

# A Study of Influence of HRM Factors on Retention in Commodity Trading Industry

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**Abstract**—Employees are the life blood of any business organization who keeps it going, growing and glowing. Every employee has a role in the organization which is crucial to achieve its goals. Therefore, it is imperative to keep the employees satisfied and motivated so that they stay in the organization for a longer period. A well designed retention policy plays an important role in keeping the employees by increasing their belongingness and happiness and in turn making them more reliable and loyal. Employees in Commodity Trading Industry have a difficult and risky job profile (spot decisions, work without breaks) which requires specialized knowledge and skills for trading.

The present paper has made an attempt to identify & study the significance of factors which influence the retention of employee in the commodity trading industry. Four groups of factors i.e. Work Environment, Compensation, Training & Development and Role of Supervisor are located through Literature Review. A questionnaire is then administered to 85 commodity industry employees who trade in soft commodities. Each construct was then divided into 6 sub-factors. Optimal Scaling Categorical Regression (CATREG) method was then used. The key results showed that all the four predictors i.e. Work Environment, Compensation, Training & Development and Role of Supervisor have positive impact on intention to stay. Compensation and its sub factor non monetary incentives appeared to be the most significant factor affecting retention in a commodity trading organization. Training and Development including job specific training and training in the latest tool is the second most influential factor. Freedom and flexibility to trade is also considered important for traders as a part of Work Environment. Role of Supervisor though significant, turned out to be last in the category of factors.

**Keywords:** Retention, Commodity Trading Industry, Work Environment, Compensation, Training & Development, Role of Supervisor.

## 1. INTRODUCTION

Success mantra of leading top companies is often found to be its employees who have grown and developed over time with the company. Employees are valuable individuals with distinct characteristics, without them it is neither possible to do business or generate revenue. Every employee performs a certain function in the organization; they could be junior or senior, small or big, crucial or routine. Employees form the puzzle pieces which fit together to create the larger the

complete picture of the organization. One missing piece puts a hole in the picture and restrict the smoothness of operations. Therefore, a retention strategy with clearly defined goals is very essential.

Employee retention strategy refers to the techniques employed by the management to help the employees stay with the organization for a longer period of time. No doubt hiring top quality employees is an important task in itself but equally important are the initiatives and well planned processes and strategies so that employees will have reasons to remain with the company and growth to continue. A well developed retention strategy will also reduce recruitment by retaining top performing talent. The growth of the organization is dependent on the employee contribution, satisfaction, and commitment. A happy employee is a productive employee and a satisfied employee is a committed employee.

In a transparent environment while employees get a sense of achievement and belongingness from a healthy work environment, the company is benefitted with a stronger, reliable work force harboring bright new ideas for its growth. Rapid market change, disruptive technologies, and opportunities available to key employees have forced organizations to reexamine their work culture, compensation and growth packages, motivational strategies, promotional avenues, welfare activities, and development and training facilities etc so as to increase employee's satisfaction influencing their stay in the organization.

The demands and expectations of the employees may vary from industry to industry and junior level to senior level in the hierarchy. In the present paper peculiarity of job profile of a trader in commodity trading industry is studied to identify the significant variables in the retention policies of this industry. The two main **Objectives** of the paper are:

- To identify the factors affecting the employees to stay in Commodity trading organization.
- To study the importance of the identified factors on intention of employees to stay in the organizations.

## 2. NATURE OF COMMODITY TRADING INDUSTRY

Commodity trading is a sophisticated form of investing. It is similar to stock trading but instead of buying and selling share of companies, an investor buys and sells commodities. Like stocks, commodities are traded on exchanges where buyers and sellers can work together to either get the products they need or to make a profit from the fluctuating prices. The term commodity is used to describe a class of goods for which there demand is, but which is supplied without qualitative differentiation across a market. One of the characteristics of a commodity good is that its price is determined as a function of its market as a whole. Soft commodities are goods that are grown, while hard commodities are the ones that are extracted through mining. Energy commodities include electricity, gas, coal, and oil.

