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DECLARATION

**EFFECTS OF HUMAN RESOURCE MANAGEMENT
PRACTICES ON EMPLOYEE RETENTION IN ADVERTISING
AGENCIES IN KENYA**

BY

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF
HUMANITIES AND SOCIAL SCIENCES IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER
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DECLARATION

Declaration by the candidate

This research project is my origin work and to the best of my knowledge has not been presented to any other university.

Signed:  Date: 5/12/2013

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Declaration by the supervisors

This research project has been submitted for examination with my approval as the University Supervisor.

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ABSTRACT

Retention is a critical element of an organization's general approach to talent management. Both researchers and human resource (HR) practitioners agree that the employment relationship is undergoing fundamental changes that have implications for the attraction, motivation and retention of talented employees. Organizations engage in competition for talent due to the realization that these talents are critical to their success. This suggests that organizations now recognize that the right employees are a source of competitive advantage. The main objective of this research was to establish effect of human resource management practices on employee retention in advertising agencies in Kenya; to establish the effect of compensation system on retention of employees in advertising agencies; to determine the effect of performance appraisal on retention of employees in advertising agencies; and to analyse the effect of recruitment procedures and employee retention in advertising agencies. The research adopted a descriptive survey approach. The study collected both primary and secondary data. Primary data was collected from the employees of the four advertising agencies in Kenya. These agencies are Scan Group, Ogilvy and Mather, Access Leo Burnett, Young and Rubicam Brands. The population included 200 employees. Stratified simple random sampling technique was used to select the sample. The sample size comprised of 65 respondents which constitutes 32.5% of the target population. An inferential analysis technique was applied in analyzing questions in the questionnaires that apply rating scales. Qualitative analysis was used on data collected during the interviews as well as the open ended questions included in the questionnaire. These data in turn was presented using pie charts and bar graphs.

ABBREVIATIONS AND ACRONYMS

- A. - Appendix
- HR - Human Resource
- HRM - Human Resource Management

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OPERATIONAL DEFINITION OF TERMS

Retention- The ability of an organization to retain its employees

Compensation-Total of all rewards provided to employees in return for their services.

Performance Reflection- How employees' collective knowledge, skills and abilities impact an organization

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Retention is a critical element of an organization's general approach to talent management. Both researchers and human resource (HR) practitioners agree that the employment relationship is undergoing fundamental changes that have implications for the attraction, motivation and retention of talented employees (Horwitz, Heng, & Quazi, 2003; Roehling, Cavanaugh, Moyhihan & Boswell, 2000; Turnley & Feldman, 2000). Earle (2003) states that organizations engage in competition for talent due to the realization that these talent are critical to their success. This suggests that organizations now recognize that the right employees are a source of competitive advantage. Further, research by Kippenberger, (2002) reveals how much companies struggle to exploit their physical assets to leverage their finances, without the right employees, they will struggle to compete successfully. The magnitude of this scenario is further brought out by Earle (2003) who points out that with the world becoming a global village, such companies, not only compete for talent nationally, but also internationally.

On the other hand, Cappelli (2001) points out that employees have now become difficult to retain due to their tendency to attach more importance to marking out their own career path than to organizational loyalty; a tendency which results in increased rates of voluntary turnover. This implies that, organizations should engage in human resource practices that promote retention of talent within the organization. Further, research by Earl (2003) reveals that workers today are demanding more from their companies than they did in the past, not just in terms of salaries and benefits but also

in terms of the work experience itself and the cultural context in which it occurs. The implication is that other factors in addition to traditional compensation need to be put in place to ensure the right employees are retained.

Therefore, a cross section of scholars, (Cho, Woods, Jang & Erdem 2006; Hinkin & Tracey, 2000) have advocated that employers who outperform the competition, are those who understand the value of human capital and adopt organizational policies and management practices in pursuit of employee retention.

In light of this growing competition for top talent, Ferguson & Brohaugh (2009) hold that it is paramount that organizations adopt those practices that attract the right employees to stay on. In addition, Rowley & Purcell (2001) argue that because of the competition for talent, employers tend to replace seasoned employees with inexperienced personnel. This move disrupts the remaining employees' work schedules as they pick up the slack for employees in training. In addition, the failure to retain employees curtails company expansion possibilities as it eats away at profits (Scarini & Heck, 1998) and hinders the ability to remain competitive (Rappaport, Bancroft & Okum, 2003).

1.1.1 Human Resource Management Practices

Over the years, academic literature has argued that the human resources (HR) practices of the firm are potentially the sole source of sustainable competitive advantage for organizations (Kochan and Dyer, 1993; Pfeffer, 1994). As such, extensive empirical studies have been conducted on the linking of HR practices and employee turnover (Shaw et al., 1998; Delery et al., 2000). Huselid (1995) reveals that there are many human resource practices (HRM) employed by organizations globally in an attempt to retain valuable employees. Many scholars (Arthur, 1994; Baron & Kreps, 1999; Huselid, 1995; MacDuffie, 1995) have identified a number of

HRM-related practices that greatly affect performance. These scholars have found that bundles of practices working together have more impact on performance than individual practices working in isolation. Similarly, other researchers (Becker & Huselid, 1998; Boselie, Dietz & Boon, 2005; Wall & Wood, 2005; Katou & Budhwar, 2007) have adopted a systems view where either bundles of HRM practices or the whole system of HRM practices have been hypothesized to impact organizational performance. Studies by these scholars have typically shown a positive relationship between high involvement HRM practices and organizational performance outcomes, including retention. However, research (Becker & Gerhart, 1996; Guest, 1997) shows that there is no undisputed list/bundle of high involvement/performance/commitment HRM practices. This implies that different scholars have put across a different combination of human resource practices which they believe affect retention. For example, Becker & Huselid, (1998) claimed that rigorous recruitment and selection processes, performance-contingent compensation systems, extensive development and training activities and commitment to employee involvement are generally considered parts of high performance work systems

Other scholars list practices such as a good fit between the individual employees' values and the organizations "values in the recruitment and selection phase (Van Vianen, 2000), providing equitable compensation that reflects performance (Boyd & Salamin 2001; Parker & Wright 2000), recognizing efforts and contributions made by individuals (Davis, 2001) and providing opportunities for training and career development (Wetland, 2003) as contributing towards employee retention.

In addition, studies (Kupperschmidt, 2000; Swoboda, 1999) identify compensation and benefits; promotions; opportunities to learn; special assignments and status

incentives, such as a cell phone or a car; increased flexibility in work-at-home options; control over their schedules; and additional opportunities to develop skills and knowledge during work time, as some of the human resource practices organizations adopt in order to retain their employees.

Further, Tessema & Soeters (2006) discussed eight human resource management (HRM) practices including recruitment and selection practices, placement practices, training practices, compensation practices, employee performance evaluation practices, promotion practices, grievance procedure and pension or social security.

Studies (Barber & Bretz, 2000; Gerhart & Milkovich, 1990; Kahn & Sherer, 1990) reveal that there is a strong connection between employee compensation and retention. However, very little research has focused on the components of compensation that contribute towards employee retention. This research will therefore seek to identify those employee perceptions and the compensation components which they consider to have an impact on their decision to stay on with their employers. However, this perspective is disputed by research (Cappelli, 2001), which contends that due to the trend towards benchmarking, it is becoming increasingly difficult for employers to set themselves apart from their competitors by means of compensation, which reduces the impact of financial rewards on employee retention.

