	,596

**Figure 18 Employee relations Cronbach alpha if independent variable is deleted**

	Cronbach's Alpha if Item Deleted
Work environment and equipment are adequate for me to execute my work.	,740
My colleagues make me feel like I belong to the work community.	,555
My suggestions for process improvements to managers are met with enthusiasm.	,716
Casual meetings or events with my colleagues are common at SAP.	,772

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