Total there are four categories of trading commodities which include:

1. Energy (including crude oil, heating oil, natural gas and gasoline)
2. Metals (including gold, silver, platinum and copper)
3. Livestock and Meat (including lean hogs, pork bellies, live cattle and feeder cattle)
4. Agricultural items (including corn, soybeans, wheat, rice, cocoa, coffee, cotton and sugar)

Commodities trading are risky investment propositions because they can be affected by eventualities that are difficult, if not possible, to predict. These include unusual weather patterns, natural disasters, epidemics and man-made disasters.

Therefore, Trading and investing in commodities is considered very different from investing in traditional securities such as stocks and bonds. Global economic development, technological advances and market demands for commodities influence the prices of agricultural commodities.

No doubt the job of employees who deal in these commodities is challenging and risky. Some special challenges faced by employees in this industry are:

- A trader has specialist technical skills and works in a commodity trading organization, is allocated in a linear fashion. However, with the advent of technology, the internet, and the changing nature of consumer and customer expectations, more and more emphasis has been laid on teamwork. If an organization is built around individuals, it would not be sustainable. If a star performer works detrimental to team goals, he may be forced to leave.

- Traders often have to bear the burden of taking on the spot decisions. They also have to perform a variety of functions like marketing, accounting and clerical work all at one time. This often leads to incorrect decisions.
- No breaks in work. Expected to work 24 X 7.
- A financial constraint with respect to funds allocated by organizations for trading/hedging purposes because of which the employee's fullest potential remains unexplored.
- No exposure of International markets to soft commodity traders, as trading organizations cannot provides extensive training in global markets.
- No smooth transition in career advancement and tend to get stuck with the same commodities for years.

To meet the requirements of the job, employees in commodity trading industry may have special needs which are needed to address to retain them.

The focus of the present study is to identifying the relevant factors and their significance in the retention policy of traders dealing in soft commodities (Agricultural Products).

## 3. LITERATURE REVIEW

Various studies have made attempts to identify and study the factors which play important role in the retention policy of any company in any industry. The present section is an attempt to enlist the factors which may be influencing the retention policy of commodity industry too.

Atul Mathur, Dr. P.K. Agarwal (2013) have concluded that employee retention is very important for the organization because it helps in reducing cost of turnover, prevents loss of confidential information and interruption of work, keeps the employees motivated and increases the productivity of the organization. It is further asserted that by using various HR practices like performance appraisal, training and development programs and creating a competitive working atmosphere for the employees, employee retention can be increased.

Irshad, Afridi (2011) have suggested that HR practices play a crucial role in employee's retention in an organization. Factors like family support, flex time culture, apart from training and development, compensation, reward and recognition have been found to influence the retention rate in an organization.

Behera N, Sahoo C K, Sundaray B K (April 2011) have observed that the top management has to be convinced about the benefits of retention and the same has to percolate down the organizational hierarchy. Fair and unbiased performance appraisal must be done based on which compensation, benefits, promotion and rewards should be given. Employees

must be given opportunities to gain knowledge and develop skills by sponsoring them to in-house and training programmes and at the same time provide opportunities to the employees to use their acquired skills. Role and responsibility of the employees should be clearly defined so as to reduce ambiguity and conflict in roles, thereby reducing stress and increasing satisfaction.

Shivangee Singh, Pankaj Kant Dixit (2014) feel that if employees, who are the most important assets of the organization, are heard and valued, there are less chances of them leaving the organization out of stress and frustration. They have emphasized on the creation of a transparent work environment where employees get a sense of belongingness and feel proud to be an essential part of the organization.

N Malati, Pratiksha Tiwari, Swati Jain (2012) concluded that Training and Development refers to the imparting of specific skills, abilities and knowledge to an employee. It is an attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.