Secondly, the important role of performance appraisal in organizations has been recognized by many scholars (Borman, 1979; Judge & Ferris, 1993; Landy & Farr, 1980). According to them, this role includes providing the basis for selection decisions, determining salary increases, and providing a vehicle for feedback between supervisors and employees. This implies that if performance appraisal is not done properly, employees may risk career stagnation, thus the likelihood of them wanting

to move. As such employees will tend to prefer an appraisal system such as management by objectives (MBO), as they deem this to be fair and balanced. Similarly, other researchers (Gardner, 2008; Heathfield, 2007; Moats-Kennedy, 1999; Merritt, 2007) argue that low quality performance appraisal is still a challenge for most organizations and therefore, the consequences of this are of interest to employers, as they seek to maintain organizational performance. This study will therefore seek to explore the link between performance appraisal and retention of employees in advertising agencies.

Thirdly, with regards to recruitment and selection process, a proponent of the human capital theory (Becker, 1964) emphasizes the potential relationship between the quality and skills of the workforce and organizational performance. However, more recent contributions (Lepak & Snell, 2002; Tsui, Pearce, Porter & Tripoli, 1997) recognize the importance of differentiated human capital and specifically a differentiated human capital architecture that emphasizes the varying contributions that specific worker groups can make to organizational performance.

Additionally, Waller (2004) posits that the most critical resource in advertising agencies is the human capital resource. This refers to the intangible resource that is the talents of individual staff members, their marketing skills, their local market knowledge, and their interpersonal relationships in the industry. Other scholars (Sanford & Maddox, 1999) also note that good working relationships not only ensure a job well done in a mutually agreeable manner, but also allow agencies to win new accounts through positive word-of-mouth referrals by satisfied clients. This means that organization need to carefully plan the recruitment and selection process to ensure the right calibre of employees come on board who will give the organization a competitive advantage.

1.1.2 Employee Retention

Retention management refers to the portfolio of human resource practices that organizations develop to reduce voluntary turnover rates (Capelli, 2001; Mitchell, Holtom & Lee 2001; Steel Griffeth & Hom, 2002). Another scholar, Johnson, (2000) defines retention management as the ability to hold onto those employees you want to keep for longer than your competitors. Both definitions are reflective of research (Hartjes, Canchola, Mortough, 2002) which revealed that a 33 per cent rise in the demand for talented employees is expected over the next 15 years with a corresponding 15 per cent drop in supply. These suggest competition by organizations to retain good employees.

Further, researchers (Gabriel, 1999; Robison, Kraatz and Rousseau, 1994) contend that there is a shift in the psychological contract between organizations and their employees. They postulate that employees no longer generally believe that they can depend on an organization for job security. Employees now feel less loyalty to their organizations and therefore are more willing to leave for another organization. Another scholar (Tornow, 1998) asserts that what has been described in the western world as "the war for talent" (Chambers, Foulon, Handfield-Jones, Hankin and Micheals 1998), has brought retention to the fore front as an increasingly critical human resource issue.

Specifically in the advertising industry, some scholars (Moorman et al., 1993; Waller, 2004) reveal that every advertising agency faces the continuing challenge of how to retain loyal employees. This is important, because as Stefanou (1992) asserts, stability in staffing builds agency longevity which in turn promotes brand name recognition and a strong reputation for the agency, within the advertising industry. This implies

that employees have now become a source of competitive advantage for advertising agencies.

To this end, Earle (2003) identified the work environment as a key organizational behavior that influences retention. He further observed that many companies are finding that providing a productive, flexible and dynamic work environment can be a critical asset in retaining valuable employees. Additionally, he argues that organizations that understand how to use the physical work environment to achieve corporate objectives as well as provide employees with what they are looking for are actually thriving now more than ever before.

A more comprehensive perspective is presented by Glen (2006) who contends that many large organizations believe that an increase in compensation will mitigate threats to employee retention and motivation. However, he disputes this assumption, and argues that taking a holistic view of the business and its impact on employee engagement is very often the most appropriate way to manage the key elements which need to be actively managed by organizations. In addition, he developed a holistic matrix of nine employee engagement predictors which if managed in the right combinations, provide a powerful framework for managing employee motivation, team engagement, and key skills retention across most organizations. These predictors include; having the right processes in place to support the organization, having roles that are challenging and motivating, having values that are clear and clearly subscribed to by management, having a full life but not excessive work load, line managers and leadership team providing the organization with appropriate level of information, have significant long term stakes and rewards/recognition and career leverage are competitive, performance objectives are clear; performance is regularly

reviewed and fairly managed for ongoing improvement, the work environment is supportive and empowering, Services and solutions continue to excite and challenge.

1.1.3 Kenya Advertising Industry

The advertising industry is a knowledge intensive industry which according to Alvesson (2000), refers to organisations where most work can be said to be of an intellectual nature and well qualified employees form the major part of the workforce.

The advertising industry in Kenya is regulated by the Advertising Practitioners Association (APA), and the Monopolies and Prices Commission of Kenya. According to research by IpsosSynovate (2012), advertising agencies in Kenya by market share are SCAN Group (70%), Ogilvy and Mather (10%), Young and Rubicam Group (9%), Access Leo Burnnet (3%). The remaining 8% is split among the smaller advertising agencies. The researcher recognizes that Scan Group in Kenya is comprised of six advertising agencies i.e Scanad Kenya, JWT Kenya, McCann Erikson, Grey East Africa, Redsky and Ogilvy Africa.

The significant role of advertising agencies and the industry as a whole is captured aptly by Malmelin (2010) who reveals that opinion leaders in advertising feel they also have a responsibility for the development of the common economy. He further states that, many advertising agency directors feel they are responsible for the development of the advertising industry and enhancement of its reputation, with a view to foster excellence and professionalism in the industry. Likewise, advertising executives feel they have a duty to raise the level of marketing know-how in their client companies.

In a key note speech at the Cannes Festival (2007) Former United States Vice President, Nobel Peace Laureate Al Gore noted that advertising professionals can take

a leading role in tackling global environmental problems, by harnessing their creative capabilities to communicate to audiences around the world about the environmental crisis. He further asserted that leaders in advertising agencies are also uniquely placed to raise awareness among business executives and to highlight the importance of environmental concerns and considerations to the future development of brand value.

1.2 Statement of the Problem

A review of past research indicates that though the stream of research on employee retention has been voluminous, many of the studies in the organizational sciences have focused on individual-level predictors of retention with less attention given to the effects of human resource management practices on employee retention at the organization-level (Shaw, Delery, Jenkins and Gupta, 1998). There is also a realization that little has been done on the area of employee retention as most studies focus on turnover (Lazear, 1999; Farber, 1994).

Further, despite the vast literature on employee turnover, which is aimed at identifying factors that cause employees to quit (Griffeth, Hom, & Gaertner, 2000), much less is known about the factors that compel employees to stay. This is important because the reasons people stay are not always the same reasons why people leave.

Though, HRM bundles of best practices have been very popular, and researchers have used different measures to assess these practices, there is no agreement amongst researchers concerning what these practices should be, or even on the number of practices that can enhance OP (Dyer and Reeves, 1995; Becker and Gerhart, 1996; Guest, 1997; Wright et al., 2003; Beltran-Martin et al., 2008). In addition, other scholars (Dyer and Reeves, 1995; Becker and Gerhart, 1996; Guest, 1997). argue that

even when researchers adopt the same practices, the underlying meaning of these practices cannot be generalized across organizations in different industries

This study therefore seeks to contribute to the field of research by analyzing and creating an understanding of the link between retention and those specific human resource management practices i.e. compensation, recruitment procedures, as well as performance appraisal, which are likely to have an effect on employee retention, in advertising agencies in Kenya.

1.3 Research Questions

1. What is the relationship between recruitment procedures and employee retention in advertising agencies in Kenya?
2. What is the effect of performance appraisal on retention of employees in advertising agencies in Kenya?
3. How does the compensation system affect retention of employees in advertising agencies in Kenya?

