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**AN INVESTIGATION ON THE RELATIONSHIP BETWEEN  
EMPLOYEE RETENTION STRATEGIES AND PRODUCTIVITY IN  
COMMERCIAL BANKS, KENYA**

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## DECLARATION

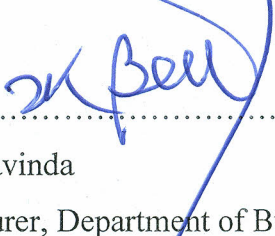
This research project is my original work and has not been submitted to any other university or institution of learning for academic purpose.

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## SUPERVISORS APPROVAL.

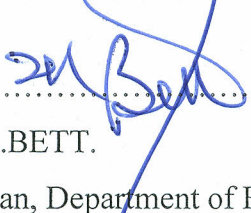
This research project report has been submitted with my approval as the university supervisor.

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## CHAIRMANS APPROVAL

This is to certify that this research project report has been submitted for consideration with my approval as the chairman of the department.

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Mr. S.K.BETT.  
Chairman, Department of Business Administration.

## DEDICATION

I dedicate this work to my husband Joseph, children Davinah and Edward, and my beloved parents.

## **ACKNOWLEDGEMENT**

GLORY TO GOD, it has not been easy to come this far, but by his grace.

I acknowledge with appreciation the effort of my supervisor Ms Kavinda for the support, constant motivation, guidance and direction throughout this research process.

## DEFINITION OF TERMS

**Employee Retention** Keeping personnel within the organization from departing. Management objectives are to direct and control a group of one or more people for the purpose of coordinating and harmonizing that group towards accomplishing a goal

**Employee productivity** The amount of work done, related to the time, effort, money, and energy that was needed to produce it.

## ABSTRACT

Very little research, if any, has been done on what practices firms use to retain employees in Kenya. Since this is important, especially for the banking industry experiencing high employee turnover rates, it is important to carry out a study to determine the employee retention practices in the banking industry. The study sought to investigate the employee retention strategies among commercial banks in Kenya and their influence on employee productivity. The variables of interest in this study were leadership, promotions, training, and rewards and how they influence employee productivity.

The present study used a cross-sectional survey design. The population of this study was all the 43 commercial banks which had been operating in Kenya for at least five years. A census of the 43 banks was done but at the end of data collection, 32 banks were finally used in the analysis as they duly responded. Primary data was collected using questionnaires structured based on the objectives of the study. After collection of data and testing for reliability, the questionnaires were coded and analyzed with the aid of SPSS. Then, the study used descriptive statistics to establish the extent to which each of the practices was applied in the banking industry. The descriptive statistics here were the percentages, mean and standard deviations. Then, the Pearson's correlation and regression analysis were used to test the impact of employee retention strategies on employee productivity.

The study found that leadership has a significant influence on employee retention and positively influences employee productivity in commercial banks in Kenya. The study found that that most of the banks used promotions as a retention strategy and that promotions positively influence employee productivity. The study also found most of the commercial banks in Kenya use training to retain employees and that this has a positive outcome on employee productivity. It was also noted that rewards are used by most of the banks to retain employees and that the influence on employee productivity is positive though very low. The study recommends that there is need for more banks to enhance their retention strategies in various aspects because of the high turnover rates in the industry.

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# CHAPTER ONE

## 1.0 INTRODUCTION

### 1.1 Background of the study

Retaining top talent remains a primary concern for many organizations today (Dessler, 2008). Critical analysis of workforce trends points to an impending shortage of highly-skilled employees who possess the requisite knowledge and ability to perform at high levels, meaning that organizations failing to retain high performers will be left with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rappaport, Bancroft, & Okum, 2003). Despite the vast literature on employee turnover, which is aimed at identifying factors that cause employees to quit (e.g., Griffeth, Hom, & Gaertner, 2000), much less is known about the factors that compel employees to stay. For example, Maertz and Campion noted “relatively less turnover research has focused specifically on how an employee decides to remain with an organization and what determines this attachment...retention processes should be studied along with quitting processes” (1998, p. 65). Steel, Griffeth, and Hom added “the fact is often overlooked, but the reasons people stay are not always the same as the reasons people leave” (2002).

The concept of retention management can both have a narrow, and a broader significance. Both parts of its significance are generally included in this study. To understand the concept of retention management we would like to explain what we mean by retention management in this investigation. The retention management concept includes: motivation, recruitment, rewarding, employee job opportunities, work environment, the role of leadership, as well as communication and understanding. We believe that the most important topic to discuss in retention management is the leader’s role and what consequences his/her decisions may cause (Torrington, Hall and Taylor, 2005).

Retention is a critical element of an organization’s more general approach to talent management, which is defined as “the implementation of integrated strategies or systems

designed to increase workplace productivity by developing improved processes for attracting, developing, retaining, and utilizing people with the required skills and aptitude to meet current and future business needs” (Lockwood, 2006). The latter part of this definition is important because it suggests that talent management programs should be tailored to those who are most responsible for the organization’s success. In this study, we focus on job performance as one indicator of employee value under the assumption that high performers are most likely to possess the knowledge, skills, and experience necessary to contribute to the overall success of the organization (Maund, 2001).

Talent management is fast gaining a top priority for organizations across the world. Trends for talent management, talent wars, talent raids and talent shortage, talent metrics retention and concerns for talent strategy are expressed in the literature, across various countries like the USA, the UK, Australia, Japan, China, India, and across Asia (Yeung, 2006; Ruppe, 2006; Dunn, 2006; Chugh and Bhatnagar, 2006; Lewis and Heckman, 2006; Lewis, 2005; Branham, 2005; Bennett and Bell, 2004).

Talent management was initially designed to improve the process for recruiting and developing people with the required skills and aptitude to meet current organizational needs. The various aspects of talent management are recruitment, selection, on-boarding, mentoring, performance management, career development, leadership development, replacement planning, career planning, recognition and reward (Romans and Lardner, 2006; Heinen and O'Neill, 2004; Scheweyer, 2004).

Competition and the lack of availability of highly talented and skilled employees make finding and retaining talented employee’s major priorities for organizations (Fegley, 2006). In order to attract and retain the best talent anywhere in the world, an organization must have a strong and positive employer brand (Brewster et al., 2005). An employer brand intervention in recent research indicates talent management as a key driver for this strategy, and is on the agenda for HR executives in 2007 and beyond (HR Focus, 2006, Focus, 2007).

Talent has become the key differentiator for human capital management and for leveraging competitive advantage. Grounded within strategic HRM (Gratton, 2000; Becker et al., 2001), the management of talent seems to be one of the key functions that HRM is playing strategically in organizations (Bhatnagar, 2004). Recent research indicates that the war for talent is intense due to labour market shortages (Branham, 2005; Brewster et al., 2005; Lawler, 2005; Boudreau and Ramstad, 2005; Cappelli, 2000; Nybo, 2004; Sparrow, 2004), yet very little research attention has been aimed at competitive talent management strategies. Further, Pfeffer and Sutton (2006) reflect that the typical HRM/talent mindset, which looks at performance results as an opportunity for an “assessment” of ability, leads to lower performance and unhappy staff who do not fulfill their potential and thus would reflect low talent engagement.

Companies with highly engaged employees articulate their values and attributes through “signature experiences” – visible, distinctive elements of the work environment that send powerful messages about the organization's aspirations and about the skills, stamina, and commitment employees will need in order to succeed in these organizations (Erickson and Gratton, 2007).

Employee engagement as a key to the retention of talent (one-of-a-kind hire in 100 employees; Glen, 2006) is an area in which the lead has been taken by practitioners (Parsley, 2006; Baumruk et al., 2006; Woodruffe, 2005; Gallup Management Journal, 2006; Bennett and Bell, 2004; Hay Group, 2002). It is an area where rigorous academic research is required (Cartwright and Holmes, 2006; Joo and Mclean, 2006; Luthans and Peterson, 2002). Employee engagement (Rothbard, 2001; Cartwright and Holmes, 2006; Joo and Mclean, 2006), is an important outcome variable which research studies in India have not investigated. In fact, Fegley (2006) indicated trends in the Western world that the Indian HR community needs to look into. Given the relevance of the dynamic work environment post-liberalization, this study becomes important.

