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# Evaluating employee turnover and the adoption of modern retention strategies in Kenyan insurance firms

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Evaluating Employee Turnover and the Adoption of Modern Retention Strategies in  
Kenyan Insurance Firms

Kinyanjui Njeri

REG NO: MBA/0560/09

Submitted in partial fulfillment of the requirements for the Degree of Master of  
Business Administration at Strathmore University



School of Business  
Strathmore University

Nairobi, Kenya

May 2015

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**DECLARATION**

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself

Kinyanjui Njeri

..... [Signature]

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**Approval**

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Dean, School of Graduate Studies

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## **Abstract**

Employee turnover and its relationship to retention strategies employed by firms is a complex area of study. Many investigations have been published about employee turnover and job satisfaction however; there is a paucity of information in the literature about the traditional and modern employee retention strategies and their effect on employee turnover. The purpose of this study therefore was to evaluate employee turnover and the adoption of modern employee retention strategies in the Insurance industry with a view of recommending strategies to reduce employee turnover.

The study used the descriptive design and the methodology was quantitative. A multi stage sampling technique was used to select a sample of the top five insurance companies in Kenya and the respondents from the selected firms. The main instrument of data collection was a questionnaire.

The findings indicate that the employee turnover rate in the insurance firms was moderately high but there were efforts by the respective management to reduce this rate. Inadequate and mismatched employee pay package as well as few promotion opportunities was regarded as the greatest cause of employee turnover in the firms. The most common traditional retention strategy employed by the firms was salary increments and subsidized insurance premiums for the employees. The findings also indicated that most of the modern retention strategies were used to a less extent though the develop-deploy-connect seemed to be gaining traction in use by the firms.

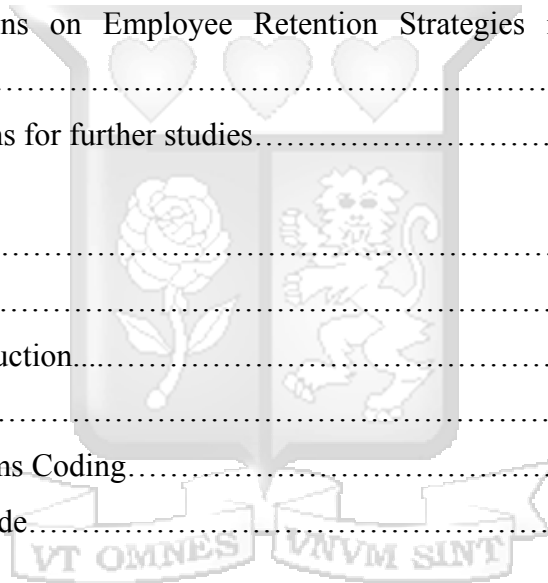
The highlighted recommendation was that the firms should seek to employ modern retention strategies as they have been proven to be effective in developing economies.

## Table of Contents

Declaration.....	ii
Abstract.....	iii
List of Figures.....	vii
List of Tables.....	viii
Acknowledgements.....	ix
Dedication.....	x
Chapter 1: Introduction .....	1
1.1 Background of the Study.....	1
1.2 The Problem Statement.....	3
1.3 Objectives of the Study.....	4
1.4 Research Questions.....	4
1.5 The Significance of the Study.....	4
1.6 Chapter Summary.....	5
Chapter 2: Literature Review.....	6
2.1 The Kenyan Insurance Industry.....	6
2.2 Human Resource Management.....	7
2.3 Employee Turnover.....	8
2.3.1 Employee Turnover rate.....	9
2.3.2 Factors Contributing to Employee turnover.....	11
2.3.3 Effects of Employee Turnover.....	12
2.4 Employee Retention.....	14
2.4.1 Factors Affecting Employee Retention.....	14
2.5 Modern Employee Retention Strategies.....	16
2.5.1 Generation Subsets Strategy.....	17
2.5.2 Deloitte’s Retention Strategy Models.....	18
2.5.3 Odums’ Comprehensive Retention strategy.....	20
2.5.4 Other Innovative Strategies.....	21

2.6 Empirical Review.....	22
2.7 Chapter Summary.....	25
Chapter 3: Research Methodology.....	26
3.1 Introduction.....	26
3.2 Research Design.....	26
3.3 Population.....	27
3.4 Sampling Design.....	27
3.5 Data Collection Method and Procedure.....	29
3.5.1 Validity and Reliability.....	29
3.6 Ethical Considerations.....	31
3.7 Constraints and Consideration.....	32
Chapter 4: Presentation of Research Findings.....	33
4.1 Introduction.....	33
4.2 Response Rate.....	33
4.3 Demographic Information.....	34
4.4 Reasons for High Employee Turnover.....	35
4.5 Current Retention Strategies Employed.....	38
4.5.1 Advantages of current Retention Strategies.....	39
4.6 Extent to which Modern Retention Strategies are Employed.....	40
Chapter 5: Discussion.....	43
5.1 Introduction.....	43
5.2 Summary of Findings.....	43
5.2.1 Response rate and Demographic Data.....	43
5.2.2 Causes of High Employee Turnover.....	44
5.2.3 Current Retention Strategies Employed.....	45
5.2.4 Extent to which Modern Retention Strategies are Employed.....	45

Chapter 6: Conclusions and Recommendations.....	47
6.1 Conclusions.....	47
6.1.1 Conclusions on Respondents Demographic characteristics.....	47
6.1.2 Conclusions on Employee Turnover in the Kenyan Insurance Industry.....	47
6.1.3 Conclusion on Current Employee Retention Strategies used by Kenyan Insurance Companies.....	48
6.1.4 Conclusions on the extent to which Modern Retention Strategies are used.....	48
6.2 Recommendations.....	49
6.2.1 Recommendations on Employee Turnover in the Kenyan Insurance Industry.....	49
6.2.2 Recommendations on Employee Retention Strategies in the Kenyan Insurance Industry.....	49
6.2.3 Recommendations for further studies.....	50
References.....	51
Appendices.....	53
Appendix I: Letter of Introduction.....	54
Appendix II: Questionnaire.....	55
Appendix III: Insurance Firms Coding.....	58
Appendix IV: Interview Guide.....	59



## List of Figures

Figure 2.1: Global Turnover rates (Compensation force, 2013).....	10
Figure 2.2: Develop - Deploy - Connect Model (Robinson and Sampath, 2005).....	19
Figure 2.3: Conceptual Framework (Researcher, 2014).....	24

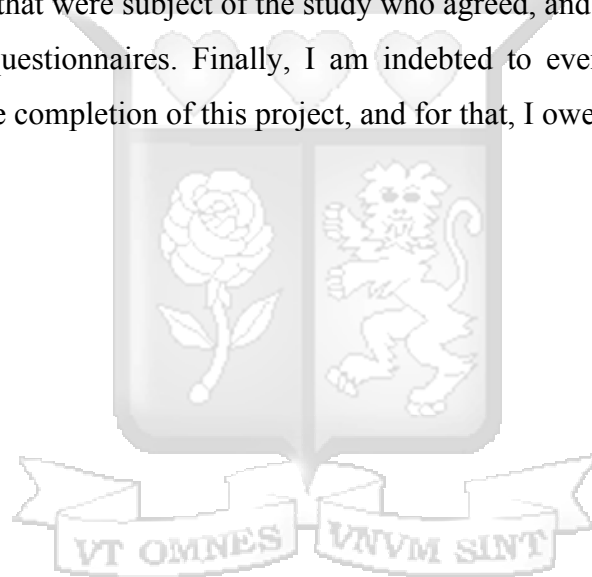


## List of Tables

Table 2:1: Generation subsets.....	18
Table 2.2: The Human Value Capital Map.....	20
Table 3.1: Top Insurance Firms by Premium Market share.....	28
Table 4.1: Response rate.....	33
Table 4.2: Cross Analysis of Response rate.....	33
Table 4.3: Organizations Year of Registration.....	34
Table 4.4: Respondents Years of service at the organization.....	34
Table 4.5: Respondents Management level.....	35
Table 4.6: Number of employees reporting to respondent.....	35
Table 4.7: Awareness of high employee turnover in the organization.....	36
Table 4.8: Organizations annual turnover rate.....	36
Table 4.9: Awareness of organizations effort to reduce employee turnover rate.....	36
Table 4.10: Reasons for high employee turnover.....	38
Table 4.11: Awareness of turnover strategies used by the organization.....	38
Table 4.12: Common Retention Strategies used by the organization.....	39
Table 4.13: Advantages of Retention Strategies.....	40
Table 4.14: Modern Retention Strategies.....	42

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## **Dedication**

To my loving family, thank you for your patience and the support you accorded to me during this entire academic journey.

To my supervisor, colleagues and classmates, especially my syndicate, my heartfelt gratitude for the encouragement, guidance and companionship you provided.



## **Chapter 1: Introduction**

### **1.1 Background of the Study**

Organizations are constantly seeking growth and successful progress because of the highly competitive nature of the organizations. There is an increasing recognition that ‘increases in global trade, facilitated by advancements in technology, communication and transportation, began to bring the markets of the world into greater competition’ (Steven and Gregory, 2002). Economic globalization has therefore become more pronounced and the ability of organizations to compete in the global marketplace is increasingly tied to the quality of their human resources to gain competitive advantage (Reiche, 2007). The retention of valuable employees has become extremely important for organizational leaders while high employee turnover is becoming a constant human resource challenge.

Employee turnover is costly, causing workforce instability, reduced efficiency, lower effectiveness, and negative impact on the bottom line (Herman and Gioia-Herman, 2013). However, there seems to be a reluctance to invest resources to retain top talent. Part of this hesitancy comes from a sense that counter-turnover efforts do not make a difference as employees leave anyway (Herman and Gioia-Herman, 2013). Ignoring employee turnover however, will not make it go away. The risk of doing nothing is great. The loss of customers, supplier confidence, investor support, and employee morale can be very expensive.

According to Akrani (2010), employee retention can be accomplished through both monetary and non monetary strategies. Monetary strategies are offered in terms of money. Such strategies provide more cash or purchasing power to employees. Monetary strategies are extremely attractive to employees and particularly those working at lower levels, as they get the benefit quickly and in concrete terms (Akrani, 2010). Research has suggested that financial reward causes satisfaction of the employee and directly influences performance of the employee (Kalimullah et al, 2010).

Non-monetary strategies also play a crucial role in the employee retention process. While money is important to everyone, it is not the only thing or the priority for most. Non monetary strategies can include Recognition, flexible work arrangements, work-life balance, employee engagement, health and safety, communication, workplace diversity, formal wellness programs, inclusion and employee development among others and can become a part of the mix when developing retention strategies (Akrani, 2010).

There has been an emergence of modern employee retention strategies due to globalization and increased employee competition across borders. According to a study by Profit 500 CEO's in 2013, companies that use traditional retention techniques have lagged behind and seem to have an unprecedented increase in their employee turnover. They contend that these modern strategies are not necessarily new and have been used for decades but new twists and technology have been incorporated to modernize them. For example, matching talent to job roles has been a traditional retention strategy, however, if there is an employee who has a particular gift that is beneficial to the organization, creation of a new title and job descriptions for them that suits those particular skills sets adds a new and innovative twist to this strategy.

Many companies globally therefore use some of these modern strategies to attract, optimize, and hold their valued employees. Others engage in more common practices, but do them differently through technological advancements. Some approaches may seem a bit out of the ordinary, but that is what helps position those companies as Employers of Choice (Herman and Gioia-Herman, 2013).