1.4 Research Objectives

1. To analyse the effect of recruitment procedures in employee retention in advertising agencies in Kenya
2. To examine the relationship between performance appraisal and retention of employees in advertising agencies in Kenya
3. To establish the effect of compensation system on retention of employees in advertising agencies in Kenya

1.5 Assumptions of the Study

The study was based on the following assumptions:

1. Employee recruitment procedures have a bearing on employee retention
2. Balanced Performance appraisal framework contributes significantly to employee retention
3. A good compensation system has a relationship with employee retention

1.6 Justification for the study

The study was meant to evaluate the relationship between human resource management practices and employee retention in the advertising industry in Kenya.

The study will also play an important role in enlightening employers who are struggling to retain employees, and shape their opinion on the role human resource management practices plays in ensuring they retain their best employees. As such, this study will help those employers to develop human resource practices that enhance employee retention.

The study will be useful to other researchers who may use this as a basis to conduct related research on the topic. Currently, most of the studies focus on the European, Asian and American markets. According to Wasti (1998) Human resource management practices developed in Western Anglophonic countries, notably North America, have been considered universally applicable and have been imported to developing countries with the notion that what worked well for the West will work for other parts of the world. However, knowledge gained in one socio-cultural context will not always work effectively in another context. Thus, it is necessary to study HRM practices in different socio-cultural contexts so as to better understand their effectiveness in those particular industries.

To the researchers' knowledge, no research has been conducted on the relationship between human resource management practices and retention, in the advertising industry globally and specifically in Kenya.

1.7 Scope of the study

The study population comprised of the advertising agencies in Kenya. The sample group was selected from the employees of the four advertising agencies all of which are based in Nairobi, Kenya. These advertising agencies include Scan Group (Scanad Kenya, JWT Kenya, McCann Erickson, Grey East Africa, Redsky, Ogilvy Africa), Ogilvy & Mather, Young & Rubicam Brands and Access Leo Burnett is based in Nairobi.

This study focused on the knowledge workers in these organizations, who include the creative (copy writers, art directors, designers, illustrators and animators) as well as the client servicing employees (account executives, account managers and account directors).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter seeks to use other researcher's works to evaluate the topic of human resource management practices, retention and the relationship between the two. The chapter also seeks to utilize past literature to address the research questions.

2.2.1 Relationship between Human Resource Management Practices and Retention

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 bundles of human resource practices was assessed. He concluded that the sophistication of those practices was significantly related to turnover, organizational productivity, and financial performance. Further, Delery and Doty (1996) affirmed that the existence of formal or informal human resource practices have many strategic implications that should affect employee retention.

Similarly, Denton (1992) in his study of the leading cargo airline in the world, Fedex, revealed that while good recruitment is certainly important in ensuring retention, it is what happens to recruits after joining the company that determines whether a company will retain them. Another school of thought (Buckingham, 2000) argues that employees leave managers, not organizations. He further holds that employees are more likely to remain with an organization if they believe that the manager shows interest and concern for their wellbeing. This suggests that employees retention can be safeguarded based on the human resource practices that manager put in place.

Another stream of research, (Simons & Hinkin, 2001) argue that effectively designed and well implemented employee retention programs that increase employee tenure

more than pay for themselves through reduced turnover costs and increased productivity.

2.2.2 Compensation and Retention

Despite the fact that many studies show financial rewards to be a poor motivating factor, it remains a tactic used by many organizations to commit their employees to the organization by means of compensation packages (Cappelli, 2001; Mitchell, Holtom and Lee, 2001; Woodruffe, 1999). A recent study, Horwitz, Heng & Quazi (2003) also found that the most popular retention strategies reported by HR managers of knowledge firms are still related to compensation.

Further, scholars (Carter and Van Auken, 1990, 2005; Sturman, 2003), assert that employers view compensation (both monetary and non monetary) as a major factor for the retention of good employees. Similarly, other researchers (Barber & Bretz, 2000; Chiu 2001; Lazear, 1998; Milkovich & Newman, 1999; Rynes & Gerhart, 2000; Tang 1998) reveals that money and benefits are some of the forms of compensation used to retain employees in order to achieve organizational goals. Moreover, Mathis & Jackson (2003) posit that most managers believe that money is the prime retention factor and many employees cite better pay or higher compensation as the motivation for leaving one employer for another. Additionally, Williams & Dreher (1992) assert that it is those organizations with high pay levels that retain qualified employees. This school of thought is aligned to research (Armstrong & Murlis, 1994; Judge, 1993) which reveals that high pay influences employee decisions to stay on with an organization. The implication of these arguments is that compensation must be competitive to what other employers are providing, in order to ensure retention.

Contrary to the aforementioned research, Walsh & Taylor (2007) argue that although it is 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. This argument implies that those employees most committed to performing challenging work are the ones most likely to remain with their companies.

2.2.3 Recruitment and Retention

Many studies (Becker & Huselid, 1999; Cho, Woods, Jang & Erdem, 2006; Huselid, 1995; MacDuffie, 1995; Milman, 2003; Milman & Ricci, 2004; Pfeffer, 1994; Shaw, Delery, Jenkins & Gupta, 1998; US Department of Labor, 1993) have been conducted to examine the impact of recruitment practices on retention and performance. Anderson and Shackleton (1986) indicate that the quality of new recruits depends upon an organization's recruitment practices, and that the relative effectiveness of the selection phase is inherently dependent upon the calibre of candidates attracted. In his study on the impact of recruitment and promotion practices on retention and performance, Pfeffer (1994) concluded that firms wishing to succeed in today's global environment must make adequate human resource investments and build employees who possess better skills and capabilities than their competitors.

Cook (1993) indicates that while advertising is usual for job vacancies, applicants are sometimes recruited by word of mouth, through existing employees. Other research (Chatman, 1991) posits that when the job recruitment and selection process produces a poor person to organization fit, employees are likely to leave the organization. Subsequent research (Cable & Judge, 1996; Werbel & Gilliland, 1999) has concluded that having personal attributes fit with the job contributes towards employee retention.

Consequently, a lack of compatibility with the job requirements will often lead to employee departure.

2.2.4 Performance Appraisal and Retention

Fletcher (2001) defines performance appraisal as a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. Other scholars, Ubeda & Santos (2007) define it as a tool to identify and monitor staff's competences, as well as taking into account a company's core competence and external demands. Judge & Ferris (1993) assert that performance appraisal is one of the most important human resource practices while Truss (2008) points out that it is paramount in enhancing retention of good employees. On the same note, Mitchell et al (2001) argued that the relationship between performance appraisal and employees intention to quit is underscored by the fact that it is a better to investment to retain employees than to incur the cost of recruitment replacements. Further should employees decide to quit, this can have a detrimental effect on the organization in form of loss of institutional memory (Moynihan & Pandey, 2007) and negative impact on the organizations' reputation and productivity (Hom & Griffeth, 1995).

On the other hand, Shaw (1998) argues that these appraisals are also ways for organizations to keep track of the value provided by each employee. As such, Delery & Doty (1996) point out that results oriented performance appraisals were strongly related to return on equity and other financial measures of performance.

Further, 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-term interests of the firm resulting in better communication and increased tenure (Becker and Huselid, 1999; Delery & Doty, 1996; US Department of Labor, 1993). Moreover, employees are motivated to work at a higher level by the offer of financial incentives that are contingent on their performance, and these financial incentives are important in encouraging the retention of high performing employees (Kessler & Purcell, 1992; Milkovich & Wigdor, 1991). When these positive outcomes are not generated, it is often concluded that the fault lies with the low quality of the performance appraisal process (Blau, 1999; Roberts, 1998). This in turn fuels the employees' intention to quit.