After liberalization of the economy, the impact of restructuring, economic transition to an open market, and increased competition from internal and external sources has put

pressure on all functions of organizations (Bhatnagar, 2007; Budhwar et al., 2006). There has been evidence of a general need among the managerial cadre to build capabilities, resources, competencies, strategies, and macro as well as micro HRM activities (Budhwar et al., 2006; Bhatnagar and Sharma, 2005).

## **1.2 Statement of the problem**

The labour market today is growing and changing fast. It is the responsibility of the leader in the organization to adapt to these changes to be able to make the organization profitable. To be able to do this, it is crucial to retain the key employees in the company since they are the ones which drive the company forward. According to an article in Knowledge Management Review by Young (2006), companies are faced with people leaving to join other companies. The average worker is changing jobs ten times between ages of 18 and 37 continuously. Young says that one answer to this issue is to believe that you can purchase knowledge to replace what you are losing. Another article in Industrial Distribution by McCrea (2001) says that employees today change jobs frequently and do not have the company loyalty that existed 30 years ago when your valued employees were hired. The article, The battle for brainpower (2006), also states that loyalty to employers is fading. Thanks to downsizing, job security in return for commitment has been breaking down. Also replacing retired workers has become quite a challenge because of the low unemployment rate. According to Wolmesjö (2007) the companies should have tried to predict the future recruitment needs and hired people when the economic cycle was in a recession. The ones who hire during the economic upswing are in a dangerous situation.

Since the mid-1990s, scholarly research investigations have been focusing not only on determining why employees leave organizations but also concentrating on those factors positively influencing employees to stay (Hoisch, 2001), as well as the benefits associated with retaining tenured workers (Ramlall, 2004). Armstrong (2005) contended that retention strategies should be based on an understanding of the factors that affect them. According to Armstrong (2005) the specific factors that affect employee retention are company image; recruitment, selection and deployment; leadership, learning

opportunities; performance recognition and rewards. Studies in Kenya such as Abuti (2006) have focused on assessing why employees leave the companies they work for. Very little, if any has been done on what practices firms use to retain employees. Since this is important, especially for the banking industry experiencing high employee turnover rates, it is important to carry out a study to determine the employee retention practices in the banking industry. This is the gap the present study seeks to bridge.

### **1.3 Objectives of the study**

#### **1.3.1 Main objective**

The study sought to investigate the employee retention strategies among commercial banks in Kenya and their influence on employee productivity.

#### **1.3.2 Specific objectives**

1. To assess the extent to which leadership style influences employee retention in commercial banks and its influence on employee productivity.
2. To determine the extent to which promotions are used as employee retention strategies among commercial banks and their impact on employee productivity
3. To investigate the extent to which training influence employee retention in commercial banks and its effect on employee productivity.
4. To determine the extent to which rewards are used as employee retention strategies among commercial banks and their impact on employee productivity.

### **1.4 Research questions**

1. To what extent is leadership used as employee retention strategy in commercial banks and how does it influence employee productivity?
2. To what extent are promotions used as employee retention strategies among commercial banks and how do they impact on employee productivity?
3. To what extent do commercial banks use training as an employee retention strategy and what impact does it have on employee productivity?
4. To what extents are rewards used as employee retention strategies among commercial banks and what impact do they have employee productivity?

## **1.5 Significance of the study**

This study is significant as the results are invaluable to the following parties.

1. The management of various commercial banks will know what measures to put in place to manage employee turnover. This also applies to other companies and human resource practitioners interested in retention or talent management.
2. The academicians and researchers who will use the findings of this study as a basis for further research in determining the employee retention strategies or talent management practices in various industries in Kenya.
3. This study will benefit the policy makers in devising and revising policies to factor in employment requirements as far as satisfaction, work environment and retention are concerned.

## **1.6 Limitations of the study**

The study focuses on commercial banks only. Thus, the application of these results as far as employee retention strategies are concerned may be limited to commercial banks only. Any attempt to apply the results on other industries should be approached with care since the primary focus of this study is on employee retention practices in commercial banks in Kenya.

## **1.7 Scope of the study.**

The study was carried out on the commercial banks located in Nairobi, Kenya. It targeted the human resource managers and the directors of the commercial banks.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

#### 2.1 Introduction

This chapter presents a review of literature. The chapter is organized as follows. First, a theoretical review is presented and then a theoretical framework drawn. Secondly, an empirical review is done where gaps in literature are identified. Then the chapter presents a conceptual review followed by an operational framework.

#### 2.2 Theoretical review

The following theories were chosen to be the base in our theoretical framework. In order to facilitate the reading of our analysis and conclusion, we would like to highlight some theoretical aspects.

##### 2.2.1 Resource-Based View

Engaged employees within an organization provide a competitive advantage to organizations, as explained by the resource-based view (RBV) of the firm (Joo and Mclean, 2006), and hence there is a need to continuously engage employees. The resource-based view posits that human and organizational resources, more than physical, technical or financial resources, can provide a firm with sustained competitive advantage because they are particularly difficult to emulate (Lado and Wilson, 1994; Wright and McMahan, 1992). The RBV points out that firms can develop sustained competitive advantage only by creating value in a way that is rare and difficult for competitors to imitate (e.g. Barney, 1991, 1995; Grant, 1991; Peteraf, 1993; Paauwe, 1994; Teece et al., 1997; Foss, 1997). This approach requires that a firm be seen not through its activities in the product market, but as a unique bundle of resources that are complex, intangible and dynamic (De Saá-Pérez and García-Falcón, 2002).

Joo and Mclean (2006) state that engaged employees are strong organizational assets for sustained competitive advantage and a strategic asset. Amit and Shoemaker (1993) define

a strategic asset as “the set of difficult-to-trade-and-imitate, scarce, appropriable and specialized resources and capabilities that bestow a firm's competitive advantage”. These engaged employees are difficult to imitate and are unique to an organization, thus lending credence to the resource-based perspective of the firm. Donahue (2001) emphasized in a talent management strategy the credo of “heads, hands and hearts”. It is hearts (passion – a person's intrinsic motivation) that are the essence of employee engagement. Further, there is confusion in the literature about employee engagement.

According to Kahn (1990) employee engagement is different from other role constructs such as job involvement (Lawler and Hall, 1970; Lodahl and Kejner, 1965), commitment to organizations (Mowday et al., 1982) or intrinsic motivation (Deci, 1975). Employee engagement is a multidimensional construct. Employees can be emotionally, cognitively or physically engaged. Luthans and Peterson (2002) proposed Kahn's (1990, 1992) work on personal engagement, which provides a convergent theory for Gallup's empirically derived employee engagement. To be emotionally engaged is to form meaningful connections to others (peers, co-workers) and to experience empathy and concern for others' feelings. In contrast, being cognitively engaged refers to those who are acutely aware of their mission and role in their work environment.

According to Kahn (1990) employees can be engaged on one dimension and not the other. However, the more engaged the employee is on each dimension, the higher his or her overall personal engagement. On the other hand, Rothbard (2001, p. 655) states that engagement may look at depletion or enrichment in multiple roles. The theory behind role conflict is visited to prove the point. This study also draws on the basic study of Kahn (1990, 1992), as does the research study by May et al. (2004, p. 13), which bases its work on meaningfulness in Kahn's (1990, 1992) basic work. The study quotes the research study of Britt et al. (2001), which found that engagement in meaningful work can lead to perceived benefits from the work.

### **2.2.2 Retention Management**

To retain top employees in companies there is an intense competition. In order to figure out how to keep employees from leaving, leaders and HR departments spend large amounts of time, effort, and money. Reasons for people to leave are often unrelated to their jobs, where unexpected events or shocks can be the cause. Employees can on the other hand stay in their jobs because of attachments to the company, or the sense of affiliation (Mitchell et al, 2001). Therefore, it is extremely important for leaders to have a well developed retention plan for each of their employees, in order to make them stay in the company and to help them motivate themselves to do a good and inspiring job. The reasons why employees voluntarily leave organizations are many, in accordance with Mitchell et al (2001: 96), people often leave for reasons unrelated to their jobs: personal risk; desire to learn a new skill; trade; an unsolicited job offer; and unexpected events or shocks such as unfair treatment of a co-worker, being passed over for promotion, or being asked to do something against one's beliefs.