There are major challenges however, in attempting to retain employees which become increasingly important to building organizational capabilities to ensure sustained competitiveness (Holland, Sheehan, and De Cieri, 2007). These challenges, among other things, are essentially linked to the infrastructural support, leadership styles and cultures within an organization (Pamela, 2003). Such challenges are further complicated by the fact that highly skilled employees tend to change jobs for better financial rewards and improved working conditions. In addition, highly skilled employees are often poached by large-scale international organizations that can provide them with better remunerations and other benefits (Zheng and Lamond, 2010). This factor is particularly significant for developing economies.

Many organizational leaders are well aware of these challenges, recognizing the need to retain talented and committed employees who will contribute significantly to the success and achievements of the organization; but they may lack the innovation and resources to initiate changes that will address retention problems (Budhwar & Mellahi, 2007)

## **1.2 The Problem Statement**

Employee retention and turnover is a complex area of study. Many investigations have been published about employee turnover and job satisfaction however; there is a paucity of information in the literature about modern employee retention strategies and their effect on employee retention.

The Finance Sector is said to be slow in adoption of technological and modern strategies towards their operations. They are reputed to use a 'wait and see' approach when it comes to new and unique ways of doing things. The Insurance industry seems to even lag much further than the others in this. For example, in his study, Graham (2008) studied the internal operational procedures in the Kenyan insurance industry as compared to the Greek insurance industry. This included the Human resource procedures. He came to the conclusion that there is wide spread dissatisfaction both internally and externally stemming from the insurances failure to satisfy customers and employees alike, as there was widespread use of 'outdated' methods and techniques of operations (Graham, 2008). He recommended immediate adoption of modern techniques of operations to counter the negative effects being felt because modern and creative strategies that go beyond traditional methods, pay and benefits can be employed to attract and retain employees more effectively.

Major investments have since been made by many organizations in developing and implementing workforce retention strategies to decrease unwanted turnover. In spite of this, there appears to be a lack of evidence in the literature that indicates whether or not there is return on this investment. This lack of investigation and the need for increased understanding about modern workforce retention strategies and their affect on employee retention and turnover are

key drivers for this research. It is therefore important to study the adoption of the modern strategies in the insurance industry.

On this premise, this study seeks to study employee turnover and the adoption of modern employee retention strategies in the Insurance industry with a view of recommending strategies to reduce employee turnover.

### **1.3 Objectives of the Study**

- 1) To identify the major reasons for employee turnover in the insurance industry.
- 2) To evaluate the current retention strategies employed by companies in the insurance industry.
- 3) To identify the level of adoption of modern retention strategies by firms in the insurance industry in Kenya.

### **1.4 Research Questions**

- 1) What are the major reasons for employee turnover in the insurance industry?
- 2) What are the current retention strategies used by companies in the insurance industry?
- 3) What is the level of adoption of modern retention strategies by the insurance industry?

### **1.5 The Significance of the Study**

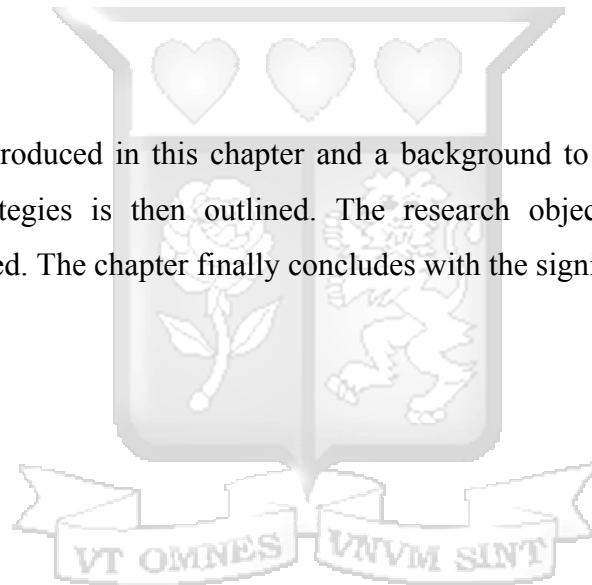
The study will be invaluable to the insurance industry players (insurance companies, brokers, agents among others) and management in getting a comprehensive knowledge on the appropriate modern employee retention strategies that they can employ to reduce employee turnover.

The policy makers or insurance regulators will obtain knowledge of the employee retention challenges facing the sector. The study will provide guidance in designing appropriate modern strategies policies that will reduce employee turnover hence ensure survival of the important players in an economy.

The study will provide information and recommendations on modern employee retention strategy adopted by the successful insurance companies to the various scholars in Kenya; this will expand their knowledge on modern retention strategy and hence identify areas of further Research.

## **1.6 Chapter Summary**

The research topic is introduced in this chapter and a background to the research variables of employee retention strategies is then outlined. The research objectives and corresponding questions are then outlined. The chapter finally concludes with the significance of the study.



## **Chapter 2: Literature Review**

### **2.1 The Kenyan Insurance Industry**

Insurance consists of entities that equitably transfer the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss (Insurance Regulatory Authority (IRA), 2007). The insurance therefore industry comprises of companies (insurers), reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers (IRA, 2004).

There are several major types of insurance products offered in the insurance industry. These products include Life Insurance, which guarantees a specific sum of money to a designated beneficiary upon the death of the insured, or to the insured if he or she lives beyond a certain age; Health Insurance, which covers against expenses incurred through illness of the insured; and Liability Insurance, that is categorized as miscellaneous and insures property such as automobiles, property and professional/business mishaps (KPMG, 2004).

In Kenya, the industry is regulated by the Insurance Regulatory Authority (IRA), a semi-autonomous regulator, set up in 2008 to improve regulation and stability of the industry. The industry operates under an umbrella body, the Association of Kenya Insurers (AKI), which was established in 1987 where membership is open to any registered insurance company. Its main objective is to promote prudent business practices, create awareness among the public and accelerate the growth of insurance business in Kenya.

The insurance sector in Kenya is one of the fast growing sectors of the economy and has been growing at a rate of between 15 – 25% within the last decade (AKI 2011). The industry also contributes to close to 4% of the country's Gross Domestic Product (GDP) (AKI 2011). The industry therefore greatly contributes to high growth and employment opportunities as they are basically human intensive, and human resources act as an undoubted differentiator. According to Insurance and Technology (2011) the global employee turnover rates within the industry is in excess of 12 percent. This turnover rate makes it difficult to sustain efforts to increase sales, and can cost the organization money when employees leave before they get the full benefit of the

training provided. Quality manpower and employee retention acts as a litmus test to the performance of specific companies within the industry. This could be greatly attributed to the slow adoption of modern employee attraction retention strategies within the finance industry.

## **2.2 Human Resource Management**

Human resource management (HRM) is the management of an organization's workforce, or human resources and is responsible for the attraction, selection, training, assessment, and retention and rewarding of employees, while also overseeing organizational leadership and culture, and ensuring compliance with employment and labor laws (Ulrich, 1996). The HRM function was initially dominated by transactional work such as payroll and benefits administration, but due to globalization, company consolidation, technological advancement, and further research, HRM also focuses on strategic initiatives like mergers and acquisitions, talent management, succession planning, industrial and labor relations, and diversity and inclusion (Towers, 2007).

The success or failure of HRM depends on the top management recognition of the importance of HRM, and secondly on its commitment to assist managers carry out their functions (O'Brien, 2009). Employees need capability, integrity and professionalism in order to succeed in the ever-changing environment (O'Brien, 2009). An incompetent and poorly functioning human resources department reflects the overall state of affairs of an organization and its possible uncompetitive position in the marketplace. If HRM is not in-step with business plans, this affects the future direction of the company. Without an action plan and the HR expertise to execute, the company risks exposure in staffing, productivity and employee morale (Simon, 2007).

## **2.3 Employee Turnover**

Employee turnover refers to the rate at which an employer loses employees (Amos et al 2008). It is the process of replacing one worker with another for any reason and relates to "how long

employees tend to stay" or "the rate of traffic through the revolving door". In their research work Heneman and Judge (2006) highlights four distinct types of employee turnover that exist across two categories: involuntary turnover, instigated by the employer, and voluntary turnover, prompted by the employee.

Involuntary turnover is either by discharge or downsizing. Discharge turnover concerns the removal of poorly-performing or dishonest employees from an organization, while downsizing turnover is a necessary activity to increase the effectiveness of an organization and its ability to meet shareholder targets (Donoghue and Castle, 2006).

Voluntary turnover is separated into two further types: avoidable and unavoidable turnover. Avoidable turnover concerns the exit of an employee from an organization under circumstances that could have been avoided: if the employee had felt more valued, for example. Conversely, unavoidable turnover relates to employee exit that occurs independently of any action that the firm could have taken: such as an employee passing away unexpectedly, or compulsory relocation (Donoghue and Castle, 2006).

According to Heneman and Judge's (2006) categorization, there are some elements of employee turnover that are beyond the control of management. In recent years, however, one role of HRM has been to identify elements of turnover that were traditionally classified as unavoidable and find methods of counteracting them. For example, historically many people would have viewed an individual's decision to leave work in order to raise a child as unavoidable turnover. Today however, pressure is placed on HRM to develop policies that no longer render this unavoidable, by putting provisions in place to allow the individual to continue to work while also meeting family commitments (Ongori, 2007).

It is general practice to assume that involuntary turnover exists to meet the needs of the organization while voluntary turnover is more aligned with the needs of the individual. Dalton, Todor, and Krackhardt (1982) observe that involuntary turnover occurs when the individual would like to maintain the employment relation. However, the organization is not so inclined. In this situation, the organization will terminate the employee. In contrast, voluntary turnover happens when the employee, for whatever reasons, does not wish to continue the employment

relation. The employee quits.

For many people, however, the definition of the different categorizations of turnover is not quite so black and white. Many argue that it is possible for employers to manufacture situations that constructively encourage employees to leave and, similarly, employees themselves may actively behave in such a manner that causes the firm to wish for them to leave. Within one study, employees of a university were asked to disclose whether they felt their exit from the university was the result of their own requirements or those of the organization (Campion, 2008). The study revealed that more than 65% of those involved in the analysis felt that they had left the company as a result of their own personal circumstances, due to retirement or health problems, for example. A further 10% revealed that they had left involuntarily, as a result of poor performance, contract expiration or workforce reductions, and the remaining 15% revealed that, while their decision to leave might be perceived as voluntary, they felt that the organization was to blame and they had not been provided with a work environment that was suitable for them on a long-term basis.

In response to the inherent flaws in the categorization provided by Heneman and Judge (2006), Campion (2008) suggests that a more accurate assessment of voluntary turnover can be presented by using a continuum that progresses from one extreme of involuntary turnover to the other extreme of voluntary turnover. By taking such an approach we can better identify and understand the extent to which the decision of an employee is based on purely individual factors, or whether the actions of the organization do influence departures from the company.

### **2.3.1 Employee Turnover rate**

A turnover rate is the percentage of employees that a company must replace within a given time period and is a concern to most companies as it can be costly, especially for lower-paying jobs, which typically have the highest turnover rates (Peterson, 2010). If an employer is said to have a high turnover rate relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry (Peterson, 2010). High turnover rates may be harmful to a company's productivity if skilled workers are often leaving and the worker population contains a high percentage of novice workers. Companies also often

track turnover rates internally across departments and divisions or other demographic groups such as turnover of women versus turnover of men (Amos et al 2008).