In addition, Thayer (1987) suggests that performance appraisal quality variations will generate strong reactions among employees. This means that should employees feel that there is no equity in the performance appraisal, they are likely to leave the organization, and Vis versa.

Further, the justice (Adam, 1965) and emotion research (Fugate, Kincki & Prussia 2008) suggest that negative performance appraisals are more powerful drivers of employee attitudes and behaviours than positive performance appraisals. As such it may be assumed that when an employee experiences a negative and low quality performance appraisal, they will react in a negative way, for example making a decision to quit.

2.3 Theoretical Framework

This section explores three different theories that have a bearing on employee retention in organizations. These theories include psychological contract, affect theory of and equities theory.

Psychological contract: This refers to employees' subjective interpretations and evaluations of their deal with the organization (Rousseau, 1996; 2001; Turnley & Feldman, 1998). Rousseau (1996) explains that the psychological contracts consist of individuals' beliefs regarding the terms and conditions of the exchange agreement between themselves and their organizations. This implies that retention practices might only turn out successful if they are in line with what employees value and what they take into account when deciding to stay with or leave the organization.

Despite the importance employees attach to the exchange between themselves and their organizations, recent research (Turnley & Fieldman, 1998; Robinson et al, 1994) demonstrates that psychological contract violation is relatively common and that this could explain the difficulties organizations are currently experiencing in retaining their employees. Specific elements of psychological contract which have been reviewed include salary, job challenge and work life balance. However, the differential impact of these practices on retention has not been explicitly investigated.

Affect theory of Social Exchange: According to social exchange models of the employment relationship, employees seek a balance in their exchange relationships with organizations by having attitudes and behaviors commensurate with the degree of employer commitment to them (Wayne, Shore, & Liden, 1997). Research (Eisenberger 1986; Hutchinson, 1997; Wayne, Shore & Liden, 1997) put forward that

positive, beneficial actions directed at employees by an organization creates feelings of obligation for employees to reciprocate in positive, beneficial ways, including greater feelings of loyalty/commitment.

In addition, a model, the organization support theory, by Eisenberger, Huntington, Hutchison, and Sowa (1986) explains that employees form a global perception of the extent to which the organization cares about their wellbeing and demonstrates appreciation, called perceived organizational support. If the employees perceive the organization as supportive, they feel an obligation to return this support (Rhoades & Eisenberger, 2002). This is usually in the form of attitudes and behaviors that enhance the organization. Consistently, when employees perceive the organizations support, turnover is dissipated (Allen, Shore, and Griffeth, 2003).

Equity theories: This theory has been propagated by Adams 1963. He examined how equity is determined, how employees respond to unfair situations, and what leads them to believe that they are being equitably treated, and to therefore be satisfied with their current situation (Carragher and Carragher, 2005). Research (Greenberg et al, 2007) reveals that employees often make equity judgments based on comparisons with others who may be co-workers, or based on other similarities such as the status of their organization. Similarly, Stor et al (1992) hold that perceived job inequity with little input into job-related-decision making is important in determining turnover among employees. This theory suggests that employees evaluate the ratio of their inputs to outcomes for a given job in relation to other employees. Further, Shah (1998), argues that perceived inequities may cause increased absenteeism or turnover. Conversely, Mobley (1892) holds that if employees believe they have pay equity, then pay ceases to be a compelling issue in turnover.

2.4 Operational Framework of the Variables

2.4.1 Dependent Variable

Retention: Johnson, (2000) defines retention management as the ability to hold onto those employees you want to keep for longer than your competitors. Retention can therefore be measured based on number of years an employee has worked in the organization.

2.4.2 Independent Variables

Recruitment Procedures: Research (Herriot, 1989; Montgomery, 1996; Plumbley, 1985) reveals that focus of recruitment and selection is on matching the capabilities and inclinations of prospective candidates against the demands and rewards inherent in a given job.

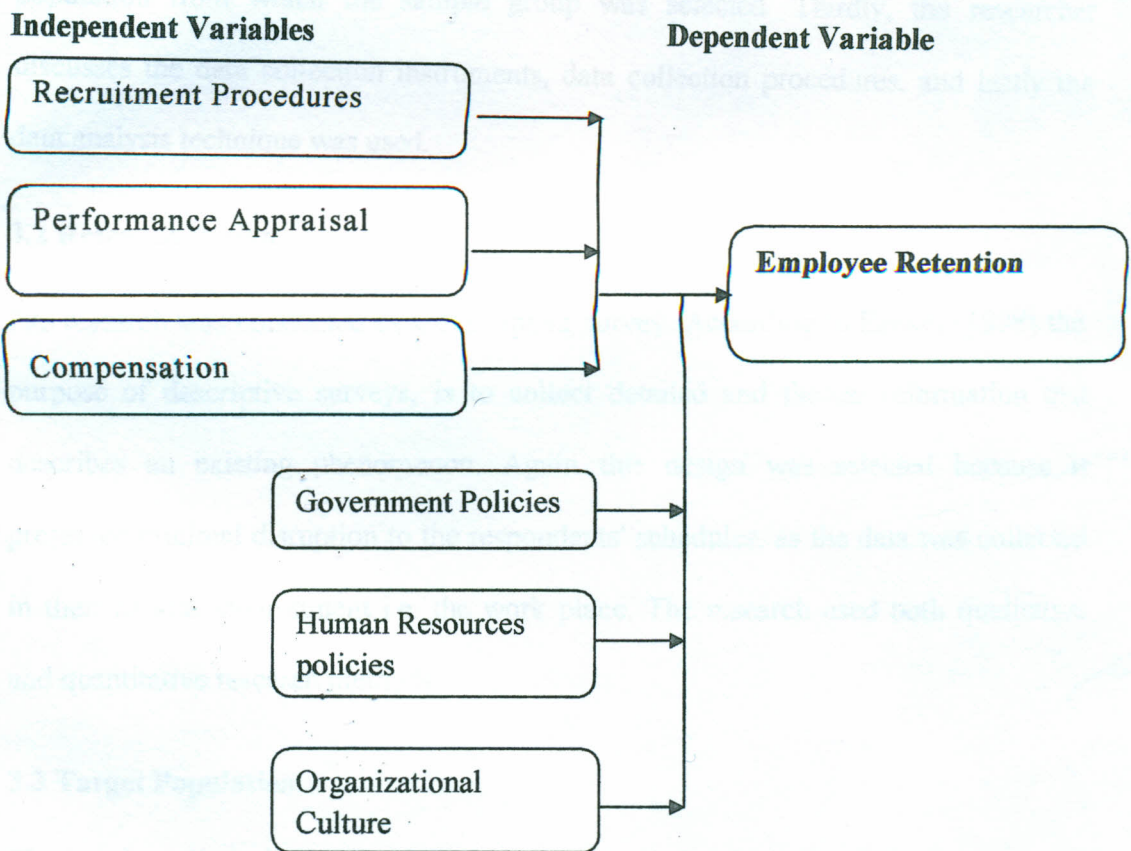
Performance appraisal: Fletcher (2001) defines performance appraisal as a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. Brown, Hyatt & Benson (2009) list the measures of performance appraisal as; Clear performance targets and Consistency of the performance appraisals. Thayer (1987) also suggests that performance quality variations will generate strong reactions among employees there should not be any variations in the performance appraisal, employee involvement in the performance appraisal process.

Compensation: Researchers (Barber & Bretz, 2000) reveal that money and benefits are some of the forms of compensation used to retain employees. Epstein & Ward (2006) measured this as the difference between an employee's actual salary and his/her predicted salary ie actual versus deserved salary.