On both the individual level and the organizational level, turnover imposes extensive costs according to Mitchell et al (2001). At the individual level, no matter if the person leaves voluntarily or is forced to leave, the transitions to another job or situation take a personal toll. The estimated time for adjustment to be made and a career to get back on track is up to one year, and probably in some cases even more. The problem for the organization arises when departing employees take their valuable knowledge and expertise gained through experience with them. Close relationships with clients that they have established is not that easy to rebuild. Even worse are the costs directly related to the turnover that organizations face.

### **2.2.3 Theory X and Y**

McGregor's theory X and theory Y gives the reader a view of how successful management depends upon the ability to predict and control human behaviour, and how motivation of employees are influenced in relation to the management's practice. Characteristics for key employees are that they are motivated in their work. They are loyal to the company; they are driven, and have a desire to learn new tasks, open to new

ideas, and not afraid of changes. The concept of key employees separates them from other employees in terms of their conviction and desire to personal development. Key employees can be distinguished from other employees in the sense of fit to the company, and understanding of working tasks and organizational values. A key employee can differ depending on a certain company. The employee's education in the field should match with the working tasks.

It is hard for companies to know which people that might become their key employees in the near future. In order to make a "good match" from the beginning, it is important to put effort into recruiting the "right" people from the start. To recruit key employees, the recruitment process should be structured in a way which let both the organization, and the employee, know as much as possible about each other. Once the employees are hired, they need to be motivated in their work in order to achieve good results and enjoy the job.

For an organization to lose key employees, they announce their vulnerability and how much it means to them to keep them in the company. To maintain and establish an important relation, will make them strong, but in the same time, they also need to be aware of what a loss of a key employee might cause. The company usually spends money into educating the employee. The employee has key information about the company, and will develop professional skills that can be hard to transfer to someone else. Key employees are committed and see their future in the company.

### **2.3 Empirical review**

Empirical evidence suggests that the establishment of well defined organizational goals and objectives influence employee retention and job productivity. Kim et al. (2005) in their study on corporate orientation found that organizational direction and support had a significant impact on employee job satisfaction and overall commitment. Findings from Susskind et al.'s (2000) research also suggest that perceived organizational support strongly influences job satisfaction and employees' commitment to their organizations.

### 2.3.1 Leadership style

Chew et al. (2005) study reveals that organizations with a value profile of either elite or leadership, complemented with strategic HRM effectiveness will enhance financial performance. Huselid (1995) identified a link between organization-level outcomes and groups of high performance work practices. Instead of focusing on a single practice (e.g. staffing), the simultaneous use of multiple sophisticated human resource practices was assessed. He concluded that the sophistication of those practices was significantly related to turnover, organizational productivity, and financial performance. Delery and Doty (1996) affirmed that the existence of formal or informal policies have many strategic implications that should affect employee retention.

Prior empirical work has consistently found that use of effective human resource management initiatives enhances employee retention and productivity. Specifically, selective recruitment and training procedures, working environment, labor-management participation programs, and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit have all been linked with valued firm-level outcomes (Huselid, 1995; US Department of Labor, 1993).

A study by the US Department of Labor (1993) on high performance work practices revealed that involving employees in decision-making, goals and the direction of an organization through participation in teams will help produce job satisfaction and reduce turnover. Several scholars found that other work practices, such as total quality management, result in productivity gains and have a positive impact on motivation and commitment to the organization (Huselid, 1995; MacDuffie, 1995; Osterman, 1994; Pfeffer, 1994). Cho et al. (2006) reported that organizations which incorporate such high-performance work practices are more likely to experience lower turnover rates for non-managerial employees.

According to Becker and Huselid (1999), culture creates competitiveness since it changes employee behavior by making them act consistently with the firm's desired corporate culture, thereby influencing employee retention. Other researchers who investigated the

relationship between organizational culture and employee turnover and retention uncovered similar findings (Chew et al., 2005; Cho et al., 2006; Cutcher-Gershenfeld, 1991; Huselid, 1995; Kallenberg and Moody, 1994; Milman, 2003; Milman and Ricci, 2004; Pfeffer, 1994; Shaw et al., 1998). For example, a study by Milman and Ricci (2004) revealed that among the most powerful indicators to predict hourly employee retention in the lodging industry were positive experiences with the company's policies and with the company's humane approach to employees.

Results of empirical studies of lodging properties in Central Florida confirmed that hourly employees' retention was predicted by self-fulfillment and working conditions, even over monetary rewards (Milman, 2002, 2003; Milman and Ricci, 2004). These studies found that employees who had a positive experience with regards to working hours, sense of fulfillment with their jobs and higher level of job satisfaction are more likely to stay with their current employer. In a study of restaurant food servers, Wildes (2007a, b) noted that although monetary rewards can be a top motivator for employee retention, having a fun working environment and flexible hours were also important motivators.

Other studies posit that retention practices such as job enrichment, workspace characteristics and socialization can reduce turnover and its effects (Boles et al., 1995; Pizam and Ellis, 1999). Walsh and Taylor (2007) study found that although it was important to obtain a good salary and benefits package, whether employees remain with the organization primarily depends on the degree to which their employers respond to their professional growth. They noted: "those employees most committed to performing challenging work are the ones most likely to remain with their companies" (Walsh and Taylor, 2007, p. 147).

### 2.3.2 Promotions

Numerous other studies examine the impact of hiring and promotion practices on retention and performance (Becker and Huselid, 1999; Cho et al., 2006; Huselid, 1995; MacDuffie, 1995; Milman, 2003; Milman and Ricci, 2004; Pfeffer, 1994; Shaw et al., 1998; US Department of Labor, 1993). Pfeffer (1994) made a case that firms wishing to succeed in today's global environment must make adequate HR investments and build employees who possess better skills and capabilities than their competitors.

According to Huselid (1995) and Becker and Huselid (1999), selective hiring procedures are necessary to ensure effective retention of the most qualified employees while lowering employee turnover in the long term. One tool that can assist with ensuring proper screening of candidates is pre-employment tests. Cho et al. (2006) theorize that the practice of pre-employment testing and the result of candidates passing such skill-based tests can heighten new hires' sense of organizational commitment. However, their research also found that once employees are on-board and seek upward mobility, promotions can actually increase turnover rates of non-managerial employees if not practiced appropriately. For example, in instances in which inadequate employee training and development exist, employees can become frustrated and stressed by assuming greater responsibility for which they are ill equipped. Thus employer policies and practices regarding employee promotions and work designs are among the top reasons why people join, stay or leave an organization (Cafaro, 2001).

The research study by Dienhart et al. (1992) found that there were positive relationships between customer centeredness and the employees' constructive views of job involvement, job security and satisfaction. If employees feel the company takes good care of them, they are, in return, likely to take time to provide a better service to meet and/or exceed customers' expectations. This will likely lead to higher satisfaction among those customers and to better employee performance, thereby making them less likely to leave (Arnett et al., 2002), positively impacting employee retention.

A study by Kim et al. (2005) also revealed that employers with strong customer-centeredness and employee focus have a positive impact on employees' job satisfaction and overall organizational commitment, thus significantly reducing employee turnover. These scholars further suggest that recognizing employees' work efforts with cash incentives, awards, and promotions should reduce employees' intention to leave.

### **2.3.3 Training**

Companies derive competitive advantages from training and development programmes since it helps to remove deficiencies in employees ,making the employees stay longer; minimizing accidents; scrap and damage and meeting future employee needs. In the knowledge economy, it is no longer enough to put your employees through the occasional training module a few times a year. Companies looking to operate and compete in a global market need to constantly skill and re-skill their people, and training is becoming a 24/7/365 affair cutting across geographies and time restrictions. (Aswathappa K, 2008).

Once established at work with a supportive set of terms and conditions most employees will be interested in advancing and developing their careers. Few talents and successful individuals want to stand still and most want to feel that they are learning and progressing in the workplace. The organizations that invest in the training and development of their staff are therefore much more likely to succeed in retaining their staff than those that does not.

First, the organization is more likely to produce the skills it requires and therefore has less need to look to the open recruitment market, and secondly the individuals are likely to have scope for personal growth and development while remaining within the organization. The nurturing and development of the individual in terms of training investment is clearly a strong factor of success in staff retention. (Kelvin Cheadle 2001)

Green et al. (2000, pp.267-72) report research on perception of 1,539 employees on different kinds of training. They found that the overall effect is neutral, 19 per cent of employees saying that training was 'more likely to make them actively look for another

job' and 18 per cent saying it was less likely to do so. However, they also found the type of training and the source of sponsorship to be a significant variable. Training which is paid for by the employer is a good deal less likely to raise job mobility than that paid for the employee or the government. Firm-specific training is also shown in the study to be associated with lower turnover than training which leads to the acquisition of transferable skills. The point is made, however, that whatever the form of training, an employer can develop a workforce which is both 'capable and committed' by combining training interventions with other forms of retention initiative.