According to Allen (2010), the global average employee turnover rate is approximately 15% (Figure 2.1) a year, although this varies drastically between industries. The highest levels of turnover are found in private sector organizations in retailing, finance, catering, call centers, construction and media. Turnover levels also vary from region to region with the highest rates found where unemployment is lowest. Industries with traditionally low turnover rates include legal, accountancy, education and the public sector (Allen, 2010).

2013 Voluntary Turnover	
All Industries	10.4%
Banking & Finance	12.8%
Healthcare	12.5%
Hospitality	18.2%
Insurance	6.8%
Manufacturing & Distribution	8.4%
Not-For-Profit	11.0%
Services	11.0%
Utilities	5.2%

2013 Total Turnover	
All Industries	15.1%
Banking & Finance	17.2%
Healthcare	16.8%
Hospitality	29.3%
Insurance	10.4%
Manufacturing & Distribution	13.3%
Not-For-Profit	15.3%
Services	15.2%
Utilities	7.2%

Figure 2.1: Global Turnover rates (Compensation force, 2013)

Most industries globally learn to adapt to their turnover rates and accept them as the norm. Organizations spend time collecting the voluntary turnover figures to get a sense of how turnover fluctuates throughout the year (internal benchmarking). This is done either on a monthly or quarterly basis and where possible, data from previous periods are used to get a sense of the trend Compared with competitors to learn the sector norm (Shelley Moore, 2009).

### 2.3.2 Factors Contributing to Employee turnover

While employee turnover rates have been proven to be a global problem, there are certain factors that contribute to the situation. The Employment Policy Foundation (EPF) (2004), notes the following:

“It turns out that a number of organizations have high employee turnover in operations such as customer contact centers, back-office processing and inventory management positions. Health care, communications, banking, and insurance are more prone to these high turnover characteristics than other industries. The reasons are multifold, but in general, the environment in which these organizations perform forces them into these employee patterns”.

The commonalities in these environments include, low to moderate employee compensation, lack of upward mobility, high-turnover due to hiring characteristics, complex training processes, and a wide range of customer issues to be learned (EPF, 2004). As can be seen, a combination of factors may exist, decreasing employee job satisfaction and thereby increasing turnover.

*Compensation:* For an individual employee, compensation gained from an employment relationship provides a means to satisfy from basic to very basic needs to luxurious needs. (Amos et al 2008). But if the pay is inadequate or mismatched to the employee’s needs, dissatisfaction will arise leading to eventual exit (Amos et al 2008).

*Lack of upward mobility:* Promotion is a double-edged weapon; if handled carefully, it contributes to employee satisfaction and motivation. If mishandled, it brings about contentment, frustration and bickering amongst the employees and culminates in a high rate of turnover (Aswathappa, 2008).

*Hiring process:* Good employee relations, following good recruiting translates into good retention. A good recruitment process should give a more realistic idea of what is expected of each individual and what their potential position entails. The alternative to this is employee turnover (Anthony et al 2006).It is the responsibility of the line managers as well as the management to ensure that the employees are satisfied with their roles and responsibilities and

the job is offering them a new challenge and learning every day (managementstudyguide.com, 2010).

*Complex training processes:* Training is vital for employees to be successful with any company. Training on processes and procedures will help ensure that employees understand how to perform their job duties in a safe and consistent manner (Peterson, 2010). Training helps reduce turnover by allowing employees the opportunity to enhance their skills and abilities. Complex and unclear training processes only encourage employee turnover (Peterson, 2010).

According to management studyguide.com, (2010) most of the employees leave an organization out of frustration and constant friction with their superiors or other team members. In some cases low salary, lack of growth prospects and motivation compel an employee to look for a change. The management must try its level best to retain those employees who are really important for the system and are known to be effective contributors.

### **2.3.3 Effects of Employee Turnover**

The U.S. Department of Labor estimates that it costs about 33 percent of a new employee's salary to replace the worker who left. The cost of employee turnover adds hundreds of thousands of money to a company's expenses (MacEntee, 2009). How and where the position will be advertised is a cost to the company; classified ads and internet job postings typically cost several hundred dollars per listing (Allen, 2010). It is a cost of time when the internal recruiter understands the position requirements, develops a sourcing strategy, reviews resumes, prepares for and conducts interviews, conducts reference checks, makes the offer to the selected candidate, to when he notifies unsuccessful candidates (Allen, 2010).

Structured training (including materials) and the time taken by managers and key coworkers to train the new employee to the point of 100 percent productivity is a cost to the company (Allen, 2010). If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this one cannot assure of the same efficiency from the new employee (MacEntee, 2009).

These costs touch upon another area of concern: productivity. When a high rate of employee turnover exists, most of the workforce is at an entry-level stage of production (EPF, 2004). A very high cost is associated with large numbers of employees who have not reached full productivity. This cycle continues with very few employees performing at maximum productivity (EPF, 2004). New employees take some time to get up to speed, particularly in complex jobs (Shelley Moore, 2009). Depending on the position, it may take anywhere from a few days to a few months for the new employee to be at 100 percent productivity (Allen, 2010).

When employees leave, they take with them valuable knowledge about the company, customers, current projects and past history (sometimes to competitors) (MacEntee, 2009). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized (MacEntee, 2009). During their time at the company, the exiting employees may have developed specialized knowledge and skills about the business (Allen, 2010).

High turnover rates can create a lack of staff to complete essential daily functions of a company which can result in overworked, frustrated employees and dissatisfied customers (Shelley Moore, 2009). The exiting employee's essential responsibilities have to be taken up by other employees, which mean that some portion of their own current workload will typically be given up and their productivity reduced. While it may be difficult to put an exact number on this, an exiting employee will be disruptive to essential business processes in a way that goes beyond simple coverage issues (Allen, 2010).

For service-oriented careers such as account management and customer service, high turnover can lead to customer dissatisfaction (Shelley Moore, 2009). Newer representatives lack expertise and knowledge, and customers have no way to build a relationship with one particular service representative. If an exiting employee is in a sales or customer service position, the potential of taking customers with him to his new position is quite high (Allen, 2010).

## **2.4 Employee Retention**

Employee retention is defined as a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs (Les Mckeown's 2006).

When organizations retain their employees, they avoid hiring and training costs. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate (MacEntee, 2009).

Employment retention develops a strong staff. Working individually or in a team helps individuals share knowledge and expertise and the goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization (Seber, 2009).

Employee retention also has a positive impact on customer service. Customers do business with a company in part because of the people; relationships are developed that encourage continued sponsorship of the business. Turnover brings disruption in customer service, loss of business and possible negative business impacts as the customer base expects consistent and reliable service (Seber, 2009).

### **2.4.1 Factors Affecting Employee Retention**

Many executives still cling to the outdated notion that people "go for the gold", that salary dictates all their employment decisions but for the most part, people want opportunities to grow and learn, to advance in their careers and to work on challenging and interesting projects (Irwin, 2011). They want to be recognized and appreciated for their efforts; they want to feel a part of something that adds value to their community and therefore a good employer should know how to attract and retain its employees (Dutta, 2005). Retention involves five major strategic areas: compensation, growth and development, relationship with management, working environment and support or lack of from management

Compensation constitutes the largest part of the employee retention process. The employees always have high expectations regarding their compensation packages and therefore an attractive compensation package plays a critical role in retaining the employees (Aswathappa, 2008). Compensation includes salary and wages, incentives, benefits, stock options etc. Salary refers to the monthly rate pay while Wages represent hourly rates of pay and are the basic cash received for the work performed, adjusted for the individual's skills, education and experience (Anthony et al 2006). Compensation can also refer to rewards received for good performance and are intended to motivate higher performance which come in various forms and may be determined on the basis of individual, team or overall organizational performance (Amos et al 2008). Benefits are also indirect forms of compensation that are linked to organizational membership which can either be compulsory, voluntary or cash benefits (Amos et al 2008). Some of the compulsory benefits required from an employer are accident insurance and leave; voluntary benefits are pension, medical aid and housing; while the cash benefits that can be offered include fixed annual bonus, overtime pay, payment of accumulated leave and car allowance.

The work environment is yet another area that employers need to focus in retention of employees. People want to work for an organization which provides an appreciation for the work done; ample opportunities to grow; a friendly and cooperative environment and a feeling that the organization is second home to the employee (Dutta, 2005). More than ever, employees want a culture of openness and shared information and communicate any new company policies or initiatives to all employees (Irwin, 2011).

Growth and development are an integral part of every individual's career. If employees cannot foresee their path of career development in the organization, there are chances that they will leave the organization as soon as they get an opportunity (Dutta, 2005). It is important that team members know their roles, job description, and responsibilities within the organization. Advancement does not necessarily mean promotion; more often, it means personal and professional growth where people want to be better tomorrow than they are today (Irwin, 2011).

The relationship with the management and the peers sometimes become the reason for employees to leave an organization. The management is sometimes not able to provide employees with a supportive work culture and environment in terms of personal or professional

relationships (Dutta, 2005). The management should help employees set life goals and get focused on where they want to go; then help them to see how their goals match up with company goals and that they can achieve their goals by staying with the company. If people believe they can achieve their goals and objectives by working in their companies, they will think twice before going somewhere else to work (Irwin, 2011).

Support or lack thereof from management can sometimes serve as a reason for employee retention. A supervisor should support his subordinates in a way so that each one of them is a success. Management should try to focus on its employees and support them not only in their difficult times at work but also through the times of personal crisis (Amos et al 2008). Employers can support their employees in a number of ways: provide valuable feedback to employees and make them feel valued to the organization. This helps the employee to feel more responsible, confident and empowered. Employers can also show their support by giving recognition and rewards; by counseling employees; by providing emotional support; mentoring and coaching employees and also by creating an environment of trust and inculcating the organizational values into employees (Byrnes, 2002).

## **2.5 Modern Employee Retention Strategies**

Among many articles published on employee retention, few offer advice on strategic plans. Those that do, make reference to tactical plans used in the work place by managers and senior executives of organizations. Shulte (2006) a Los Angeles-based accounting firm offers advice on how to create a family atmosphere in the organization which is done through plans for heavy workloads well in advance by communicating directly to the employees“ family of additional work pressures, providing them with household assistance (e.g. laundry services) and sponsored recreational activities (e.g. movie passes). Employees at work receive extra attention during these times (e.g. massage therapy and manicure treatments) while the firm picks up the bill. While the tactics employed by Shulte (2006) are stated to be successful for retaining skilled employees, the purpose of the study is to research strategic plans that encompass all aspects of employee retention.

### 2.5.1 Generation Subsets Strategy

Finweek (2007) states that the dramatically changing workforce means that employees value and want different things: Veterans (born before 1940), Baby Boomers (born 1943 – 1960), disgruntled Generation X (1961 – 1981) and highly entrepreneurial Generation Y (1970 – 1990) is forcing companies to re-evaluate what employee retention really means. Of value to Sirota (2005), is the identification of a trend which regularly makes reference to motivational aspects that impact on generation subsets. They find that while all the subsets are nearly universal, “Generation X does not care about job security”; because of the recent fall of high-tech organizations. This is also supported by Fields (2001). Due to the uncertainty in the workplace that Generation X saw (a resultant effect of their parents being laid off) it contributed to their lack of loyalty. Another dampening factor on motivation says Sirota (2005), is “bureaucracy”, which includes useless paperwork and the inability to get decisions made.