2.5 Conceptual Framework

The section presents a visual representation of the relationship between the dependent variable and independent variables of the study. Figure 1 shows a summary of the conceptual framework for this study.

Figure 2.1: Conceptual model of the relationship between HRM practices and employee retention (Source: Author).



From figure 2.1 above, employee retention is the dependent variable while compensation, recruitment procedures and performance appraisal are the independent variables. Employee retention is determined by these human resource practices, which can be adjusted or customized to motivate employees and therefore positively impact the organizational performance including the retention of its employees.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents an overview of the research methodology which the researcher utilized in the study. This includes the research design which includes a rationale for the chosen research design. Secondly, the chapter presents a description of the target population from which the sample group was selected. Thirdly, the researcher discusses the data collection instruments, data collection procedures, and lastly the data analysis technique was used.

3.2 Research Design

The research was conducted as a descriptive survey. According to Ezeani (1998) the purpose of descriptive surveys, is to collect detailed and factual information that describes an existing phenomenon. Again this design was selected because it presented minimal disruption to the respondents' schedules, as the data was collected in their natural environment i.e. the work place. The research used both qualitative and quantitative research methods.

3.3 Target Population

This study collected data from the employees of the four advertising agencies in Kenya. These agencies are Scan Group, Ogilvy and Mather, Access Leo Burnett, Young and Rubicam Brands. The population included 80 employees from Scan Group, 60 employees from Ogilvy and Mather, 30 employees from Young and Rubicam Brands and 30 employees from Access Leo Burnett. The selection of the respondents was done using stratified random sampling method. This method of sampling was selected because it allowed the researcher to get a balanced

representation from the sample group that is select number of respondents from each agency in proportion to the market share held by that agency.

3.4 Sample Size and Sampling Technique

According to (Mugenda & Mugenda, 2003) "where time and resources allow, a researcher should take a big sample as possible". However, generally, the sample size depends on factors such as number of variables in the study, type of design, method of data analysis and the size of the accessible population. Neuman (2000) suggests that for descriptive studies, 30% of the target population is enough. It is on the basis of the above discussion that the researchers sampled some respondents. Stratified simple random sampling technique was used to select the sample.

The strata was drawn from the knowledge workers in these organizations, who include the creative (copy writers, art directors, designers, illustrators and animators) as well as the client servicing employees (account executives, account managers and account directors).As displayed in table 3.1, the sample size comprised of 65 respondents which constitutes 32.81% of the target population. Table 3.1 demonstrates the sampling frame and sample size.

Table 3.1: Sampling Frame

Category(Group)	Target Population	Sample Size	Sample Percentage
Scan Group	80	25	31.25
Ogilvy and Mather	60	20	33.33
Access Leo Burnnet	30	10	33.33
Young and Rubicam Brands	30	10	33.33
Total	200	65	32.81

(Source, Author 2013)

3.4 Data Collection Instruments

The researcher relied on primary data collection methods as the main source of data. This is because the researcher needed to get first hand feedback from the employees themselves in order obtaining results to confirm or dispel the research questions. This study used questionnaires as the primary data collection methods.

Questionnaires: The questionnaires included both open ended and closed ended questions in order to allow for collection of both qualitative and quantitative data. On some of the questions, the researcher used a five-point Likert scale ranging from 1 “I strongly disagree” to 5 “I strongly agree”. The researcher took precaution in construction of the questions in order not to bias the respondents.

Expert judgment method was applied to determine the validity of the questionnaire. According to (Keeney, Hasson & McKenna, 2001) expert judgement is expression of opinion, based on knowledge and experience that experts make in responding to problems. Both the questionnaire and the interview guide was presented to the researcher’s supervisor, one other university lecturer and four managers, one from each of the selected advertising agencies. The objective was for them to give their view on the structure, content and sequence of the questions.

3.. 5 Reliability and Validity

The reliability and validity of the research instruments was computed after pilot study was conducted.

3.5.1 Reliability

Reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials. In order to test the

reliability of the instrument to be used in the study, a pilot study was carried out and a reliability coefficient computed. This established the extent to which the questionnaires elicit the same responses every time it is administered. A correlation coefficient of 0.5 if arrived at was considered reliable for the study (Paton, 2001). The results obtained from the pilot study assisted the researcher in revising the questionnaire to make sure that it covers the objectives of the study.

3.5.2 Validity

According to Paton (2001) validity is quality attributed to proposition or measures of the degree to which they conform to establish knowledge or truth. It refers to the extent to which an instrument asks the right questions in terms of accuracy. Mugenda and Mugenda (1999) define validity as the accuracy and meaningfulness of inferences which are based on research results. The content validity of the instrument will be determined through piloting, where the responses of the subjects will be checked against the research objectives.

We can estimate the proportion of true score variance that is captured by the items by comparing the sum of item variances with the variance of the sum scale. Specifically, we can compute: $a = (k/(k-1)) * [1 - S(s_{2i})/s_{2sum}]$. This is the formula for the most common index of reliability, namely, the Cronbach's coefficient Alpha (α) (Neuman, 2000). In this formula, the s_{2i} 's denote the variances for the k individual items; s_{2sum} denotes the variance for the sum of all items. If there is no true score but only error in the items (which is esoteric and unique, and, therefore, uncorrelated across subjects), then the variance of the sum is the same as the sum of variances of the individual items. Therefore, coefficient Alpha equals to zero. If all items are perfectly reliable and measure the same thing (true score), then coefficient Alpha is equal to 1. Cronbach's alpha is the most common form of internal consistency reliability

coefficient. By convention, a lenient cut-off of .60 is common in exploratory research; alpha should be at least .70 or higher to retain an item in an "adequate" scale; and many researchers require a cut-off of .80 for a "good scale." Regarding the above explanation, in this research, Cronbach's alpha was used in order to test the reliability of items at the pilot study, after calculating this; the researcher made the relevant changes in order to make the questionnaire reliable and bring the Cronbach's alpha to minimum .70.

3.6 Data Collection Procedures

The first step was for the researcher to contact the relevant managers/administrators and explain the objective of the research as well as seek their authorization to conduct the research among their employees.

The researcher used questionnaires which was hand delivered to the sample group through the respective organizations human resource or administration manager. The researcher also used face to face interviews with select members of the sample group from each advertising agency in order to collect data on any underlying issues that may not be captured exhaustively in the questionnaires.

Personal bio data or coding was excluded from the questionnaires in order to encourage the respondents to fill these without fear of being singled out and victimized by their employers

All the willing respondents were informed both by their manager and on the questionnaire that on the timeframe for response which was set at seven working days.

The interviews was held with the respondents in their respective organizations during lunch hours in order not to interfere with their work performance and also get them in a relaxed frame of mind, thus willing to talk. These interviews was expected to take

no longer than thirty minutes with each respondent

The second step once the data has been captured using the interview and questionnaire methods analysis of the data followed. Data analysis is conducted in order to structure the findings from the different data collection methods, with a view to come to a conclusion.

3.7 Data Analysis Techniques

Data analysis entails the computation of certain measures along with the search for patterns of relationships that exists among the data collected. An inferential analysis technique was applied in analyzing questions in the questionnaires that apply rating scales. This makes it possible to use quantitative analysis to rank the subjective and intangible components in the research. Correlation was used to analyze the degree of relationship between the variables in the study. The coefficient of correlation (r), determine the degree (strength) of relationship and its value is between -1 and 1. Regression was used to obtain an equation which describes the dependent variable in terms of the independent variable based on the regression model, (regression is used to determine the type of relationship).