In organizations where employees receive the proper training needed to assume greater responsibilities, turnover rates are generally lower. Several studies show that training activities are correlated with productivity and retention (Delery and Doty, 1996; Huselid, 1995; Kallenberg and Moody, 1994; MacDuffie, 1995; Shaw et al., 1998; Terpstra and Rozell, 1993; US Department of Labor, 1993, Walsh and Taylor, 2007; Youndt et al., 1996). In a US Department of Labor (1993) study of high-performance work practices it was found that the use of formal training programs was associated with significantly higher productivity growth. Becker and Huselid (1999) argue that the economic returns of extensive training are more likely to be captured by the firm if employees are motivated to stay and contribute to the firm's success fostered in part by selective hiring, competitive pay packages and team-orientated work environments. Youndt et al. (1996) theorize that human resource practices designed to develop talented and team-oriented workers improve employee productivity and customer satisfaction. These findings parallel anecdotal evidence from companies such as Southwest Airlines that have used selective staffing and comprehensive training in their quest to improve performance (Pfeffer, 1994).

According to Shaw et al. (1998), organizations with substantial training opportunities should experience lower turnover rates. However, an interesting finding by these researchers included a positive relationship between training and the discharge rate. They theorize that companies that provide more training are concerned about employee skills and performance, and thus experience a high percentage of employee terminations.

Conversely, companies that experience a high discharge rate initiate training programs because of lower workforce skill levels (Shaw et al., 1998). In a recent study of young professionals respondents rated formal and professional job training lower on their challenging work scale, indicating that the type of learning that respondents sought occurs through actual work experience (Walsh and Taylor, 2007).

### **2.3.4 Rewards**

A major and perhaps the most notable among organizational retention initiatives are compensation and benefits. Numerous studies have addressed the impact of employee compensation, rewards and recognition on turnover and retention (Becker and Huselid, 1999; Cho et al., 2006; Guthrie, 2001; Huselid, 1995; Milman, 2003; Milman and Ricci, 2004; Shaw et al., 1998; US Department of Labor, 1993; Walsh and Taylor, 2007; Youndt et al., 1996).

Several research studies found that highly competitive wage systems promote employee commitment and thus results in the attraction and retention of a superior workforce (Becker and Huselid, 1999; Guthrie, 2001; Shaw et al., 1998). Shaw et al.'s (1998) study further noted that employees will remain with an organization as long as it serves their self-interest to do so better than the alternatives available to them elsewhere.

A recent study by Cho et al. (2006) investigated the relationship between the use of human management practices and organizational performance. It found that companies providing incentive plans to employees are more likely to experience lower turnover rates among non-managerial employees. The authors theorize that a firm would further reduce its turnover rate if it applies reward systems in the form of incentive plans to more employees across the organization.

Several other research studies have indicated that compensation in the form of base or variable pay may not be sufficient to attract or retain employees. Milman (2003) and Milman and Ricci (2004) concluded that the most significant retention predictors included intrinsic fulfillment and working conditions rather than monetary rewards. Similarly, the study by Walsh and Taylor (2007) revealed that although compensation

and work-life balance are important, it is the absence of opportunity for professional growth and development that affects management retention and turnover (Walsh and Taylor, 2007).

Examples of firm efforts to motivate employee behavior include the use of performance appraisals. According to Shaw et al. (1998), these appraisals are ways for organizations to keep track of the value provided by each employee. Delery and Doty (1996) found that results-oriented performance appraisals were strongly related to return on equity and other financial measures of performance.

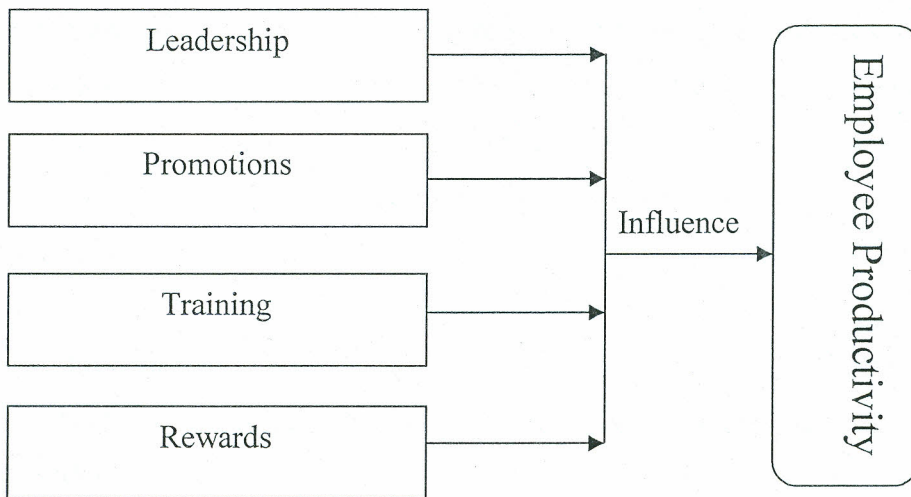
Huselid (1995) reports that linking performance appraisals with incentive compensation are intended to align the interests of employees with those of shareholders (e.g. profit sharing plans). These linkages can create incentives which will align workers more closely with the long-interests of the firm resulting in better communication and increased tenure (Becker and Huselid, 1999; Delery and Doty, 1996; US Department of Labor, 1993), selective recruitment and training procedures, working environment, labor-management participation programs, and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit have all been linked with valued firm-level outcomes (Huselid, 1995; US Department of Labor, 1993).

Though the stream of research on employee turnover has been voluminous, many of the studies in the organizational sciences have focused on individual-level predictors of turnover with less attention given to the effects of human resource management practices on employee turnover and retention at the organization-level (Shaw et al., 1998). Furthermore, the earlier research into human resource management practices utilized sample units consisting of businesses from a wide range of industries (Becker and Huselid, 1999; Chew et al., 2005; Guthrie, 2001; Huselid, 1995; Ichniowski, 1990; Kallenberg and Moody, 1994; Pfeffer, 1994; US Department of Labor, 1993; Walsh and Taylor, 2007). Few studies, however, have examined the impact of human resource management practices on employee turnover and retention specific to the banking industry.

## 2.4 Conceptualization

The following is a conceptual model that is used in this study to investigate the employee retention practices of commercial banks and their impact on employee productivity.

### 2.4.1 Conceptual Framework



Source: Author (2010)

#### 2.4.1 Leadership

Recent studies have shown that managers, whether front-line supervisors, project leaders, team captains or senior management, actually have more power than anyone else to reduce unwanted employee turnover because the most important factors driving employee satisfaction and commitment are largely within the direct manager's control. These include providing recognition and feedback regularly, offering opportunities to learn and grow, helping to ensure fair compensation reflecting an employee's contributions and value to the organization, fostering a good work environment, and above all, recognizing and respecting the uniqueness of each employee's competencies, needs, desires and working style.

#### 2.4.2 Promotions

Numerous studies have examined the impact of hiring and promotion practices on retention and performance. It has been noted that that firms wishing to succeed in today's

global environment must make adequate HR investments and build employees who possess better skills and capabilities than their competitors.

Accordingly, selective hiring procedures are necessary to ensure effective retention of the most qualified employees while lowering employee turnover in the long term. However, research has also found that once employees are on-board and seek upward mobility, promotions can actually increase turnover rates of non-managerial employees if not practiced appropriately. Thus employer policies and practices regarding employee promotions and work designs are among the top reasons why people join, stay or leave an organization.

### **2.4.3 Training**

In organizations where employees receive the proper training needed to assume greater responsibilities, turnover rates are generally lower. Several studies show that training activities are correlated with productivity and retention. Organizations with substantial training opportunities should experience lower turnover rates.

### **2.4.4 Rewards**

A major and perhaps the most notable among organizational retention initiatives is compensation and benefits. Several research studies found that highly competitive wage systems promote employee commitment and thus results in the attraction and retention of a superior workforce. Employees will remain with an organization as long as it serves their self-interest to do so better than the alternatives available to them elsewhere.