Strategies to boost enthusiasm in this case are to provide security, the creation of self-managed teams, and for petty rewards to be replaced by organization-wide rewards equivalent to the “Nobel Prize” (Finweek, 2007). They also advise that organizations should be in partnership with employees, treating them like adults and allies. (Finweek, 2007) advise that generation X value flexibility in their work (by offering attractive Total Cost to Company remuneration packages) and prefer fun environments. For generation Y, work-life-meaning adds value in the face of real retention, adding that their belief in making a difference is what really matters. Fields (2007) suggests rather that organizations should construct benefits and rewards across age lines.

Another view on retention strategy was that of Dychtwald and Baxter (2007), that a mature workforce should be mobilized. Key trends which are making a mature workforce strategy more viable (Dychtwald and Baxter, 2007), are: That four out of five boomers would like to continue working in their retirement years; That mature workers are just as productive and motivated as younger workers, and were more loyal and reliable; That the government is beginning to adjust laws and policies to make it easier to continue employing mature workers; and That best practices used by leading companies which serve to aid organizations struggling with shortages of younger workers are becoming more prevalent. Although it seems justifiable to implement such strategies as part of a retention model, one needs to view such a move in the light of the

global context where there is shortage of work, labor issues, and legal implications.

Domeyer (2007) introduces a worrisome factor, that the less populous Generations X and Y are not large enough to fill the void in the global talent pool. He states that workers are more likely to stay in an organization that provides good potential for professional growth and career advancement. Domeyer (2007) advises that forty-three percent of executives surveyed said that the greatest impact on the person’s level of job satisfaction is the relationship with his or her manager. Other advice offered is that the best way to figure out what an employee wants is simply to ask them, stating also that employees should be acknowledged, and that professional growth should be encouraged.

Kaye and Jordan-Evans (2005) provide a guide to identifying generation characteristics:

Table 2:1 Generation subsets

	<b>VETERANS Before 1940</b>	<b>BOOMERS 1943 - 1960</b>	<b>GEN X 1961 - 1981</b>	<b>GEN Y 1982 - 1998</b>
<b>WORK ETHIC</b>	Work Till you drop	Work long hours and tell you about it	Personal life first, work is important	Lifestyle comes first
<b>LOYALTY</b>	Loyalty to employer	Loyal to employer with reservations	Career and professional loyalty	Career options
<b>TECHNOLOGY</b>	Technology Fascination	Technology Challenged	Technology proficient	Technology savvy
<b>REPORTING RELATIONSHIPS</b>	Strong chain of command	Chain of command	What is the purpose of chain of command?	Be respectful but move ahead

Source: Kaye and Jordan-Evans (2005)

### 2.5.2 Deloitte’s Retention Strategy Models

According by a survey by Deloitte (2011), Generation Y form a majority of the global workforce at 54%. Notwithstanding the general characteristics of Generation Y already mentioned previously, Robinson and Sampath (2005) provide an in-depth analysis of the fundamental workplace elements for this generation; flexibility, balance, respect, access to people and knowledge, access to technology, and opportunities for constant evaluation. They make reference

to Athey (2004) and offer an employee retention model as a strategic option; Deloitte's Develop-Deploy-Connect Model.

According to Robinson and Sampath (2005), the Develop-Deploy-Connect aspects of the model, organizations can generate capability, commitment, and alignment in key workforce segments which improve business performance. They state that in order to derive maximum value from the Model, one should focus on mechanisms to communicate with Generation Y, namely; branding and identity, organization roles, and reward programs. Arguably, strategies to attract and retain skilled employees are not limited to the single act of "employee retention strategy", but are something that are affected by the entire organization; including factors such as brand image, and success factors.

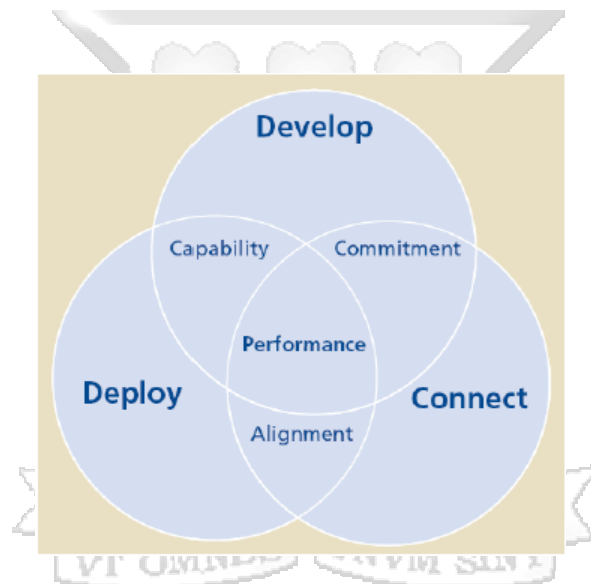


Fig 2.2 Develop - Deploy - Connect Model (Robinson and Sampath, 2005)

Symons (2005) states that Deloitte's Human Capital Management Value Map is an effective tool for companies struggling with how to better leverage their human capital for strategic advantage. The Value Map is governed by four main value drivers for increasing shareholder value (shown in the columns of the Value Map), and by seven human capital dimensions (shown in the rows of the Value Map).

Table 2.2 The Human Value Capital Map

		Revenue Growth	Operating Margin	Asset Efficiency	Expectations
1	Strategic HR Alignment				
2	Learning and Development				
3	Performance management and improvement				
4	Work force planning, Talent management				
5	Organization capacity				
6	Change leadership and transformation				
7	HR services and Administration				

Source: Symons (2005)

### 2.5.3 Odums' Comprehensive Retention strategy

Odums (2007) in a study to determine modern employee retention strategies examined seven components of a comprehensive retention strategy that can be used by global organizations. These are: The team tasked with implementing the retention strategy must be diverse and offer cross-disciplinary representation of directors, managers, supervisors and front-line employees; Creation of a Talent Visionary Team is critical and are accountable for identifying the knowledge, skills and abilities that employees must possess in order to execute top strategic imperatives; The implementation of the 30-90-120-180 Day New Employee System where employees are evaluated and followed up is important to counter early resignation; implementation of existing employee follow up is also critical where on-going mentoring and coaching is required; Employee Development is paid great attention as "opportunity for advancement" is regarded the greatest employee satisfier; Satisfaction and Engagement where a satisfaction survey using Frederick Herzberg's Hygiene Factors as a basis for the survey is used; and the Reward and Recognition System where the identification of a system that identifies employees who perform above and beyond the job description (Odums, 2007).

Odums (2007) further advises that in order to implement such a retention strategy, one must complete a SWOT analysis of the organization, conduct diversity strategic planning, and create leadership accountability.

## 2.5.4 Other Modern Strategies

A survey of the CEOs of USA's and Canada's Fastest-Growing Companies (2013) indicates making the right staffing decisions can sometimes mean the difference between a flat year and a high-growth year. They came up with the following modern retention strategies that goes beyond the normal conventions;

*Allot time for staff projects* – One of the surveyed companies, Arrow Group of Companies gives employees what it calls "Arrow time" which are a few hours a week during which they can work on any task—at the office, at home or elsewhere—as long as it's at least tangentially related to Arrow's business.

"Some of our best innovations have come from people thinking on their independent time," says CEO Sam Ibrahim.

*Really show them the money* - To persuade staff that the profit-sharing program at is truly designed to benefit all, managers of the companies practice complete financial transparency—from the cost of office furniture to every staffer's salary.

"A lot of profit-sharing programs are muddied by the fact that nobody knows the business costs, and the cause and effect on the profit shares," they says. "We're different. If I drive up in an expensive fuel gazzler tomorrow, employees know that will directly impact their profitability."

*Customize jobs to the talent* – younger generations have different role expectations than older generations, finds Grail Noble, CEO of Yellow House Events. This is in line with the generational subsets introduced earlier. The CEO's therefore propose forgoing the typical competition for management jobs. They suggest that if there's someone who has a particular gift, create the title for them that suits those particular skill sets.

*Keep rivals out of your staff pool* - There's a real war for talent going on among the top companies. Employers steal from each other thereby making each other weak in the process. They therefore suggest making pacts with some competitors: "I won't take yours if you don't take mine."

*Accept that you're a stepping stone* - Organizations with a largely youthful staff are bound to struggle with retention. This is due to the fact that they seem to be a very impatient workforce. The CEO's suggest that the solution is giving people new challenges and understanding that this might not be their career for life

*Listen, learn and help* - When an employee consistently failed in their duties or responsibilities to the organization, the CEO's advices not to chastise but explore. This involves listening to the challenges the employee faces and reasons to their failure. The employer might learn of situations that can be unique and can be changed to encourage higher performance. This type of approach increases morale and self worth of employees.

## **2.6 Empirical Review**

Numerous studies have been conducted throughout the world on employee retention strategies. Most of these studies aimed at finding retention strategies that would suit specific generational subsets, organizations, institutions and even economies. For example, Ghansa (2011) studied the role of employee retention on performance in Ghana. His subject was the Accra Breweries limited. The findings and conclusions indicate that lack of advancement opportunities, work-life balance, lack of reward and recognition and salary and remuneration were more common reasons for departure among all employees. Retaining top talent was a primary concern for the organizations and the study recommended that retention strategies should be aimed at retaining highly skilled personnel and at the same time building up under-performers Ghansa (2011).

Alnaqbi (2011) studied the relationship between Human resource practices and employee retention in public organizations. The study subject was the United Arab Emirates. The findings indicated that aspects found most likely to affect job satisfaction and the likelihood of retention are job security, job descriptions, and job profiles. There was also an emphasis on the need for decentralization and reduced hierarchy in the workplace, and of empowerment and accountability in areas of work.

Lennie (2008) studied the retention strategies for skilled customs employees in South Africa. The

findings show that the South African Customs is in a good position with regards to pay and benefits. However, Areas that require attention though were training, development and career management, effective supervision, and day-to-day activities.

Most of the recent studies available to the researcher, applied modern retention strategies as their variables and categorized employees within their generational subsets with the aim of identifying specific retention strategies for the different subsets. However, there is little information available on the adoption of these modern methods in Kenyan companies. This is the phenomenon that the study seeks to address. The following conceptual framework was therefore adopted.