Qualitative analysis was used on data collected during the interviews as well as the open ended questions included in the questionnaire. The closed ended questions and any statistical data collected from secondary sources was analyzed quantitatively. These data in turn was presented using pie charts and bar graphs.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents of the four advertising agencies in Kenya. The initial section covers the background information with respect to the respondent as well as the company background that relates to ownership and strategy. This was to enable the researcher to know the nature and type of the advertising agencies, while the second will be on the advertising industry strategic responses in facing the dynamic economic environment. The target population was for the top four leading advertising agencies in Kenya that is Scan Group, Ogilvy and Mather, Access Leo Burnett, Young and Rubicam Brands.

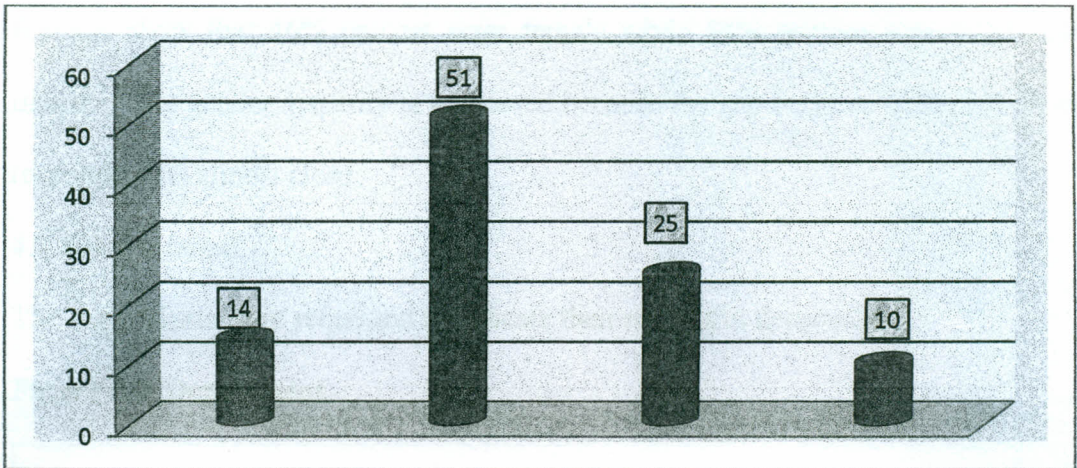
4.2 Background Information

This section offers the background information with regards to the respondents' gender, level of education as well as the experience in the oil industry. This was put into consideration because of the meaningful contribution it offers to the study as the variables help to provide the logic behind the responses issued by the respective respondents.

However, critics (Mowday, 1991, Greenberg, 1990) have disputed the importance of the equity theories in organizational behavior. Research by these critiques has shown gaps in the theories, for example findings on over compensation have been less consistent than those on under compensation. Further, they (Greenberg 1990) argue that the theory is vague with respect to which of a variety of behavioral options such as decision to leave or remain that are likely to be observed in any context.

1.1.1 4.2.1 Age of the respondents

Figure 4.1: Age



The study determined age of the respondents. From the study findings in figure 4.1 , Majority (51%) of the respondents were aged between 31-40 years while 25% were aged between 41-50 years 14% were 21-30 years and 10% of the respondents were more than 51 years. From the study findings it can be deduced most respondents were aged' between' 31 to 40 years hence very energetic to work in the advertising agencies.

1.2 4.2.2 Gender of the Respondents

Figure 4.2: Gender

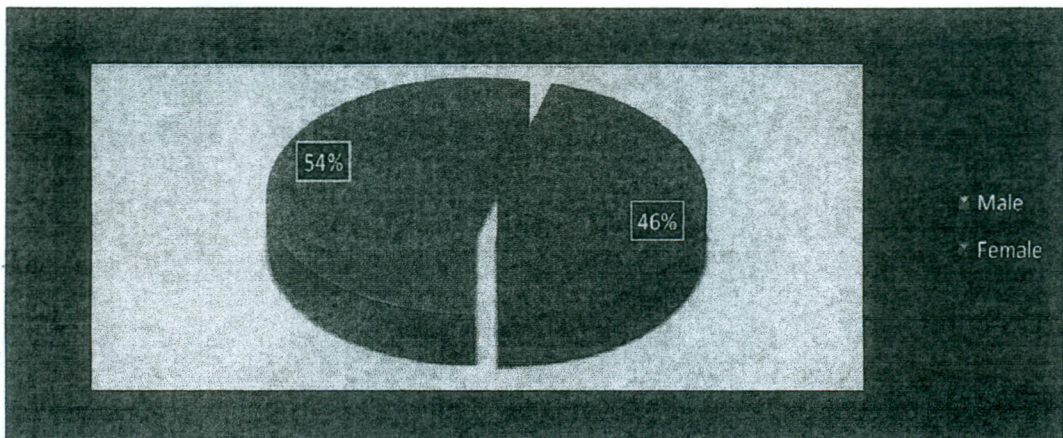
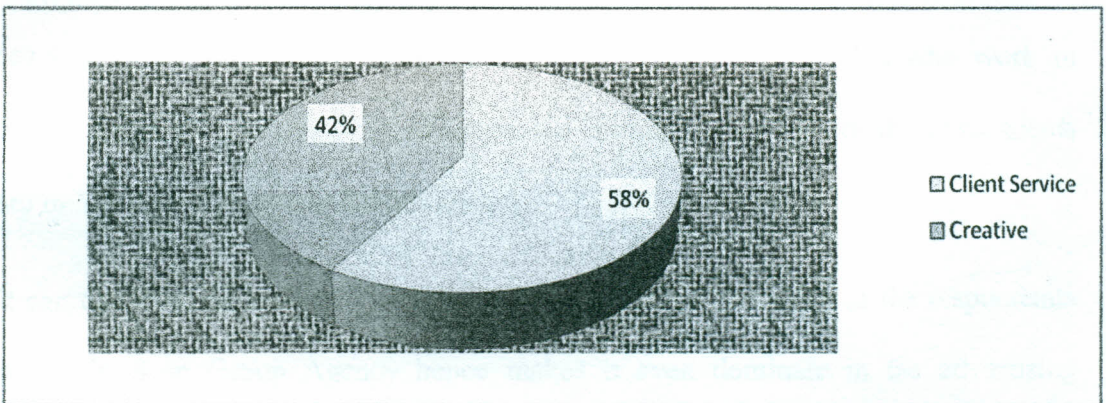


Figure 4.2 provides a summary of the gender of the respondents as a result of the responses given by the respondents. As clearly indicated in the figure, the female respondents were the minority whereas the male respondents were the majority. The findings show that 46% percent were female while 54% percent were male. This indicates that gender disparity is addressed because the gap between male and female respondents is almost close.

4.2.3 Department

The respondents were requested to indicate their respectful departments

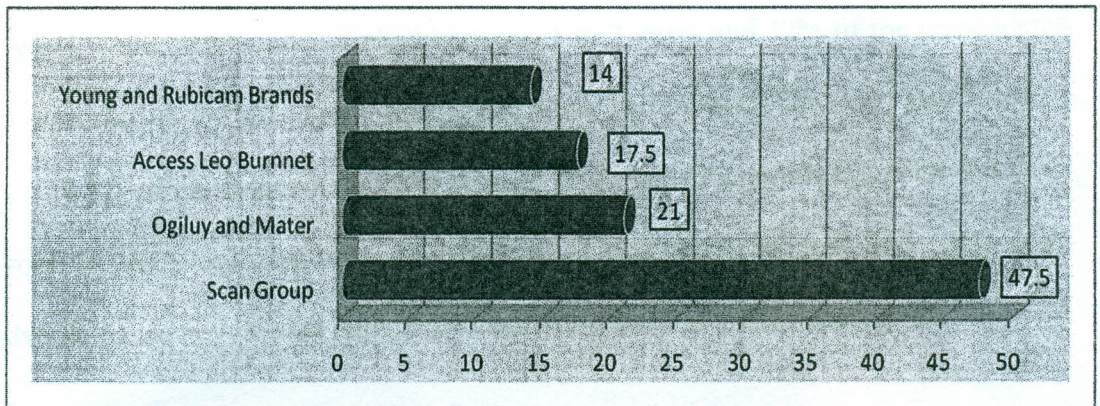
Figure 4.3: Department



From the study findings in figure 4.3, majority (58%) of the respondents works as client service while 42% of the respondents they are on creativity. This implies that client service department has a large proportion in advertising agencies in Kenya. This shows that customer's services are prioritized than anything else in the advertising agencies.