Hassan, Razi, Qamar, Jaffir, Suhail (2013) have given weightage to training programmes to keep the employees motivated and make them feel wanted. According to them, supervisory support plays a pivotal role in keeping the employees motivated and enthusiastic.

#### 4. RESEARCH DESIGN

On the basis of Literature review and exploratory study four main factors were selected as construct for the survey, they are:

Factors	Sub-Factors
Work Environment	Supportive Colleagues
	Opportunities to travel abroad
	Employee participation in decision making
	Feel 'emotionally' attached
	Flexibility to trade/take own positions
	Offer of flexible timing
Compensation	Satisfaction with the salary package
	Competitive salary package
	Adequate information about pay issues
	Personalized compensation plan provision
	Timely payments of salary
	Provide non-monetary incentives
Training & Development	Job Specific training provision
	Professional development opportunities provided
	Money is allocated for training
	Provide opportunity to apply training at the workplace
	Exposure in the sense of international markets
	Latest tools used for making supply and demands
Role of Supervisor	Public appreciation offered
	Appropriate evaluation of performances
	Provide productive feedback
	Reward good ideas
	Personal problems deal with empathy
	Timely redressal of personal problems

A structured questionnaire was designed to collect the data and validity of the questionnaire was checked with the help of SPSS using face validity method and results was found to be high. All Items were rated on likert scale of five points from Strongly Agree to Strongly Disagree which is the most popular choice for ordinal scale; the opinion indicated as 'strongly agree' has been assigned a weight of 5. The final questionnaire has 24 items which are categorized into four categories named as Work Environment, Training & Development, Compensation, and Role of Supervisor having 6 items each. Questionnaire was pre-tested on 19 traders of different MNC's who deal into commodity trading. Reliability analysis was done on factors to check out the reliability. Results are shown in Table 1.

**Table 1: Reliability Statistics**

Factors	Cronbach's $\alpha$	N of items
Work Environment	0.816	6 items
Compensation	0.796	6 items
Training and Development	0.81	6 items
Role of the HOD	0.76	6 items

#### 4.1 Sampling and Data Collection

The study was conducted in the Commodity Trading Organizations having Commodity Traders. A sample of 85 questionnaires was administered to the commodity traders of MNC's through convenience sampling. The effective sample size from the companies was turned out to be 52.

#### 4.2 Statistical Tools

Optimal Scaling (CATREG), Categorical Regression, which is a method for regression with (unordered or ordered) categorical variables using optimal scaling to analyze the data is used in this research paper. The target variable, intention to stay in the organization, is clearly rank ordered. All the predictor variables are also rank ordered variables. For rank ordered variables with a small number of categories, CATREG provides the ordinal scaling level; for variables with a large number of categories the monotonic spline, ordinal scaling level is more suited.

#### 4.3 Hypothesis

**H<sub>0</sub>:** There is no effect on retentions of employees from Work Environment, Compensation, T&D, and Role of Supervisor factors.

**H<sub>1</sub>:** Work environment of the organization has a positive effect on intentions to stay of Employees.

**H<sub>2</sub>:** Compensation given in the organization has a positive effect on intentions to stay of Employees.

**H<sub>3</sub>:** Training and Development provided in the organization has a positive effect on intentions to stay of Employees.

**H<sub>4</sub>:** Role of Supervisor has a positive effect on intentions to stay of Employees.

## 5. DATA ANALYSIS

Non-existence of multi co linearity is assessed in normality test of SPSS (Table 2). The tolerance values are less than 1.00 that is quite respectable. Another method of testing multi co linearity is estimating Variance Inflation Factor (VIF). From Table 2 all the variables have VIF values of less than 10. The VIF values range from 1.108 to 7.229 (as given in Table 2).