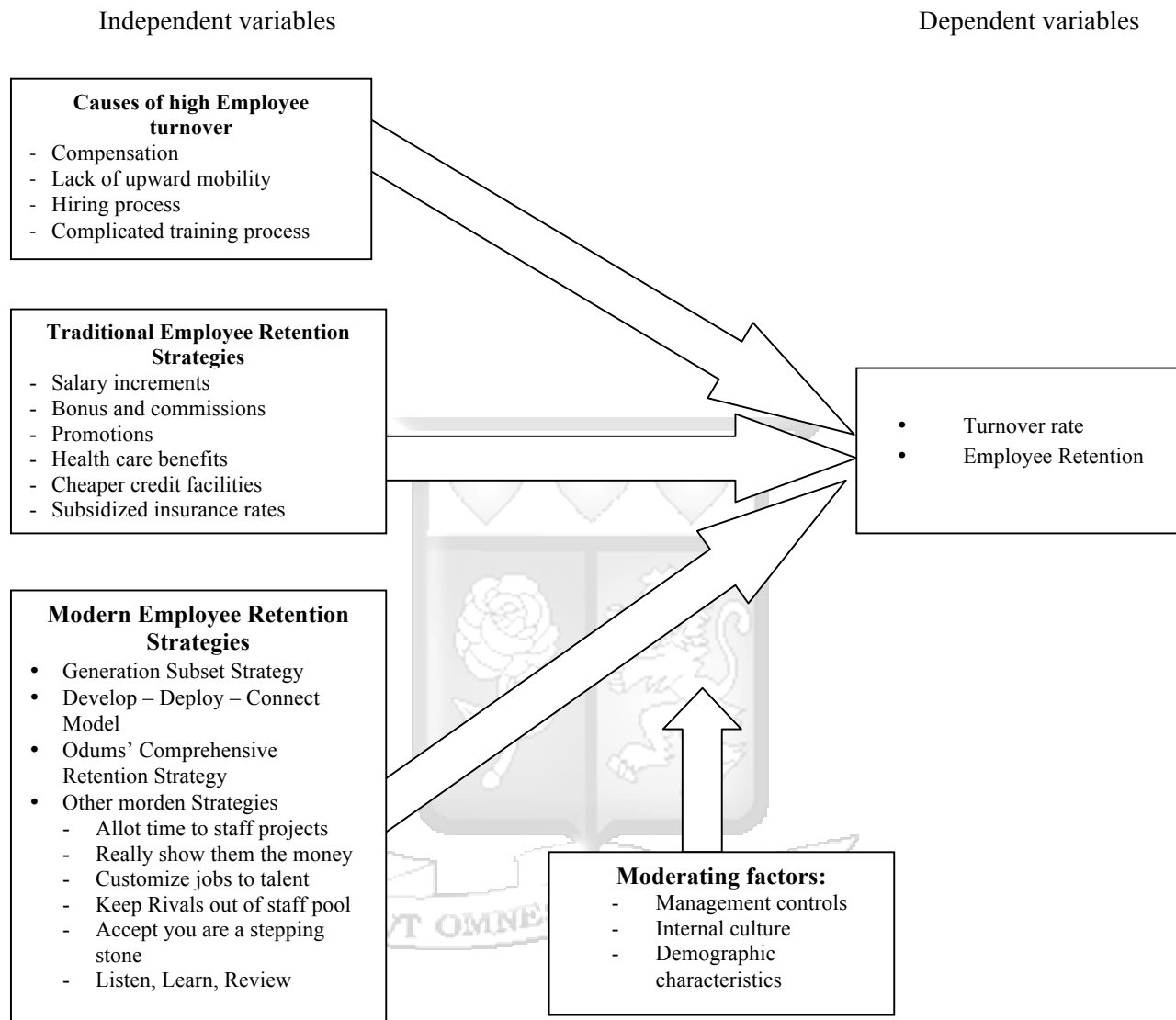


Figure 2.3 Conceptual Framework (Researcher, 2014)

The conceptual framework of the study outlines the dependent variables, independent variables and the moderating factors. The independent variables of are the causes of high employee turnover, Traditional employee retention strategies and modern employee retention strategies such as generation subset strategy, develop-deploy-connect model, odums comprehensive retention strategy and other, that will be the basis of research. The study will seek to understand

the extent to which these strategies are used in the selected sample.

The dependent variable will focus on the effects of use or lack of use of the modern employee retention strategies to the test organizations. These effects employee turnover rate and retention.

The moderating factors refer to other factors that could affect the dependent variables apart from the retention strategies. These are management controls, internal culture and demographic characteristics of the organization.

A basic desk top study of retention strategies by the researcher indicate the most Kenyan organizations seem not to pay attention to the changing HR environment and focus on traditional methods of motivation with specific focus on remuneration, more so in the finance industry. There is little information on modern HRM strategies employed to retain employees. This study therefore seeks to fill this research gap by evaluating the adoption of the modern employee retention strategies with a focus on the Insurance industry. The aim is to reduce the high employee turnover experienced in the industry by providing recommendations on the retention strategies that are attractive to the employees.

## **2.7 Chapter Summary**

This chapter presented literature relating to employee turnover and retention. The chapter began with a brief introduction to human resource management as the foundation to retaining and motivating employees. This was followed by a deeper understanding of employee retention focusing on advantages, factors affecting, and modern employee retention strategies. The chapter also highlighted employee turnover highlighting the different types and factors contributing to the turnover. The chapter concluded with an analysis of empirical literature relevant to the study and identifying the gap that the study sought to fill in the next chapter we will present the research methodology that will be used to collect data and answer the research questions.

## **Chapter 3: Research Methodology**

### **3.1 Introduction**

Research methodology refers to the approach by which data is extracted to be clearly understood. Donald (2006), states that the development of strategy for conducting research is the third step after identifying a problem and completion of the literature review. This chapter will therefore discuss the following: research design, target population, sampling strategy, data collection instruments and process and analysis of the data.

### **3.2 Research Design**

Creswell (2009) defines research design as a plan or collection of procedures that guide the decisions made by the researcher in selecting detailed methods of data collection and analysis. In the research process the research design follows identification of the research problem and the literature review (Bryman, 2001). Research design also involves the planning, organization, collection and analysis of data so as to provide answers to questions such as: what techniques will be used to gather data? What sampling strategies and tools will be used? And how will time and cost constraints be dealt with? (Bryman, 2001). It provides the conceptual framework within which research is conducted; constitutes the blueprint or roadmap for the collection, measurement and analysis of data (Creswell, 2009). The design was therefore informed by the type of research problem and the purpose of the study.

Research designs can be classified into two major categories – qualitative and quantitative research design. According to Mugenda and Mugenda (2003) qualitative research focuses on designs, techniques and measures that do not produce discrete numerical data while quantitative studies are used to test objective theories by examining the relationship between variables

through measurement. This study used both approaches in order to collect numerical data to examine the phenomenon under study.

Qualitative research design was used to gain an understanding of underlying reasons for high employee turnover, and to uncover prevalent trends in thought and opinion. The data collection tool was unstructured and the analysis was non-statistical. The findings were not expected to be conclusive and cannot be used to make generalizations about the population of interest, however, they can be used to develop an initial understanding and sound base for further decision making. On the other hand, the quantitative research design was used to quantify data and generalize results, to measure the incidence of various views and opinions in a chosen sample. Structured techniques such as questionnaires were used. Statistical data was in the form of tabulations and the findings are to be conclusive and descriptive in nature.

The study was descriptive in nature as per descriptive research design which is intended to describe a state of affairs as it exists (Kombo & Tromp, 2006). The study was non-experimental since there shall be no existence of a control and experimental group.

### **3.3 Population**

The target population refers to the specific group relevant to a particular study. Mugenda and Mugenda (2003) explain that a population is a group of individuals or objects that have the same form of characteristics. They are the “totality of cases that conform to certain specifications, which defines the elements that are included or excluded in the target group”. The target population for this study included all insurance company employees in Kenya.

### **3.4 Sampling Design**

A sample is a smaller number of the population that is used to make conclusions regarding the whole population. Its purpose is to estimate unknown characteristics of the population. Sampling therefore is the systematic process of selecting a number of individuals for a study to represent

the larger group from which they were selected (Mugenda and Mugenda, 2003). The process of sampling takes in to account various issues and will depend on the population type, purpose, complexity, time constraints and previous research in the area.

Due to time and resource constraints, to researcher used a non-probability sampling method and in particular, purposive sampling technique. Non-probability sampling selection of the sample is non-random and therefore subjective since there is no equality in the selection of elements from the population to participate in the sample (Mugenda & Mugenda, 2003). The sampling frame for this study therefore was purposively drawn using two criteria: (1) The Insurance company was among the top with regards to insurance premium market share. This is because the top insurance companies account for over 35% of the total insurance company’s market share.; (2) The Insurance company should have had its head offices located in Nairobi, Kenya at the time of the study (it is estimated this constitutes more than 80% of the target population (IAK, 2014); (3) and should have been in operation for more than 5 years (To ensure longevity and reliability of information).

Based on this criteria, the following insurance firms were selected:

Table 3.1: Top Insurance Firms by Premium Market share

Jubilee Insurance Company	10.79%
Kenindia Assurance Company	6.98%
Pan Africa Insurance Company	6.48%
Heritage A.I.I. Insurance Company	6.12%
British American Insurance Company	5.84%

Source: AKI 2012

Secondly, the study followed a probability sampling method where the employees in the selected firms were given an equal opportunity in the selected regions to be included in the study. Mugenda and Mugenda (2003) notes that in social science research, the following formula has been useful as a useful sampling design for populations greater than 5,000.

$$n = \frac{Z^2 pq}{d^2}$$

where:

$n$  = the desired sample size

$z$  = the standard normal deviate at the required confidence level

$p$  = the proportion in the target population estimated to have characteristics being measured

$q = 1-p$

$d$  = the level of statistical significance set

This study sought to achieve a 90% confidence interval and therefore using the formula, the sample should have included a minimum of 67 members. A total of 100 insurance employees were therefore randomly selected and questionnaires distributed for the study. The researcher used the stratified random sampling in which certain subgroups or strata were selected from the sample, in the same proportion, as they exist in the population. This was in respect to their positions in the organizations as follows: Senior Managers, Middle level Managers (Team leaders and Supervisors).

### **3.5 Data Collection Method and Procedure**

Data collection is gathering empirical evidence in order to gain new insights about a situation and answer questions that prompted the undertaking of research (Kombo & Tromp, 2006). Data collection for this study was mainly through the use of questionnaires. In questionnaires respondents filled in answers in written form and the researcher collected the forms with the completed information.

According to Hennings (2004), a self-administered questionnaire is the only way to elicit self-report on people's opinion, attitudes, beliefs, and values. The questionnaire was designed to give a brief introduction of respondents and was divided into sections representing the various variables of the study. Each section of the chosen study included closed structured and open ended questions which sought the views, opinion, and attitude from the respondent that might not have been captured by the researcher. The questions were also be designed using the mixed method (Creswell. 2009) to collect both qualitative and quantitative data.

The data collection procedure for this study involved administering questionnaires to the members of the selected sample. The researcher clarified to the respondents in writing on the questionnaires concerning the overall purpose of the study. This was done with a view to enhance the understanding of the respondents on the content of the study so as to extract relevant information in the form of empirical data. The questionnaires were administered by trained research assistants and completed by the selected respondents. The questionnaires were distributed to the selected members of the sample in the overall population.

Secondary data required was collected from other past data available through graphs, charts, and reports from periodical publications and annual reports of the firms. This type of data was collected from reference materials, which have key information and were helpful to this research study. Collection of secondary data was obtained through desk research, which was either from internal or external sources. The external source included publication press, newspapers, libraries, and various research related organizations.

### **3.5.1 Validity and Reliability**

Validity refers to the accuracy and meaningfulness of inferences, which are based on the research results. Harper and Thompson (2011) note that in order for data collection tools to provide useful results, the questions must be both valid and reliable. Reliability measures the relevance of the questions included in the questionnaires. Validity also refers to whether the instrument is actually able to test what it is supposed to test (Harper and Thompson, 2011). According to Creswell (2009), the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field which helps in discovering question content, correction in the wording and the sequencing problems before the actual study as well as exploring ways of improving overall quality of study. For the sake of this study, the researcher sought opinions of experts in the field of study especially university research instructors to establish the validity of the research instrument. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

Reliability of the data collection instrument is the consistency of measurement and frequently assessed using a test–retest reliability method (Cooper and Schinder, 2007). Reliability enables

the researcher to identify the ambiguities and inadequate items in the research instrument; where the instrument reliability is the dependability, consistency or trustworthiness of a test. The test-retest technique is the measure, where questionnaires were administered to a group of individuals (according to the tested number) with similar characteristics as the actual sample. Tests are repeated at intervals of one week. The scores obtained from each tests will be correlated to get the coefficient of reliability. In the event that the Spearman's Rank Correlation Coefficient falls at an average of 0.75, it would be certain that the instrument is 85% reliable and therefore consistent to answer the research questions of the study (Creswell, 2009). Mugenda and Mugenda (2003) further notes that a pre-test sample is usually between 1% to 10% depending on the sample size. The coefficient of reliability for this study was 0.78. The researcher pre-tested the questionnaire using employees not included in the sample, so as to evaluate the relevance of the questions and the ease with which participants can respond to them. The pre-test sample used was 5% of the total sample size, coming to a total of 5 respondents.