## **2.5 Research gaps**

As regards retention and talent management, most studies have focused on other economies other than Kenya. Most of the studies done in Kenya have focused on employee turnover and not on employee retention. This constitutes a gap in literature that the present study seeks to bridge.

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter presents the research methodology. First, a presentation of the research design is provided. This is followed by an explanation on the target population, description of research instruments, description of sample and sampling procedures, description of data collection procedures and a description of data analysis procedures.

### 3.2 Research design

The present study used a cross-sectional survey design. The cross-sectional design is the most commonly used form of survey design. These surveys ask a group of respondents a set of questions at one point in time. As the name suggests, cross-sectional surveys cross-analyze factors within the data. It involves observation of all of a population or a representative subset at a defined time and it aims at providing data on the entire population under study with a specific characteristic with a sample often a minority of the rest of the population. It takes a slice of its target population and bases its overall finding on the views and behaviors of the targeted, assuming them to be typically of the whole group. Popular examples include comparing results among those of different ages, gender, or ethnicity.

It is important to administer cross-sectional surveys for a limited amount of time, as external changes (social, political, cultural) may affect the attitudes of respondents as time progresses. Since, these surveys attempt to capture the attitudes of a sample in a specific timeframe, this shorter timeline is vital in gleaning relevant results.

The fundamental difference between cross-sectional and longitudinal studies is that cross-sectional studies take place at a single point in time and that a longitudinal study involves a series of measurements taken over a period of time. Both are a type of observational study. Cross-sectional studies are used in most branches of science, in the social sciences and in other fields as well. Cross-sectional research takes a 'slice' of its target group and

bases its overall finding on the views or behaviours of those targeted, assuming them to be typical of the whole group.

### **3.3 Study population**

The population of this study was all the commercial banks which have been operating in Kenya for at least five years. According to the Central Bank Supervision Report (2008) there were 43 commercial banks operating in Kenya at the end of the year. This study was a census of all the 43 commercial banks that have been operating in Kenya.

Given that the study sought to get an idea of the whole commercial banking sector, it would not be tenable to sample out the banks as the banks are not so many. Thus, all the 43 commercial banks were used for the study.

### **3.4 Data collection procedures and instruments**

Data was collected using primary sources. These were collected using questionnaires structured based on the objectives of the study. The research instruments were self-administered. The respondents were the Human Resource Managers or Directors from the various commercial banks in Kenya. A three week period was given for the respondents to fill in the questionnaires after which they were collected for analysis. The instruments were then tested for reliability using Cronbach reliability analysis which helped to determine how variables relate and correlate among themselves. The Cronbach's alpha was found to be 0.72.

### **3.5 Data analysis and reporting**

After collection of data and testing for reliability, the questionnaires were coded and analyzed with the aid of Statistical Packages for Social Sciences (SPSS). Then, the study used descriptive statistics to establish the extent to which each of the practices was applied in the banking industry. The descriptive statistics here were the percentages and mean scores. Then, the Pearson's correlation and hierarchical regression analysis which analyses the degree of relationship between two variables were used to test the impact of employee retention strategies on employee productivity.

### **3.6 Ethical consideration.**

Respondents were assured of confidentiality of information disclosed to ensure that the banks information does not leak.

# CHAPTER FOUR

## DATA ANALYSIS AND RESULTS

### 4.1 Introduction

This chapter analyses the findings, interprets and presents data in line with the objectives of the study the data obtained is presented in tabular form, percentages and in descriptive statistics such as pie charts and bar graphs. The chapter is further sub divided into several sections that are pertinent to the subjects under study. It contains quantitative and qualitative analysis. The study sought to investigate the influence of employee retention strategies on productivity. It specifically sought to assess the extent to which leadership style, promotions, training, and rewards are used and how they impact on employee productivity. Out of the 43 questionnaires that were administered 32 were collected and used for analysis. This represents a response rate of 74.4%.

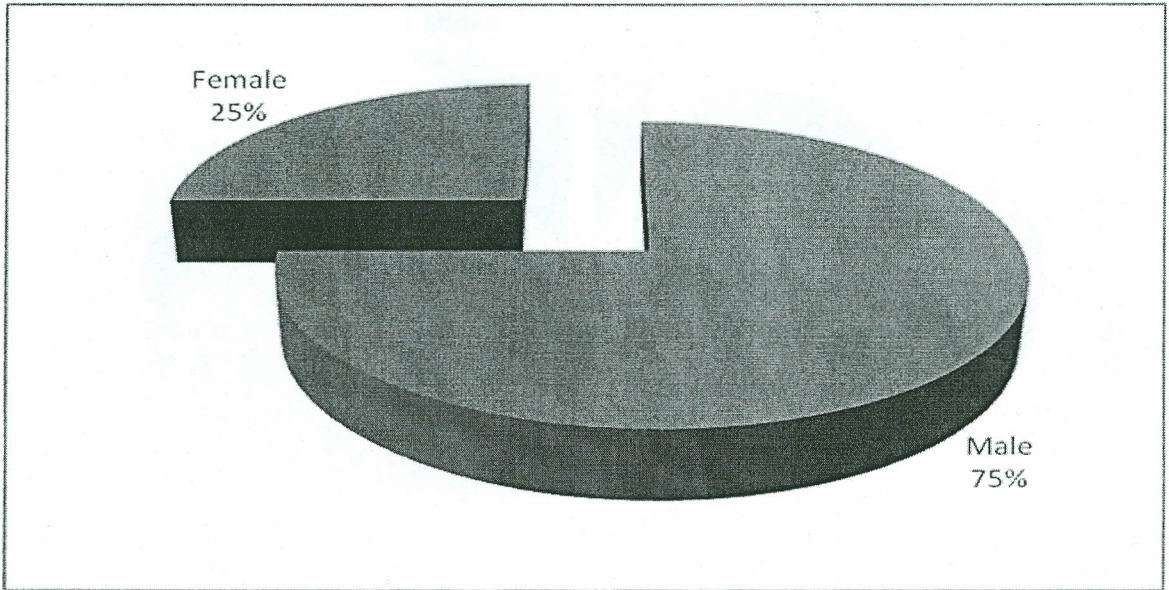
### 4.2 Sample Characteristics

In terms of the respondents' gender, the study found that 75% were male and 25% were female. These results are summarized and presented in Table 1 and Figure 1.

**Table 1: Gender**

	<b>Frequency</b>	<b>Percentage</b>
Male	24	75
Female	8	25
<b>Total</b>	<b>32</b>	<b>100</b>

**Figure 1: Gender**

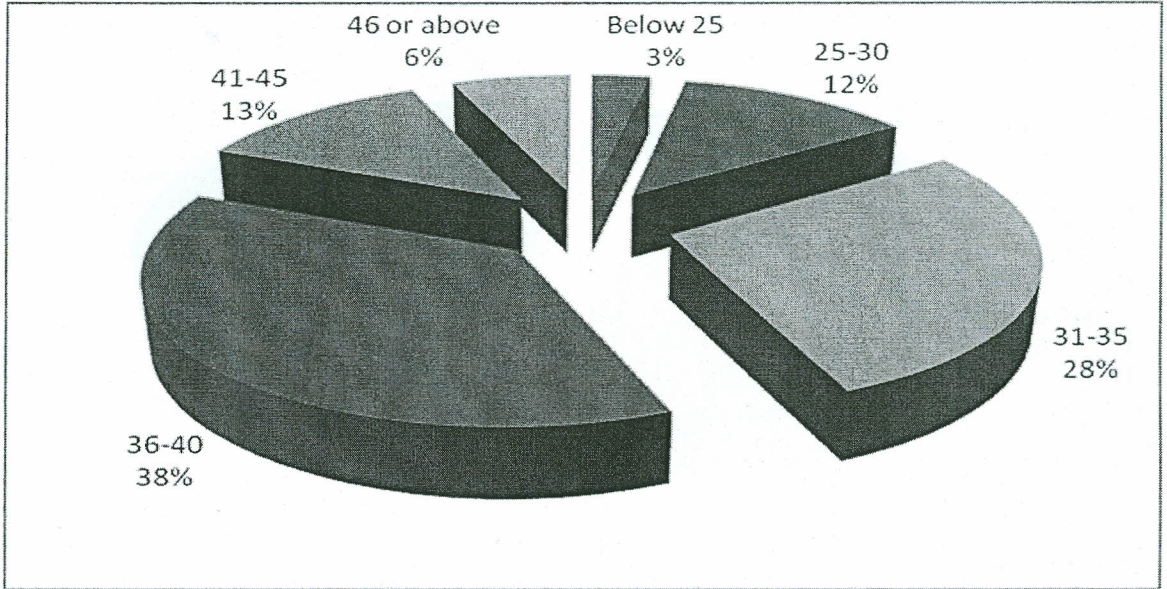


The study revealed that 3% of the respondents were aged below 25 years, 13% were aged 25-30, 28% were aged 31-35, 37% were aged 36-40, 13% were aged 41-45, while 6% were aged 46 years or above. The results are summarized and presented in Table 2 and Figure 2.