4.2.4 Advertising Agency

Figure 4.4: Advertising Agency

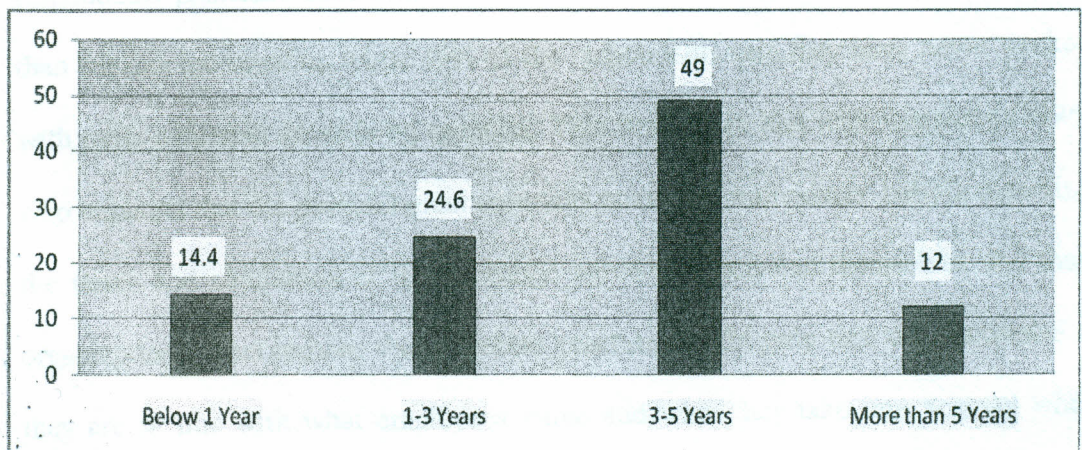


The study found it paramount to determine the advertising agency worked. Most (47.5%) of the respondents work in Scan Group followed by 21% who work in Ogilvy and Mater, 17.5% work in Access Leo Burnett while 14% of the respondents are in Young and Rubicam Brands agency.

It can therefore be deduced from the study findings that majority of the respondents work in Scan Group Agency hence makes it even dominate in the advertising industry.

4.2.5 Duration Worked

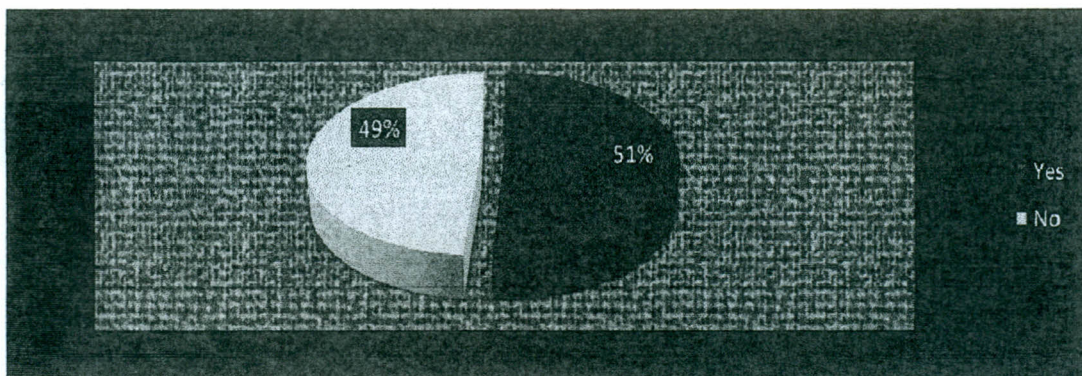
Figure 4.5: Duration



The respondents were requested to indicate duration have worked in the advertising agency. Most (49%) of the respondents presented that they have worked between 3 to 5 years while 24.6% have worked between 1 to 3 years and 12% of the respondents have worked in the advertising agency for more than 5 years. The study also revealed that 14.4% of the respondents have worked in the advertising for less than one year. From the study findings it can be therefore deduced an experience of 5 years in an advertising agency is good enough for an individual to give quality services.

4.2.6 Advertising agency worked for

Figure 4.6: Advertising agency

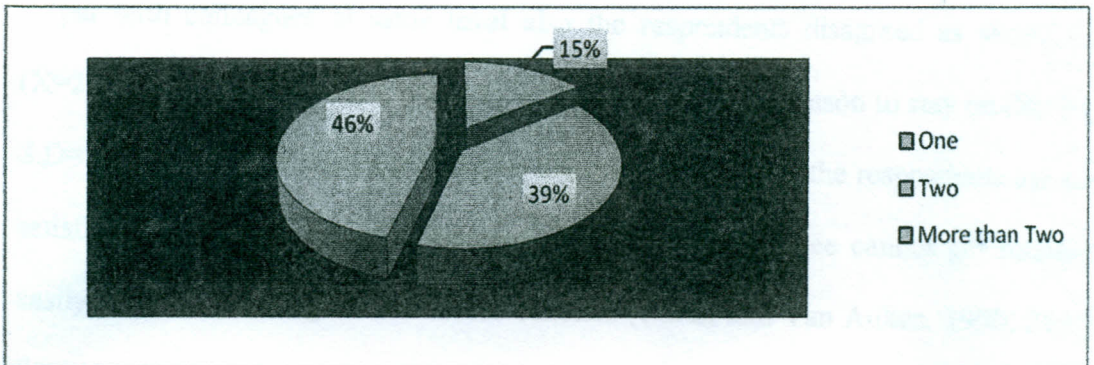


One of the objectives of the study was to determine if the respondents have worked with another advertising agency other than the current one. Most (51%) of the respondents presented that they have worked with other advertising agencies other than the one are working while 49% of the respondents said they have never worked with other available advertising agencies. This study is in line with Rousseau (1996) who explains that the psychological contracts consist of individuals' beliefs regarding the terms and conditions of the exchange agreement between themselves and their organizations. This implies that retention practices might only turn out successful if they are in line with what employees value and what they take into account when

deciding to stay with or leave the organization.

4.2.7 Number of advertising agency worked for

Figure 4.7: advertising agency worked



The aim of the study was to determine the number of advertising agency worked with the respondents. Most (46%) of the respondents have worked more than two advertising agency, 39% have worked with two advertising agency while 15% of the respondents have worked with only one advertising agency.