### **3.6 Ethical Considerations**

This research took into account several ethical issues. Firstly, it upheld the confidentiality of all respondents that participated in the study while ensuring their anonymity. This was expected to encourage respondents to give factual information that was held in confidence. Secondly, the research encouraged voluntary and informed consent, where all the participants in the study participated freely after understanding the purpose of the study. Approval was sought from the sampled firms in order for the study to be conducted. Lastly, the researcher ensured that all findings to the study were disclosed in a factual manner that does not compromise on the accuracy of the study.

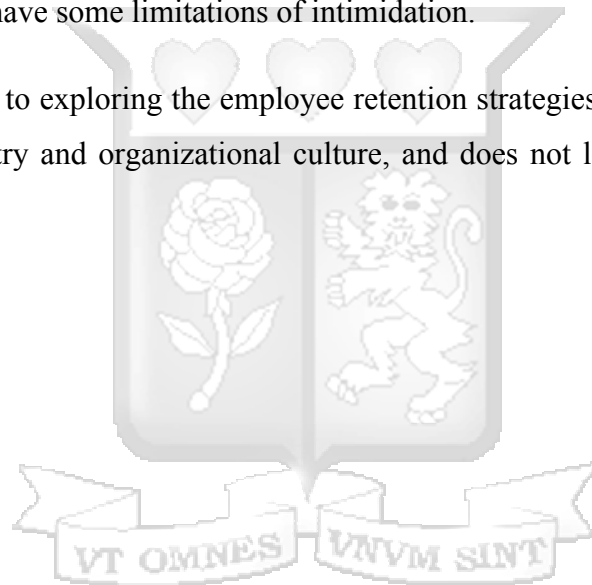
### 3.7 Constraints and Limitations

Challenge posed by differences in the interpretation of some of the concepts e.g. generational subsets. However the researcher tried to overcome this challenge through the interviews and discussions by clarifying the concepts and probing using a simple key informant interviews.

The research focuses on companies within the financial industry who are said to limit information sharing to the public, focusing on a number of no more than six organizations in Kenya.

Access to these organizations was gained via the researcher's personal networks; the findings of the study may therefore have some limitations of intimidation.

The study is also limited to exploring the employee retention strategies within the context of the Kenyan Insurance industry and organizational culture, and does not look at other industries in Kenya.



## Chapter Four: Presentation of Research Findings

### 4.1 Introduction

The rationale of the study was to evaluate the extent to which adoption of modern employee retention strategies was employed in the Insurance companies in Kenya. Chapter four presents the research findings that comprehensively answer the research questions. This chapter presents the response rate, the demographic profile, and profiled data and presents it in descriptive tables using mean and standard deviation to present the findings.

### 4.2 Response Rate

A total of 100 questionnaires were distributed equally among the selected insurance companies. Out of these, 71 questionnaires were responded to, which was equivalent to 71% response rate as shown in Table 4.1 below

Table 4.1: Response rate



	Frequency	Percentage
Distributed Questionnaires	100	100.0
Returned	71	71.0

A cross analysis was performed to confirm the distribution of the response rate among the sampled insurance companies. The cross analysis indicated that firm C had the lowest response rate of 60% followed by E at 65%, B and D both at 75% and A with the highest at 80%

Table 4.2: Cross Analysis of Response rate

	A	B	C	D	E
Distributed Questionnaires	20	20	20	20	20
Completed Questionnaires	16	15	12	15	13
Percentage	80	75	60	75	65

### 4.3 Demographic Information

All the sampled companies had been in operation for over 30 years. More specifically, the oldest insurance company was D registered in 1908, followed by C 1946, E 1965, A 1973 and B 1978.

Table 4.3: Organizations Year of Registration

Years	Year
A	1973
B	1978
C	1946
D	1908
E	1965

With regard to the length of service, more than half of the respondents had worked at the respective insurance companies for more than 10 years. Specifically, 35% had worked for 10 to 15 years, 24% for 5 to 10 years, 20% for 15 to 20 years, 13% for less than 5 years and 9% for over 20 years.

Table 4.4: Respondents Years of service at the organization

Years	Frequency	Percentage
Less than 5	9	12.7
5 to 10	17	23.9
10 to 15	25	35.2
15 to 20	14	19.7
Over 20	6	8.5
	71	100

When asked about the management level, 73% were middle level managers, while the remaining 17% were senior managers.

Table 4.5: Respondents Management level

<b>Level</b>	<b>Frequency</b>	<b>Percentage</b>
Middle Management (Team leader/supervisor)	52	73.2
Senior Management	19	26.8
<b>Total</b>	<b>71</b>	<b>100.0</b>

In response to the number of employees that directly report to them, 39% indicated that over 100 employees reported to them, 24% indicated between 50 and 100 employees, 21% between 20 and 50 and 16% less than 20.

Table 4.6: Number of employees reporting to respondent

<b>Organizational Orientation</b>	<b>Frequency</b>	<b>Percentage</b>
0 - 20	11	15.5
20 - 50	15	21.1
50 - 100	17	23.9
over 100	28	39.4
<b>Total</b>	<b>71</b>	<b>100.0</b>

#### 4.4 Reasons for High Employee Turnover

The first objective of the study was to identify the major reasons for high employee turnover in the insurance industry in Kenya. To achieve this, the researcher sought to evaluate the respondent's awareness of high turnover in the industry. The respondents were therefore asked whether their organizations were experiencing high employee turnover. In their response, two thirds (66%) indicated that they were aware of the high employee turnover while the remaining third were not.

Table 4.7: Awareness of high employee turnover in the organization

Awareness	Frequency	Percentage
Yes	47	66.2
No	24	33.8
	71	100.0

Next, the study sought to find out the average employee turnover rate in the insurance industry to be able to evaluate whether it could be considered a high. In their response, a third of the respondents indicated that the annual turnover rate was between 10 and 30 percent, 30% between 30 and 50 percent, 27% less than 10 percent and 9% over 50 percent turnover.

Table 4.8: Organizations annual turnover rate

Role of Organization	Frequency	Percentage
Less than 10%	19	26.8
10% - 30%	24	33.8
30% - 50%	22	31.0
over 50%	6	8.5
	71	100.0

Following their response on the turnover rate the respondents were asked whether their respective organizations made efforts to reduce the turnover rate. More than half of them (54%) indicated that they were aware of such efforts while the other 46% were not aware.

Table 4.9: Awareness of organizations effort to reduce employee turnover rate

Response	Frequency	Percentage
Yes	38	53.5
No	33	46.5
Total	71	100.0

To assess the specific reasons of the high employee turnover in the industry, the respondents were further required to rate their perceptions of why the organizations continued to experience the high rate of employee turnover. They were requested to rate statements using a likert scale as

follows: 1 – Not at all, 2 – To a less extent, 3 – To a moderate extent, 4 – To a great extent and 5 – To a very great extent.

The respondents were first asked whether the employee pay packages were inadequate and mismatched. In their response, 39% indicated to a moderate extent, 34% to a great extent, 15% to a very great extent, and 11% to a less extent. The average response was to a great extent (3.54) with a standard deviation of 1.

Secondly, the respondents were asked whether there were few promotion opportunities in the organization. Nearly a third of the respondents (31%) responded to a moderate extent, a further 30% to a great extent, 21% to a less extent, 10% not at all and 8% to a very great extent. The average response was to a moderate extent (3.06) with a standard deviation of 1.12.

Third, respondents were also asked whether the hiring process was not clear. In their response, 46% indicated to a moderate extent, 18% to a less extent, 15% to a great extent, 11% to a very great extent and 8% not at all. The average response was to a moderate extent (3.03) with a standard deviation of 1.

When asked whether the training procedures on new jobs were complex and difficult to understand, 46% responded to a less extent, 35% to a moderate extent, 15% to a great extent and 3% to a very great extent. The average response was to a moderate extent (2.75) with a standard deviation 0.82.

With regard to whether there were no clear promotion processes and procedures, 41% responded to a less extent, 31% to a moderate extent, 20% to a great extent and 8% to a very great extent. The average response was to a moderate extent (2.96) with a standard deviation of 0.98.

The respondents were further asked whether the relationship between the management and employees was strained. In their response, 39% responded to a less extent, 37% to a moderate extent, 20% not at all, and 4% to a great extent. The average response was to a less extent (2.25) with a standard deviation of 0.82.

Finally, with regard to whether there was lack of support from management towards employees' initiatives, 41% responded to a moderate extent, 30% to a less extent, 24% not at all, 4% to a great extent and 1% to a very great extent. The average response was to a less extent (2.30) with a standard deviation of 0.93.

Table 4.10: Reasons for high employee turnover

<b>Retention Strategies Employed</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>SD</b>
Employee pay packages are inadequate and mismatched.	<b>Frequency</b>	0	8	28	24	11	3.54	1
	<b>Percentage</b>	0	11	39	34	15		
There are few promotion opportunities in the organization	<b>Frequency</b>	7	15	22	21	6	3.06	1.12
	<b>Percentage</b>	10	21	31	30	8		
The hiring process is not clear	<b>Frequency</b>	6	13	33	11	8	3.03	1
	<b>Percentage</b>	8	18	46	15	11		
The training procedures on new jobs are complex and difficult to understand	<b>Frequency</b>	0	33	25	11	2	2.75	0.82
	<b>Percentage</b>	0	46	35	15	3		
There are no clear promotion processes and procedures	<b>Frequency</b>	0	29	22	14	6	2.96	0.98
	<b>Percentage</b>	0	41	31	20	8		
The relationship between management and employees is strained	<b>Frequency</b>	14	28	26	3	0	2.25	0.82
	<b>Percentage</b>	20	39	37	4	0		
There is lack of support from management towards employees initiatives	<b>Frequency</b>	17	21	29	3	1	2.30	0.93
	<b>Percentage</b>	24	30	41	4	1		

#### 4.5 Current Retention Strategies Employed

The second objective of the study was to evaluate the current retention strategies used by companies in the Kenyan insurance industry. The respondents were asked whether they were aware of any retention strategies being used in their respective organizations. In their response, a majority (79%) were aware while the remaining 21% were not.

Table 4.11: Awareness of turnover strategies used by the organization

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	56	78.9
No	15	21.1
Total	71	100.0

The respondents that were aware of the retention strategies being used in their organization were asked to list them down. The most common responses were salary increments at 100%, subsidized insurance rates at 91%, job promotions at 88%, cheaper credit facilities at 73% and health cover benefits at 70%.