**Table 2: Test of co linearity**

Variables	Tolerance	VIF
Work Environment	0.902	1.109
Compensation	0.138	7.227
Training and Development	0.137	7.229
Role of the Supervisor	0.902	1.108

In Age profile, 26.92% of the sample is in the category of 25-29, followed by 34.61%, in the group of 30-34 and 38.46% comprising of age group of 35-39. Under Gender Profile, 26.92% are females and 73.07% are males. In the case of tenure at the current organization, it was observed that 0.03% have tenure between 0-less than 2 years, followed by 38.46% of the respondents having 2-less than 4 years followed by 42.30% of the respondents having 4 and less than 6 years of experience and 15.38% of employees have 6 & greater than 6 years of experience.

**Table 3: Demographic Profile**

Category	Age	Gender	Tenure
25-29	14		
30-34	18		
35-39	20		
Female		14	
Male		38	
0-Less			2
2-Less			20
4-Less			22
6 &			8
Total	52	52	52

As given in Table 4, the mean value of Flexibility to trade/take own positions is 2.75, has highest impact on Work Environment while Feel “emotionally” attached in organization having mean 1.08 has the least impact on Work Environment. Provide non-monetary incentives with the mean value of 3.60, has higher impact on Compensation unlike Adequate information provided about pay issues with a mean 1.91 showing a least impact on Compensation. The mean value of Latest tools for making SNDs is 3.58, with a higher

impact on Training and Development and Professional development opportunities provided having a mean of 2.75 has least impact on Training and Development. The mean value of Reward good ideas is 2.42; it has higher impact on Role of Supervisor, Provide productive feedback having mean 0.87 having the least impact on the factor Role of the supervisor.

**Table 4: Mean & Standard Deviation**

Factors	Sub factors	Mean	Standard
Work Environment	Supportive colleagues	1.92	1.045
	Opportunities to travel abroad	2.31	1.112
	Employee participation in decision making	2.19	0.886
	Feel “emotionally” attached	1.08	1.045
	Flexibility to trade/take own positions	2.75	1.017
	Offer of flexible timing	2.31	1.112
Compensation	Satisfaction with the salary package	3.08	1.053
	Competitive salary package	2.31	1.112
	Adequate information provided about pay issues	1.91	1.045
	Personalized compensation plan provision	2.53	1.219
	Timely payments of salary	2.87	0.941
	Provide non-monetary incentives	3.6	1.115
Training & Development	Job specific training provision	3.19	0.942
	Professional development opportunities provided	2.75	1.017
	Money is allocated for training	2.19	0.886
	Provides opportunity to apply training at the workplace	2.98	0.909
	Exposure in the sense of international markets	2.83	1.122
	Latest tools for making supply and demands.	3.58	0.969
Role of the Supervisor	Public appreciation offered	1.25	0.941
	Appropriate evaluation of performance	2.08	1.035
	Provide productive feedback	0.87	0.975
	Reward good ideas	2.42	1.053
	Personal problems deal with empathy	1.05	1.009
	Timely redressal of professional problem	0.96	0.93

The categorical regression procedure yields an  $R^2$  of 0.648 (Table 6), indicating that 64.8% of the variance in the transformed Intentions to stay in the commodity trading organizations is explained by the regression on the optimally transformed predictors.

**Table 6: Model Summary**

Multiple R	R Square	Adjusted R Square
0.726	0.648	0.656

The significance (Table7) shows that H1, H2, H3and H4 are accepted i.e. all the four predictors’ have positive effect on Intention to Stay.

**Table 7:ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.155	8	7.152	18.244	0
Residual	13.845	43	0.453		
Total	52	51			

Dependent Variable: intention to stay in the organization

Predictors: work environment, compensation , T&D , Role of supervisor

Categorical regression standardizes the variables, so only standardized coefficients are reported. The largest coefficient has been observed for Compensation. A, one standard deviation increase in Intentions to stay yields a 0.327 standard deviation increase in predicted Intentions to stay in the organizations (Table 8).