**Table 2: Age of respondents**

	<b>Frequency</b>	<b>Percentage</b>
Below 25	1	3
25-30	4	13
31-35	9	28
36-40	12	37
41-45	4	13
46 or above	2	6
<b>Total</b>	<b>32</b>	<b>100</b>

**Figure 2: Age**

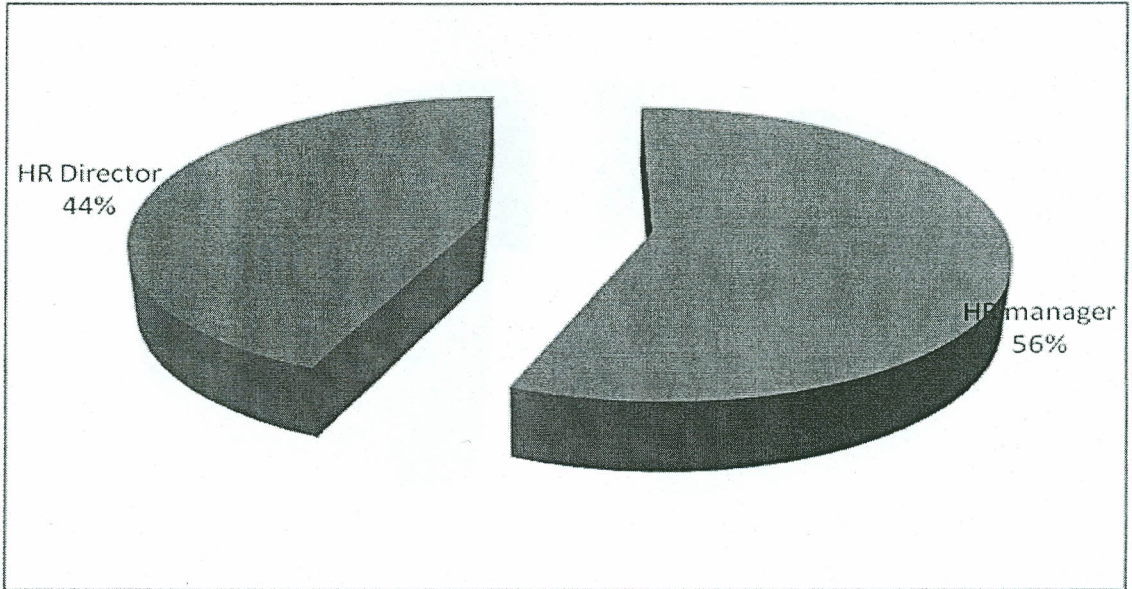


The study found that 56% of the respondents were the human resource managers while 44% were human resource directors. These results are presented in Table 3 and Figure 3.

**Table 3: Designation**

Designation	Frequency	Percentage
HR manager	18	56
HR Director	14	44
<b>Total</b>	<b>32</b>	<b>100</b>

**Figure 3: Designations**

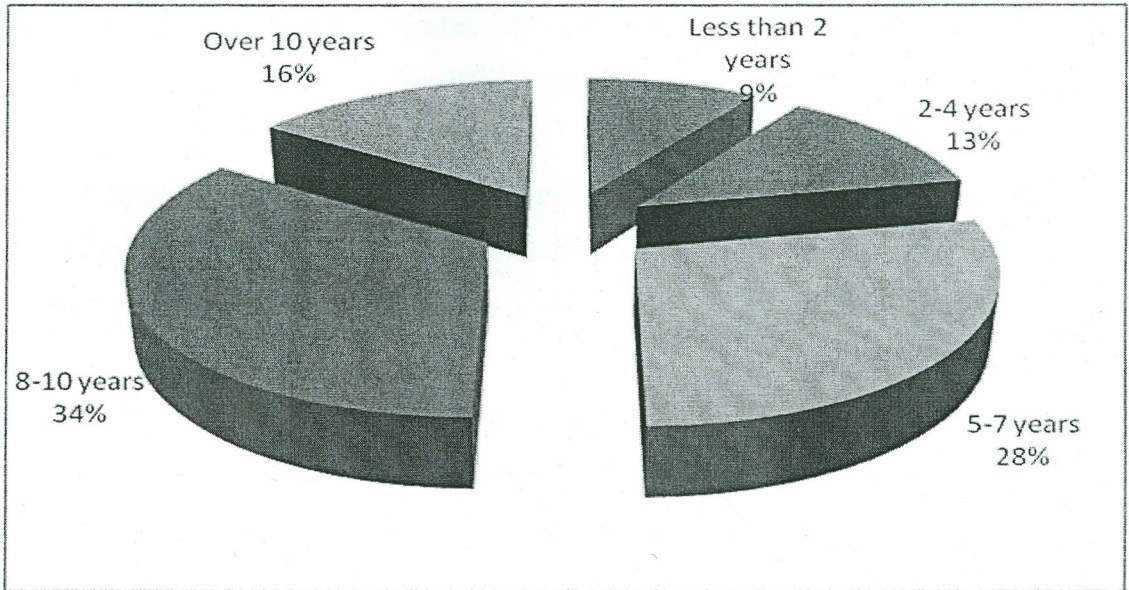


The results shown in Table 4 revealed that 9% of the respondents had been working in the organisations for less than two years, 13% for 2-4 years, 28% for 5-7 years, 34% for 8-10 years and 17% for over 10 years. These results are also shown in Figure 4.

**Table 4: Duration**

<b>Duration</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 2 years	3	9
2-4 years	4	13
5-7 years	9	28
8-10 years	11	34
Over 10 years	5	17
<b>Total</b>	<b>32</b>	<b>100</b>

Figure 4: Duration



### 4.3 Leadership and Employee Productivity

This section presents the results regarding leadership as a strategy for retaining employees. The responses ranged from strongly disagree (SD), moderately disagree (MD), neutral (N), moderately agree (MA) and strongly agree (SA). As shown in Table 5, the study revealed that on the existence of clear sense of direction in the banks, 22% disagreed, 28% were neutral while 50% agreed. This shows that most of the banks had clear sense of direction provided by the leadership.

On whether the management provided enough resources to employees, it was noted that 57% disagreed, 13% were neutral and 32% agreed. This shows that most of the bank managers did not provide enough resources for employees.

The study also revealed that most of the banks did not provide employee professional needs. As shown in Table 5, 78% disagreed, 9% were neutral while only 12% agreed that they did provide employee professional needs.

The study found that most of the banks did not hold regular meetings with the employees and provide feedback to the same. This evidence is provided in Table 5 as only 9% agreed, 25% were neutral while 65% disagreed.

The study revealed that on whether the leadership in the banks had influenced employee retention, 37% disagreed, 22% were neutral while 41% agreed. Thus, leadership had influenced employee retention in 41% of the banks.

The results in Table 5 also reveal that leadership as an employee retention strategy had influenced productivity in 28% of the banks. The study revealed that 38% of the respondents were neutral on this while 35% disagreed.

It was noted from the results in Table 5 that leadership had not improved employee productivity in 53% of the banks. Further, 25% were neutral while only 22% agreed that leadership as an employee retention strategy had improved employee productivity.