Table 4.12: Common Retention Strategies used by the organization

<b>Retention Strategies</b>	<b>Frequency</b>	<b>Percentage</b>
Salary Increments	56	100
Bonuses and commissions	44	78.6
Job Promotions	49	87.5
Health Cover Benefits	39	69.6
Cheaper Credit facilities	41	73.2
Subsidized Insurance Rates	51	91.1

#### **4.5.1 Advantages of Current Retention Strategies**

The study sought to evaluate the advantages of the current employee retention strategies employed in the organizations. First, the respondents were asked whether the retention strategies used have helped reduce hiring and training costs. In their response, half of the respondents (51%) responded to a moderate extent, 20% to a less extent, 14 to a great extent, 13% not at all and 3% to a very great extent. The average response was to a moderate extent (2.75) with a standard deviation of 0.95

Second, they were asked whether the retention strategies have helped develop a strong working relationship between management and staff. Nearly a third of the respondents (31%) responded to a moderate extent, 27% to a great extent, 24% to a less extent, 15% to a very great extent and 3% not at all. The average response is to a moderate extent (3.28) with a standard deviation of 1.09.

Finally, with regard to whether the retention strategy has had a positive impact on customer service, 41% responded to a moderate extent, 28% to a great extent and 15% for both to a less

extent and to a very great extent. The average response was to a moderate extent (3.44) with a standard deviation of 0.94.

Table 4.13: Advantages of Retention Strategies

<b>Advantages of Retention Strategies</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>SD</b>
The retention strategies used by the organization has helped reduce hiring and training costs	<b>Frequency</b>	9	14	36	10	2	2.75	0.95
	<b>Percentage</b>	13	20	51	14	3		
The retention strategies have helped develop strong working relationships between management and staff	<b>Frequency</b>	2	17	22	19	11	3.28	1.09
	<b>Percentage</b>	3	24	31	27	15		
Employee retention has had a positive impact on customer service	<b>Frequency</b>	0	11	29	20	11	3.44	0.94
	<b>Percentage</b>	0	15	41	28	15		

#### 4.6 Modern Retention Strategies Employed

The final objective of the study was to identify the level of adoption of the modern retention strategies used by the organization. To assess this, the respondents were required to rate their perceptions on the modern retention strategies as used in their respective organizations. They were requested to rate statements using a likert scale as follows: 1 – Not at all, 2 – To a less extent, 3 – To a moderate extent, 4 – To a great extent and 5 – To a very great extent.

First, the respondents were asked whether their human resource department takes in to account the generation subsets when motivating employees. In their response, 38% responded to a less extent, 32% to a moderate extent, 21% not at all, 6% to a great extent and 3% to a very great extent. The average response was to a less extent (2.31) with a standard deviation of 0.97.

With regard to whether the management seeks to develop their employees before deploying them to their respective stations of work, 48% responded to a great extent, 30% to a moderate extent, 13% to a less extent, and 10% to a very great extent. The average response was to a great extent (3.55) with a standard deviation of 0.84.

The respondents were also asked whether the management seeks to constantly connect with employees after deploying them. In their response, 55% responded to a moderate extent, 20% to

a great extent, 15% to a less extent, 6% to a very great extent and 4% not at all. The average response was to a moderate extent (3.07) with a standard deviation of 0.87.

When asked whether the management takes every opportunity available to a lot time for staff personal projects and initiatives, 49% responded to a less extent, 34% not at all, 14% to a moderate extent and 3% to a great extent. The average response was to a less extent (1.86) with a standard deviation of 0.72.

In response to whether the management practices complete financial transparency, 54% indicated to a less extent, 27% not at all, 18% to a moderate extent and 1% to a great extent. The average response was to a less extent (1.94) with a standard deviation of 0.76.

With regard to whether the management seeks to customize jobs to fit the employees talents, 44% responded to a moderate extent, 38% to a less extent, 14% not at all and 4% to a great extent. The average response was to a less extent (2.38) with a standard deviation of 0.78.

Finally, the respondents were asked whether the management gives new challenges to employees while understanding that it might be their career for life. In their response, 48% responded to a moderate extent, 24% to a less extent, 18% to a great extent, 6% to a very great extent, and 4% not at all. The average response was to a moderate extent (2.97) with a standard deviation of 0.91.

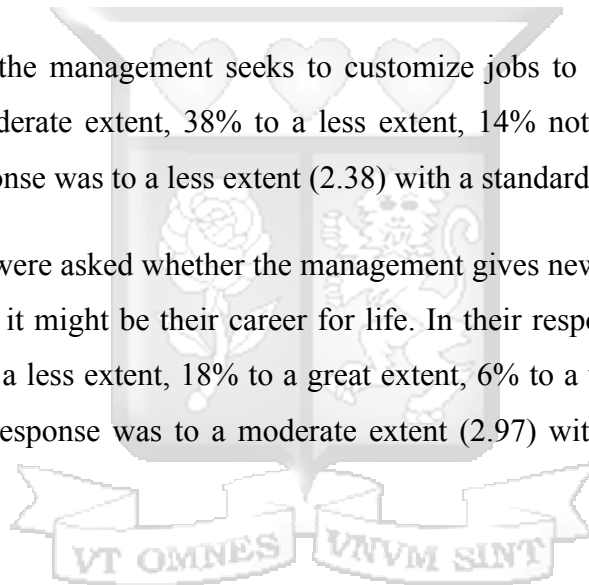


Table 4.14: Modern Retention Strategies

<b>Retention Strategies Used</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>SD</b>
The Human Resource takes in to account the generation subsets (Age and generation differences - older, middle aged, young) when motivating employees	<b>Frequency</b>	15	27	23	4	2	2.31	0.97
	<b>Percentage</b>	21	38	32	6	3		
The management seeks to develop their employees before deploying them to their respective stations of work	<b>Frequency</b>	0	9	21	34	7	3.55	0.84
	<b>Percentage</b>	0	13	30	48	10		
The management seeks to constantly connect with the employees after deploying them	<b>Frequency</b>	3	11	39	14	4	3.07	0.87
	<b>Percentage</b>	4	15	55	20	6		
The management takes every opportunity available to a lot time for staff personal projects and initiatives	<b>Frequency</b>	24	35	10	2	0	1.86	0.76
	<b>Percentage</b>	34	49	14	3	0		
The management practices complete financial transparency (from cost of office furniture to staff salaries and benefits)	<b>Frequency</b>	19	38	13	1	0	1.94	0.72
	<b>Percentage</b>	27	54	18	1	0		
Management seeks to customize jobs to fit the employees talents	<b>Frequency</b>	10	27	31	3	0	2.38	0.78
	<b>Percentage</b>	14	38	44	4	0		
The Management gives new challenges to employees while understanding that this might not be their career for life	<b>Frequency</b>	3	17	34	13	4	2.97	0.91
	<b>Percentage</b>	4	24	48	18	6		

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## **Chapter 5: Discussion**

### **5.1 Introduction**

This chapter summarizes the study and provides the insights necessary to deduce the conclusions and recommendations based on the results from the cumulative data that was analyzed using qualitative and quantitative analysis and presented in form of tables in chapter four. It highlights the key findings and presents the summary of the findings.

### **5.2 Summary of Findings**

The main objective of this study was to: identify the major reasons for high employee turnover in the insurance industry; evaluate the current retention strategies used by companies in the insurance industry; and identify the level of adoption of modern retention strategies by a firm in the insurance industry in Kenya. To achieve the objectives of the study, cross sectional data was collected using a structured questionnaire and the target populations were the insurance companies in Kenya. The summary of the findings are therefore presented.

#### **5.2.1 Response rate and Demographic Data**

The response rate was at 71% as response rate above 70% is rated very good (Saunders et. Al, 2009). A cross analysis of the response rate was also impressive with the lowest being 60% which is rated a good response rate. This response rate was adequate to be representative of the population under study.

All the sampled companies had been in operation for over 30 years which was sufficient to have the requisite history of employee turnover information. With regard to the length of service, more than three quarters of the respondents had worked at the respective insurance companies for more than 5 years. This was an indication that the respondents had worked in their respective

organizations long enough to have the required information and experience to respond adequately to the study. This was also true for the management levels of the respondents as they had significant number of employees that directly report to them therefore making them have first hand information regarding the employee turnover trends of their respective organizations.

### **5.2.2 Reasons for High Employee Turnover**

The first objective of the study was to identify the major reasons for high employee turnover in the insurance industry in Kenya. According to Amos et al (2008) Employee, labor, or staff turnover refers to the rate at which an employer loses employees and is the process of replacing one worker with another for any. Two thirds of the respondents were aware of this and were of the opinion that their organizations faced high employee turnover rates.

According to Allen (2010), the global average employee turnover rate is approximately 15% a year, while that for the insurance industry was 10.4% in 2013, although this varies drastically between economies. The average turnover rate for the Kenyan insurance industry according to this study was between 10% and 30%. This can be considered to be high but not too high. 39% of the respondents indicated that the turnover rates in their organizations was higher than 30% per annum. Slightly more than half of the respondents indicated that they are aware that the organizations were putting effort in to reducing the turnover rate while the others were not.

There have been varied reasons put forward by scholar to explain reasons for high employee turnover. The commonalities include, low to moderate employee compensation, lack of upward mobility, high-turnover due to hiring characteristics, complex training processes, and a wide range of customer issues to be learned (EPF, 2004). In their response to the effect of each of these factors in contributing to their organizations turnover the highest ranked factors were; inadequate and mismatched employee pay package was ranked highest, followed by few promotion opportunities, unclear hiring process, complex promotion process and difficult training procedures all rated to a moderate extent. In their response, two causes for high employee turnover that were sighted as not being a reason for turnover was the relationship between management and employees is strained and there is lack of support from management towards employee initiatives.

The standard deviations were low indicating that the data points tended to be very close to the mean. The management support for employee initiative and strained relationship between management and employees were ranked to a less extent.

### **5.2.3 Current Retention Strategies Employed**

The second objective of the study was to evaluate the current retention strategies used by companies in the Kenyan insurance industry. More than three quarters of the respondents were aware of retention strategies being used in their respective organizations and therefore could identify them.

The most common retention strategies highlighted by the respondents had over 70% respondents mentioning them. These were salary increments ranked highest followed by subsidized insurance rates, job promotions, cheaper credit facilities and health cover benefits. In response to the benefits of these strategies to the organization, Positive impact of customer service was the highest ranked advantage, followed by developing strong working relationships between management and staff and helped reduce hiring and training costs all rated to a moderate extent. The standard deviations were low indicating that the data points tended to be very close to the mean.

### **5.2.4 Modern Retention Strategies Employed**

The final objective of the study was to identify the level of adoption of the modern retention strategies used by the organization. Many of the modern employee strategies scored below the mean.

The main modern employee retention strategies include: the generation subset that focuses on that the dramatically changing workforce by age groups which means that employees value and want different things; Deloitte's retention strategy model with the Develop-Deploy-Connect aspects where organizations can generate capability, commitment, and alignment in key workforce segments to improve business performance; and Odums comprehensive strategy which examines seven components of a comprehensive retention strategy that can be used by

global organizations. Other strategies included allotting time for staff projects, customizing jobs to talent and accepting that you are a stepping-stone.

In their response, the develop-deploy-connect was the most used strategy with a rating of to a great extent (3.55), followed by accepting that the organization is a stepping stone to employees rated to a moderate extent. The other modern strategies were all rated to a less extent and therefore were not effectively used in the organization. The standard deviations were low indicating that the data points tended to be very close to the mean.



## **Chapter 6: Conclusions and Recommendations**

### **6.1 Conclusions**

#### **6.1.1 Conclusions on Respondents Demographic characteristics**

Since the response rate was impressive, it can be concluded that the sample under study was adequate to have a representative view of the phenomenon under study. All the companies under study had been in existence for over 30 years and a majority of the respondents had served in their respective insurance firms for greater than 5 years and held adequate management level positions. They therefore are adequately qualified to respond to the current situation and circumstances of staff turnover and retention strategies in their respective organizations.