**Table 8: Standardized coefficients for transformed predictors**

	Correlations and Tolerance					
	Correlations			Importance	Tolerance	
	Zero-Order	Partial	Part		After Transformation	Before Transformation
work environment	0.025	-0.077	-0.071	-0.012	0.904	0.902
compensation	0.275	0.128	0.119	0.571	0.133	0.138
T&D	0.264	-0.017	-0.015	-0.072	0.135	0.137
role of supervisor	-0.278	-0.29	-0.278	0.513	0.92	0.902
Dependent Variable: intentions to stay						

**Table 9** contains the correlations, partial correlations and partial correlations for each variable. The zero-order correlation is the correlation between the transformed predictor and the transformed response. Compensation has the highest zero order correlation.

The squared partial correlation corresponds to the proportion of the variance explained relative to the residual variance of the response remaining after removing the effects of the other variables. As observed, the compensation has a partial correlation of 0.128.

**Table 9: Correlation and Tolerance**

	Correlations			Importance	Tolerance	
	Zero-order	Partial	Part		After Transformation	Before Transformation
Work Environment	0.025	-0.077	-0.071	-0.012	0.904	0.902
Compensation	0.275	0.128	1.119	0.571	0.133	0.138
Training and Development	0.264	-0.017	-0.015	-0.072	0.135	0.137
Role of the Supervisor	-0.278	-0.29	-0.278	0.513	0.92	0.902

## 6. RESULTS

From the above data analysis, the factor ‘compensation’ appears to be the most significant, affecting retention in a commodity trading organization. Speaking of compensation, surprisingly non monetary incentives took a front seat as compared to other factors like satisfaction with salary package, personalized compensation plans, timely payment of salary etc.

The second most influential factor affecting employee retention turns out to be ‘Training and Development’. Of the various aspects of training and development, the need to get trained in the latest tools for making Supply and Demand seems to be the all important factor. Job specific training, followed by the availability of opportunity to apply the training at the workplace, exposure to international markets comes next.

The third influencing factor is ‘Work Environment’. Under this, freedom and flexibility to trade and take positions occupies the first place. Flexible timings and prospects to travel abroad takes the second place. Supportive colleagues and a congenial work atmosphere come next. Surprisingly, employees do not seem to be very emotionally attached to the work place.

The role of the supervisor appears to be the least affecting factor. Under this, rewarding good ideas shared by employees takes the maximum credit for holding employees back. Employees also expect their personal problems to be dealt with sympathetically and on time, which is the next contributing factor for employee retention. Employees also expect a productive feedback for their performance, which though not very significant, happens to be a contributing factor.

## 7. CONCLUSION

The results show that HRM factors which influence the ‘intention to stay’ of commodity traders are non – monetary incentives, training and development opportunities, freedom and flexibility and reward for good ideas. These factors are fully in line with the nature of work, a commodity trader is required to perform. Trading in commodities is a risky job. A trader in the commodity trading industry is always required to be alert and informed. He is dealing with commodities, the prices of which are influenced by various national and international, economic and non-economic factors. The impact may be difficult to predict and therefore they may be required to take spot decisions many times. Any wrong decision may result in huge financial implications for the business organization he is working for. No doubt, they look for monetary and non monetary incentives in their compensation package. They also look for continuous training and development opportunities to keep themselves abreast with the

latest tools in the trade and to meet their specific job requirements. They need freedom and flexibility of operations to take quick decision and perform efficiently. Reward for their good ideas motivates them to perform better. To sum, it can be said that commodity traders are looking for monetary and non monetary benefits, growth and development opportunities, freedom and flexibility of operations and reward & recognition to stay in their job.

## 8. SCOPE OF THE FURTHER STUDY

Research on Retention policies in Commodity Trading Company shall be conducted PAN India. It can be further extended to other Countries as well like Singapore, Malaysia, and Indonesia where Commodity Trading flourishes. Specific studies like Compensation, Career Planning and Development & Work life balance as retention tool can be taken up for research to gain in-depth knowledge on the subject matter.

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