**Table 5: Leadership**

	SD	MD	N	A	SA
Existence of clear sense of direction	6	16	28	22	28
The management provides enough resources to employees	13	44	13	19	13
The company provides employee professional needs	31	47	9	6	6
Company management holds regular meetings with employees and provide feedbacks to employees	31	34	25	6	3
That leadership in the organization has influenced employee retention	6	31	22	22	19
Employee productivity has been influenced by leadership as a retention strategy	16	19	38	22	6
Leadership as a retention strategy improved employee productivity	25	28	25	9	13

The regression analysis showed that there was a very low positive relationship between leadership and employee productivity. As shown in Table 6, the Pearson product moment of correlation, R, was 0.037. From the R square of 0.001, it can be noted that leadership as a retention strategy only influenced 0.1% of the variance in employee productivity.

**Table 6: Influence of leadership on employee productivity**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.037	.001	-.032	.59624

#### **4.4 Promotions and Employee Productivity**

This section presents the results regarding promotions as a strategy for retaining employees. The responses ranged from strongly disagree (SD), moderately disagree (MD), neutral (N), moderately agree (MA) and strongly agree (SA). The respondents were asked to state the extent to which they agreed or disagreed with various statements as shown in Table 7.

The results show that in terms of whether the banks performed employee screening during hiring, 37% disagreed, 19% were neutral while 44% agreed. The results show that most of the banks performed employee screening during hiring but there were also a significant number of banks that did not perform screening during hiring.

The results in the table show that promotions in most of the banks had not influenced employee retention. As shown, 53% disagreed, 22% were neutral while 25% agreed that promotions had influenced employee retention in the banks.

The study revealed that 44% of the respondents disagreed that employee productivity has been influenced by promotions as a retention strategy. Further, 38% were neutral while 19% agreed. This shows that promotions did not influence employee productivity in most of the banks surveyed.

The study found that majority of banks had improved employee productivity as a result of promotion strategies they employed. As shown in Table 7, promotion as a retention strategy had improved productivity in 57% of the banks. A further 16% were neutral while 29% disagreed that employee productivity had improved due to the promotions.

**Table 7: Promotion**

Statement	SD	MD	N	A	SA
The company performs employee screening during hiring	9	28	19	25	19
Promotions in the organization have influenced employee retention	9	44	22	16	9
Employee productivity has been influenced by promotion as a retention strategy	13	31	38	13	6
Promotions as a retention strategy improved employee productivity	13	16	16	38	19

The study also found that in terms of the frequency of promotions of non-managerial employees in the banks, it was most frequent in 16% of the banks, more frequent in 34% of the banks, less frequent in 28% of the banks and least frequent in 13% of the banks. These results are shown in Table 8.

**Table 8: Frequency of promotions**

	Frequency	Percentage
Most frequently	5	16
More frequently	11	34
No comment	3	9
Less frequently	9	28
Least frequently	4	13
<b>Total</b>	<b>32</b>	<b>100</b>

The regression results shown in Table 9 reveal that there was a low positive relationship between promotion and employee productivity. As shown, R was 0.295 and the R square was 0.087. The R square shows that promotions influenced 8.7% of the variance in employee productivity. The adjusted R square of 0.056 shows that promotions influence 5.6% of the variance in employee productivity after adjusting for errors. The standard error of estimate was 0.57 which can be considered very low.

**Table 9: Influence of promotions on employee productivity**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.295	.087	.056	.57018

#### 4.5 Training and Employee Productivity

This section presents the results regarding training as a strategy for retaining employees. The responses ranged from strongly disagree (SD), moderately disagree (MD), neutral (N), moderately agree (MA) and strongly agree (SA). The results of the analysis are shown in Table 10.

The results show that most of the banks trained their non-managerial employees regularly. As shown in the table, 81% of the respondents agreed, 16% were neutral while only 3% disagreed.

The study found that most of the banks surveyed provide employees with educational support programs. As outlined in Table 10, 69% of the banks provide such programs, 12% do not while 19% were neutral.

The study revealed that 44% of the respondents were not satisfied with the level of training, 36% were neutral while 19% were satisfied. These results show that most of the employees were satisfied with training offered by the banks.

The study found that training had influenced employee retention in 79% of the banks while 22% were neutral. Thus, it can be noted that training as a retention strategy had influenced employee retention in majority of the banks.

The study also revealed that employee productivity had improved due to training in 94% of the banks. Further, 3% were neutral while another 3% disagreed that training had improved employee productivity.

**Table 10: Training**

Statement	SD	MD	N	A	SA
The company trains its non-managerial employees regularly	0	3	16	31	50
The bank provides employee educational support programs	9	3	19	19	50
I am satisfied with the level of training in the organization	13	31	36	19	0
Training in the organization has influenced employee retention	0	0	22	41	38
Employee productivity has been influenced by training	3	9	9	28	50
Training has improved employee productivity	0	3	3	38	56

The regression results shown in Table 11 reveal that there was a low positive relationship between training and employee productivity. As shown, R was 0.435 and the R square was 0.189. The R square shows that training influenced 18.9% of the variance in employee productivity. The adjusted R square of 0.162 shows that training influence 16.2% of the variance in employee productivity after adjusting for errors. The standard error of estimate was 0.53 which can be considered very low.

**Table 11: Influence of training on employee productivity**

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.435	.189	.162	.53731

#### 4.6 Rewards and Employee Productivity

This section presents the results regarding rewards as a strategy for retaining employees. The responses ranged from strongly disagree (SD), moderately disagree (MD), neutral (N), moderately agree (MA) and strongly agree (SA). The results of the analysis are shown in Table 12.

The study found that 51% of the respondents agreed that the banks offer a competitive pay package for the employees, 22% were neutral and 28% disagreed.

The study found that 66% of the respondents agreed that the banks provide incentives to the employees, 19% were neutral while 16% disagreed.

The study revealed that 57% of the respondents agreed that they were satisfied with the rewards, 16% were neutral while 28% disagreed.

The study noted that 28% of the respondents agreed that rewards had influenced employee retention, 38% were neutral while 34% disagreed.

It was noted that 38% of the respondents agreed that employee productivity had been influenced by rewards, 16% were neutral while 47% disagreed.

The study revealed that 38% of the respondents agreed that rewards had improved employee productivity, 22% were neutral while 41% disagreed.

**Table 12: Rewards**

Statement	SD	MD	N	A	SA
The bank offers a competitive pay package to employees	9	19	22	38	13
The bank provides incentive plans to its employees	0	16	19	28	38
I am satisfied with the rewards in the bank	9	19	16	38	19
Rewards have influenced employee retention in the bank	6	28	38	25	3
Employee productivity has been influenced by rewards	13	34	16	16	22
Reward has improved employee productivity	22	19	22	19	19

The regression results shown in Table 13 reveal that there was a low positive relationship between rewards and employee productivity. As shown, R was 0.128 and the R square was 0.016. The R square shows that reward influenced 1.6% of the variance in employee productivity. The adjusted R square of -0.016 shows that reward influenced 1.6% of the variance in employee productivity after adjusting for errors. The standard error of estimate was 0.59 which can be considered very low.

**Table 13: Influence of rewards on employee productivity**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.128	.016	-.016	.59174

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

The purpose of the study was to investigate the employee retention strategies among commercial banks in Kenya and their influence on employee productivity. The study specifically sought to which leadership style, promotions, training, and rewards are used and how they impact on employee productivity. This chapter presents the summary of research findings, the conclusions made from the findings and the recommendations for policy and practice. The chapter also presents suggestions for further research.

#### 5.2 Summary of Findings

##### 5.2.1 Leadership Styles and Employee Productivity

The study revealed that on the existence of clear sense of direction in the banks, 22% disagreed and 50% agreed. It was revealed that 57% of the respondents cited that the management did not provide enough resources to employees while 32% cited that they did. The study also revealed that most of the banks did not provide employee professional needs (78%) while only 12% provided employee professional needs. The study found that most of the banks did not hold regular meetings with the employees and provide feedback to the same (65%). The study revealed that leadership had influenced employee retention in 41% of the banks. It was also noted that leadership as an employee retention strategy had influenced productivity in 28% of the banks and had not influenced productivity in 35% of the banks. It was noted from the results that leadership had not improved employee productivity in 53% of the banks while it has done so in only 22% of the banks. The regression analysis showed that there was a very low positive relationship between leadership and employee productivity ( $R= 0.037$ ).