#### **6.1.2 Conclusions on Employee Turnover in the Kenyan Insurance Industry**

The findings show that a majority of respondents were aware of the employee turnover in their respective organizations and were of the opinion that their organizations faced high employee turnover rates. We can therefore conclude that according to the perception of the respondents, the insurance industry faces high employee turnover rate than normal. This conclusion is confirmed when the estimated turnover rate according to this study was between 10% and 30% which can be considered high but not too high.

Due to the high turnover rate, more than half of the respondents indicated that they are aware that the organizations were putting effort in to reducing the turnover rate while the others were not. We can therefore conclude that though not to a great extent, insurance companies in Kenya have put concerted efforts to help in reducing the employee turnover rate.

We can also conclude from the findings that the greatest factor contributing to high employee turnover is inadequate and mismatched employee pay package was ranked highest. Other factors are few promotion opportunities, unclear hiring process, complex promotion process and difficult training procedures.

### **6.1.3 Conclusion on Current Employee Retention Strategies used by Kenyan Insurance Companies**

A majority of the respondents were aware that there were retention strategies being used in their respective organizations and could identify them.

We can also conclude that the most common retention strategy used by the Kenyan insurance industry management is salary increments which are a traditional strategy that has been used for a long time. The other strategies used were also traditional for example subsidized insurance rates, job promotions, cheaper credit facilities and health cover benefits. These traditional retention strategies used by the insurance companies have various advantages, the most common being a positive impact of customer service. Other advantages include developing strong working relationships between management and staff and helped reduce hiring and training costs.

We can also conclude that in the respondent's perception the traditional retention strategies currently in use in their organizations are adequate.

### **6.1.4 Conclusions on the extent to which Modern Retention Strategies are used**

From the findings, we can conclude that there was some modern employee retention strategies used by the insurance companies in Kenya though the respondents did not immediately recognize them in the previous section. The develop-deploy-connect was the most used strategy followed by accepting that the organization is a stepping-stone to employees.

We can conclude that insurance companies in Kenya do not adopt a majority of the modern strategies because current strategies are adequate.

## **6.2 Recommendations**

### **6.2.1 Recommendations on Employee Turnover in the Kenyan Insurance Industry**

The findings and conclusions regarding employee turnover in the Kenyan Insurance Industry from the study elicited the following recommendations:

1. A majority of employees leave an organization out of frustration and constant friction with their superiors or other team members. A regular review of employees' office communications, relations and concern regarding colleagues and managers could help diffuse underlying frustrations and reduce frictions.

### **6.2.2 Recommendations on Employee Retention Strategies in the Kenyan Insurance Industry**

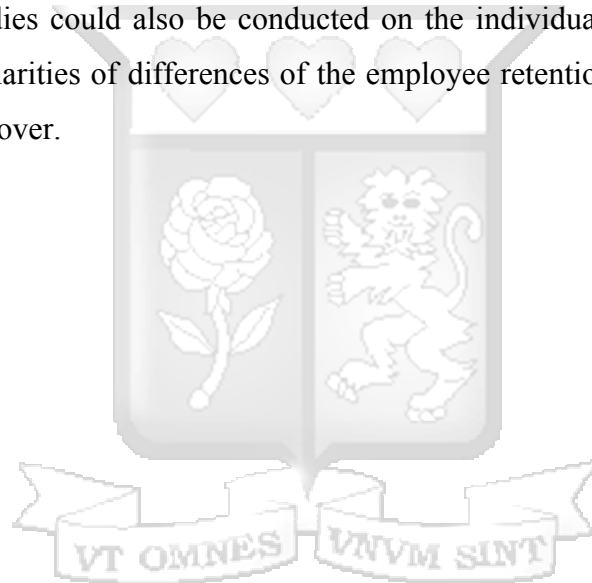
The findings and conclusions regarding employee retention strategies in the Kenyan Insurance Industry from the study elicited the following recommendations:

1. Many executives cling to the outdated notion that people "go for the gold", that salary dictates all their employment decisions but for the most part, people want opportunities to grow and learn, to advance in their careers and to work on challenging and interesting projects. The insurance companies should change the traditional retention approach to more modern strategies
2. Employee retention is beneficial for the organization as well as the employee. It is the responsibility of the employer to retain their best employees. A good employer should know how to attract and retain its employees. This is because customers do business with a company in part because of the people; relationships are developed that encourage continued sponsorship of the business.
3. The insurance industries should strive to introduce strategies to boost enthusiasm in employees to, provide security, the creation of self-managed teams, and for petty rewards to be replaced by organization-wide rewards. Organizations should be in partnership with employees, treating them like adults and allies.

### 6.2.3 Recommendations for further studies

The findings and conclusions from the study elicited the following recommendations for further study:

1. Further research could be done on the influence or effects of these modern employee retention strategies on the performance of the insurance companies.
2. Comparative studies could also be conducted on the individual insurance companies to evaluate the similarities of differences of the employee retention strategies and its effect on employee turnover.



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## Appendices

### Appendix I: Introduction Letter



Strathmore Business School

28<sup>th</sup> August 2012

**Mr. Muema Muindi,**  
Managing Director,  
Kenya Orient Insurance Ltd,  
Capitol Hill Towers,  
NAIROBI.

Dear Sir,

#### **FACILITATION OF RESEARCH – MS. NJERI KINYANJUI**

This is to introduce Ms. Njeri Kinyanjui, who is an MBA student at Strathmore Business School, Nairobi. As part of our Masters Programme, Njeri is expected to do applied research and to write a dissertation. This is in partial fulfillment of the requirements for the award of the Master of Business Administration degree. The outcome would be of immediate benefit to the organization she is researching on. To this effect, she would like to request for appropriate data from your organization.

Njeri is undertaking research on '**Factors Affecting Retention of the Generation Y Employees in the Insurance Industry: A Case Study of Kenya Orient Insurance**'. The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct usefulness to industry.

We would be glad to share our findings with you after the research, and we trust that you will find them of great interest, if not of practical value to your organization.

We very much appreciate your support and we shall be willing to provide any further information if required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Kimani'.

Tom Kimani  
Coordinator, Research and Graduation



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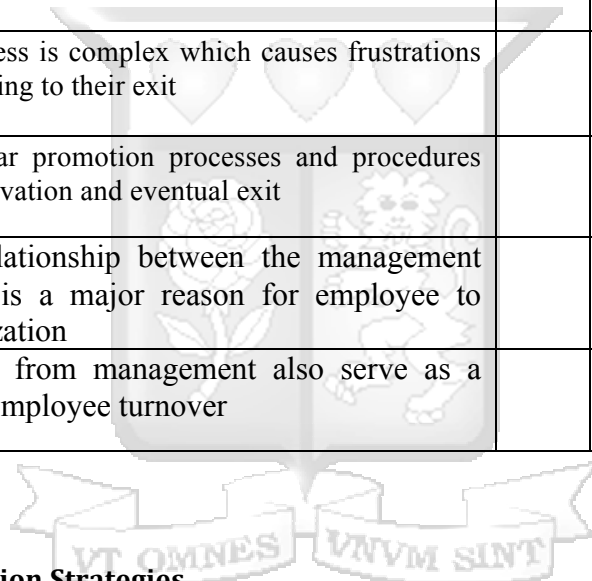


The following are general statements on employee turnover. Indicate your level of agreement with regards to your organization using the scale provided (Key: Strongly Disagree – 1, Disagree – 2, Neutral – 3, Agree – 4, Strongly Agree- 5)

**Employee Turnover**

**Extent to which exists**

Statements	1	2	3	4	5
1. The employee pay is inadequate or mismatched which leads to dissatisfaction and eventual exit					
2. There are few promotion opportunities in the organization that leads to exit of employees					
3. The hiring process is not clear thus causing dissatisfaction in employees and eventual exit					
4. The training process is complex which causes frustrations in employees leading to their exit					
5. There are no clear promotion processes and procedures leading to de-motivation and eventual exit					
6. The existing relationship between the management and employees is a major reason for employee to leave the organization					
7. lack of Support from management also serve as a reason for high employee turnover					



**Part C: Employee Retention Strategies**

8. Are you aware of any employee retention strategies employed by your organization?

Yes [ ] No [ ]

9. If yes, list them below:

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The following are employee retention strategies statements. Indicate your level of agreement using the scale provided (Key: Not at all – 1, To a less extent – 2, To a moderate extent – 3, To a large extent – 4, To a very large extent- 5)

Employee Retention Strategies

Extent to which applied/adopted

<b>Advantages</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
10. Retention strategies have helped reduce hiring and training costs in our organization					
11. Employment retention strategies has helped develop a strong staff					
12. Employee retention has had a positive impact on customer service					
<b>Modern Retention Strategies</b>					
13. The Human Recourses take in to account the generation subset of employees when seeking motivation methods					
14. The management seeks to develop their employees before deploying them to their respective stations of work					
15. The management seeks to constantly connect with their employees after deploying them to their respective stations of work					
16. The management takes every opportunity available to allot time for staff projects					
17. Managers of the company practice complete financial transparency—from the cost of office furniture to every staffer's salary.					
18. The management seeks to customize jobs to the employees talents					
19. The management gives new challenges to employees while understanding that this might not be their career for life					

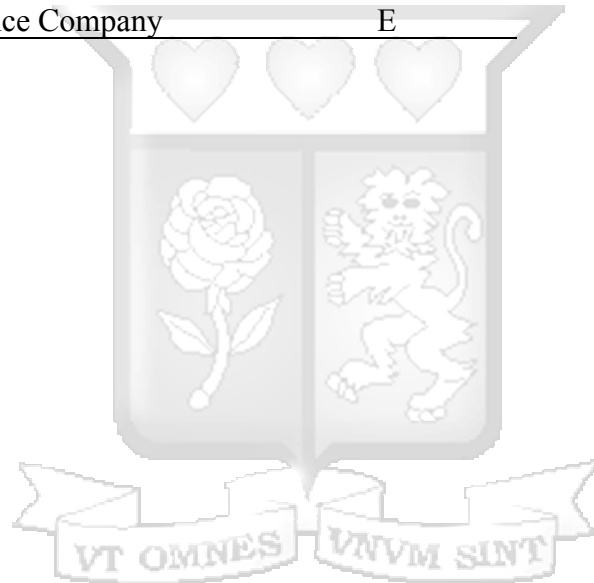
Thank you for your time.

### Appendix III: Insurance companies coding

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Jubilee Insurance Company	A
Kenindia Assurance Company	B
Pan Africa Insurance Company	C
Heritage A.I.I. Insurance Company	B
British American Insurance Company	E

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## **Appendix IV: Interview Guide**

### **Introduction and Seeking Consent**

Hello! I am a student of Strathmore Business School (Master of Business Administration) and conducting a study in this area. At the moment, I am conducting a study to familiarize myself with the employee turnover and retention strategies in insurance firms. Your involvement and participation in the study is very important though voluntary. I pledge to treat whatever information you provide with a lot of confidentiality. The information you provide will not be used for any other purpose other than the objectives of this study.

Respondents: HR Managers, Consultants and Practitioners in Insurance Firms

Questions:

- 1) How would you rate the employee turnover in your organization? (Low/High/Moderate)
- 2) Why would you rate it as above?
- 3) What retention strategies do you employ in the organizations?
- 4) Are you aware of any modern retention strategies? If yes, which ones?
- 5) Do you employ some of them? If yes, which ones?