##### 5.2.2 Promotions and Employee Productivity

The results showed that most of the banks (44%) performed employee screening during hiring but there were also a significant number of banks (37%) that did not perform screening during hiring. The results showed that promotions in most of the banks had not

influenced employee retention (53% disagreed) while it had been successful in 25% of the banks. The study revealed that 44% of the respondents disagreed that employee productivity has been influenced by promotions as a retention strategy and 19% agreed. The study found that majority of banks had improved employee productivity as a result of promotion strategies they employed (57%) but it had not been successful in 29% of the banks. The study also found that in terms of the frequency of promotions of non-managerial employees in the banks, it was most frequent in 16% of the banks, more frequent in 34% of the banks, less frequent in 28% of the banks and least frequent in 13% of the banks. The regression results showed that there was a low positive relationship between promotion and employee productivity ( $R=0.295$ ).

### **5.2.3 Training and Employee Productivity**

The results showed that most of the banks trained their non-managerial employees regularly (81%) while 3% did not do this regularly. The study found that most of the banks surveyed provide employees with educational support programs (69%) while 12% did not provide such programs. The study revealed that 44% of the respondents were not satisfied with the level of training while 19% were satisfied. The study found that training had influenced employee retention in 79% of the banks. The study also revealed that employee productivity had improved due to training in 94% of the banks but had not improved in 3% of the banks. The regression results showed that there was a low positive relationship between training and employee productivity ( $R=0.435$ ).

### **5.2.4 Rewards and Employee Productivity**

The study found that 51% of the respondents agreed that the banks offer a competitive pay package for the employees and 28% disagreed. The study found that 66% of the respondents agreed that the banks provided incentives to the employees while 16% disagreed. The study revealed that 57% of the respondents agreed that they were satisfied with the rewards while 28% disagreed. The study noted that 28% of the respondents agreed that rewards had influenced employee retention while 34% disagreed. It was noted that 38% of the respondents agreed that employee productivity had been influenced by rewards while 47% disagreed. The study revealed that 38% of the respondents agreed that

rewards had improved employee productivity while 41% disagreed. The regression results showed that there was a low positive relationship between rewards and employee productivity ( $R=0.128$ ).

### **5.3 Conclusions**

#### **5.3.1 Influence of Leadership on Employee Productivity**

The study sought to assess the extent to which leadership style influenced employee retention in commercial banks and its influence on employee productivity. The results revealed that leadership had influenced employee retention in 41% of the banks. Thus, leadership has a significant influence on employee retention in commercial banks in Kenya. Further, it was noted that there was a low positive correlation between leadership and employee productivity. As such, the study concludes that leadership influences employee retention and positively influences employee productivity.

#### **5.3.2 Influence of Promotions on Employee Productivity**

The study sought to determine the extent to which promotions are used as employee retention strategies among commercial banks and their impact on employee productivity. From the study, it was noted that most of the banks used promotions as a retention strategy (53% of the banks). However, the regression analysis showed that its influence on employee productivity was low but positive. The study concludes that promotions positively influence employee productivity.

#### **5.3.3 Influence of Training on Employee Productivity**

The study sought to investigate the extent to which training influence employee retention in commercial banks and its effect on employee productivity. The study revealed that this strategy was used in 79% of the banks to retain employees successfully. The regression indicated that the influence of training on employee productivity was positive but low. But among all the variables used in this study, it had the highest influence in employee productivity. The study concludes that most of the commercial banks in Kenya use training to retain employees and that this has a positive outcome on employee productivity.

### **5.3.4 Influence of Rewards on Employee Productivity**

Lastly, the study sought to determine the extent to which rewards are used as employee retention strategies among commercial banks and their impact on employee productivity. From the analysis, it was revealed that 66% of the banks used this strategy to retain employees. This was, however, only successful in 28% of the banks. The regression revealed that the influence of rewards on employee productivity was low. The study concludes that rewards are used by most of the banks to retain employees and that the influence on employee productivity is positive though very low.

### **5.4 Recommendations**

The study recommends that there is need for more banks to enhance their retention strategies in various aspects. Given the high turnover rates in the industry, the banks need to have a competitive edge over the others based on how well they retain their talented staff. Thus, there is need for the following:

1. The managers to go for more training so as to enhance their leadership skills in a way that can help them have a positive influence on employee productivity.
2. Promotions for non-managerial staff need to be done consistently and based on some pre-determined procedures so as to train more leaders and also to enhance their productivity.
3. More trainings need to be carried out more frequently for both senior and junior staff in order to increase their knowledge wealth and also to provide avenues for employee growth and development. This can therefore enhance employee innovation and therefore improve the employee productivity.
4. Rewards for employees need to be more competitive so as to reduce employee turnover. As such, more benefits need to be geared towards improving employee welfare so as to help the employees enhance their work performance.

### **5.5 Suggestions for further research**

There is need to undertake more research in this area especially to establish the most important factors that can influence retention in organisations especially with an industry focus. This is because the present study only focused on the retention strategies adopted

by various commercial banks and their relationship with productivity. Thus, it would be prudent to focus more on what factors actually influence the choice of retention strategy adopted. This will enhance the knowledge on the confounding factors on retention strategies.

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# APPENDICES

## Appendix 1: Questionnaire

### Section 1: General information

1. What is your gender?  
Male           ( )  
Female         ( )
2. What age category do you belong in?  
Below 25 years     ( )  
26-30 years        ( )  
31-35 years         ( )  
36-40 years         ( )  
41-45 years         ( )  
46 or above         ( )
3. What is your designation?  
Human resource manager ( )  
Director            ( )
4. How long have you been working in the company?  
Less than 2 years   ( )  
2-4 years            ( )  
5-7 years            ( )  
8-10 years           ( )  
Over 10 years        ( )

### Section 2: Leadership

5. Do you agree that there is a clear sense of direction in the organization?  
Strongly agree       ( )  
Moderately agree    ( )  
Neutral               ( )  
Moderately disagree ( )  
Strongly disagree    ( )

6. To what extent do you believe that the management provides enough resources to employees in the organization?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

7. To what extent does the company provide employee professional needs?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

8. Do you agree that the company management holds regular meetings with employees and provide feedbacks to employees?

Strongly agree ( )

Moderately agree ( )

Neutral ( )

Moderately disagree ( )

Strongly disagree ( )

9. To what extent do you agree that leadership in the organization has influenced employee retention?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

10. To what extent do you think that employee productivity has been influenced by leadership as a retention strategy?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

11. To what extent has leadership as a retention strategy improved employee productivity?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

### Section 3: Promotions

12. To what extent do you agree that the company performs employee screening during hiring?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

13. How frequent does the company promotes non-managerial employees in the organization?

Most frequently ( )

More frequently ( )

No comment ( )

Less frequently ( )

Least frequently ( )

14. To what extent do you agree that promotions in the organization have influenced employee retention?

Very large extent ( )

- Moderately large extent ( )
- Am neutral ( )
- Moderately low extent ( )
- Very low extent ( )

15. To what extent do you think that employee productivity has been influenced by promotion as a retention strategy?

- Very large extent ( )
- Moderately large extent ( )
- Am neutral ( )
- Moderately low extent ( )
- Very low extent ( )

16. To what extent have promotions as a retention strategy improved employee productivity?

- Very large extent ( )
- Moderately large extent ( )
- Am neutral ( )
- Moderately low extent ( )
- Very low extent ( )

**Section 4: Training**

17. Do you agree that the company trains its non-managerial employees regularly?

- Strongly agree ( )
- Moderately agree ( )
- Neutral ( )
- Moderately disagree ( )
- Strongly disagree ( )

18. To what extent does the company provide educational support programs to its employees?

- Very large extent ( )
- Moderately large extent ( )
- Am neutral ( )

Moderately low extent ( )

Very low extent ( )

19. To what extent are you satisfied with the level of training in the organization?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

20. To what extent do you agree that training in the organization have influenced employee retention?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

21. To what extent do you think that employee productivity has been influenced by training as a retention strategy?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

22. To what extent has training as a retention strategy improved employee productivity?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

## Section 5: Rewards

23. Do you agree that the company offers a competitive pay package to employees?

Strongly agree ( )

Moderately agree ( )

Neutral ( )

Moderately disagree ( )

Strongly disagree ( )

24. To what extent does the company provide incentive plans to its employees?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

25. . To what extent are you satisfied with the rewards in the organization?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

26. To what extent do you agree that rewards in the organization have influenced employee retention?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

27. To what extent do you think that employee productivity has been influenced by rewards as a retention strategy?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

28. To what extent has reward as a retention strategy improved employee productivity?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

**Thanks for your participation**