4.3 Compensation System

The respondents were requested to indicate level of satisfaction with compensation system. The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

Table 4.1: Level of satisfaction

ITEM	X	S.D
My remuneration is satisfactory	2.1	.9487
My remuneration is at par with colleagues at same level	2.0	.8741
Competitive salary is the main reason to stay on	1.9	.7561

Source: Author, 2013

The study sought to determine on whether the respondents are satisfied with the compensation system in their respectful advertising agency. From table 4.1, majority of them disagreed as shown by the mean and standard deviation. In remuneration the respondents disagreed as shown by ($X=2.1$, $S.D=.9487$) while in remuneration being at par with colleagues at same level also the respondents disagreed as shown by ($X=2.0$, $S.D=.8741$), and in a competitive salary is the main reason to stay on ($X=1.9$, $S.D=.7561$). From the findings it can be deduced that most of the respondents are not satisfied with the system of compensation hence the employee cannot get retained easily. The study is aligned with these scholars (Carter and Van Auken, 1990, 2005; Sturman, 2003), who assert that employers view compensation (both monetary and non-monetary) as a major factor for the retention of good employees. Similarly, other researchers (Barber & Bretz, 2000; Chiu. 2001; Lazear, 1998; Milkovich & Newman, 1999; Rynes & Gerhart, 2000; Tang 1998) also reveals that money and benefits are some of the forms of compensation used to retain employees in order to achieve organizational goals. Moreover, Mathis & Jackson (2003) posit that most managers believe that money is the prime retention factor and many employees cite better pay or higher compensation as the motivation for leaving one employer for another. Additionally, Williams & Dreher (1992) assert that it is those organizations with high pay levels that retain qualified employees. This school of thought is aligned to research (Armstrong & Murlis, 1994; Judge, 1993) which reveals that high pay influences employee decisions to stay on with an organization. The implication of these arguments is that compensation must be competitive to what other employers are providing, in order to ensure retention.

4.3.1 Movement to another advertising agency or job

The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

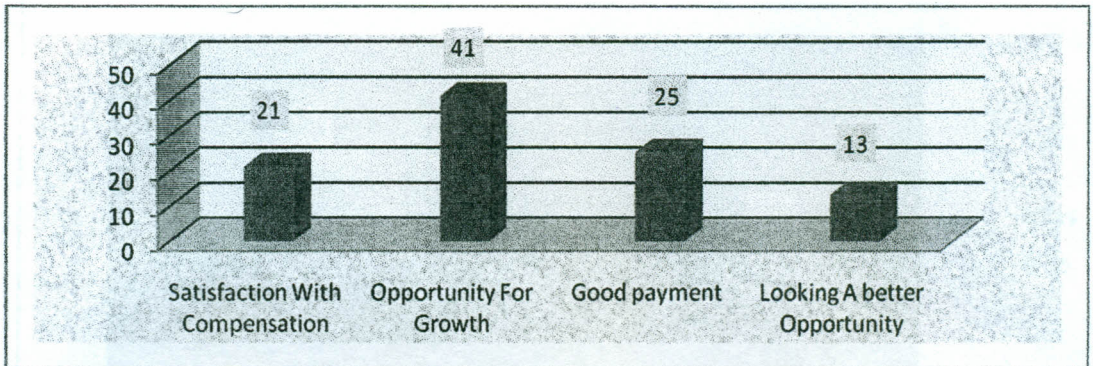
Table 4.2: Job Movement

ITEM	X	S.D
As long as the remuneration was better	4.1	.5814
It offered same remuneration with opportunity for growth	3.6	.6941
Less remuneration with better work environment	3.8	.5784

The study found it paramount to determine job movement in the advertising agency. Tables 4.2 show the study findings whereby most of the respondents agreed that there is job movement in advertising agency as shown by means and standard deviation. The respondents in remuneration being better they agreed as shown by mean and standard deviation($X=4.1$, $S.D=.5814$), while in offering same remuneration with opportunity for growth the respondents also agreed as shown by ($X=3.6$, $S.D=.6941$), and in less remuneration with better work environment, the respondents agreed as shown by($X=3.8$, $S.D=.5784$). From the study findings we can therefore conclude that many employee moves to other advertising agency due to unfavorable of terms and conditions in various advertising agencies.

4.3.2 Reasons for working with the current employer

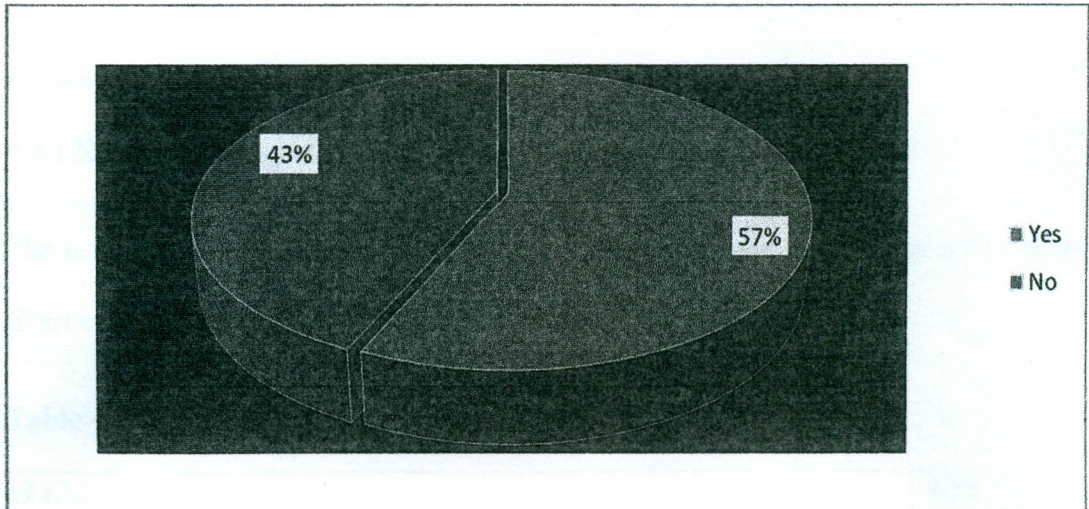
Figure 4.8: Current Employment



One of the aims of the study was to find out the reasons which make the respondents to work with the current employer. Figure 4.8 show that majority (41%) them work with their respectful employer because it offers an opportunity for growth while 25% of the respondents indicated that they work them due to good payment and 21% of the respondents indicated it is due to satisfaction with compensation from their respectful employers. The study also revealed that 13% of the respondents were looking for other available opportunities in other advertising agencies. From the study findings this can imply that individual development and growth is of paramount as the advertising agencies is concerned.

4.3.3 Attempt to quit the organization because of unsatisfactory compensation

Figure 4.9: Quitting From the Organization



The study sought to determine on the attempt of quitting the advertising agency in question. Most (57%) of the respondents said yes indeed that they have attempted to quit their respectful advertising agency in question while 43% of the respondents said no. From the findings, therefore many employees try to look other opportunities which will bring individual development and growth. The study is in line with the theory of Equity. This theory has been propagated by Adams 1963. He examined how equity is determined, how employees respond to unfair situations, and what leads them to believe that they are being equitably treated, and to therefore be satisfied with their current situation (Carraher and Carraher, 2005). Research (Greenberg et al, 2007) reveals that employees often make equity judgments based on comparisons with others who may be co-workers, or based on other similarities such as the status of their organization. Similarly, Stor et al (1992) hold that perceived job inequity with little input into job-related-decision making is important in determining turnover among employees. This theory suggests that employees evaluate the ratio of their inputs to outcomes for a given job in relation to other employees. Further, Shah

(1998), argues that perceived inequities may cause increased absenteeism or turnover. Conversely, Mobley (1892) holds that if employees believe they have pay equity, then pay ceases to be a compelling issue in turnover.

4.4 Recruitment Procedures

4.4.1 Respondents level of agreement with the process of recruitment

The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

Table 4.3: Level of agreement

ITEM	X	S.D
I have personal attributes that fit with the job	4.1	.6987
I was recruited through a competitive process	4.4	.9874
I understand my job description	3.8	.7423
I feel my recruitment process adequately Prepared me for my job	4.3	.8746

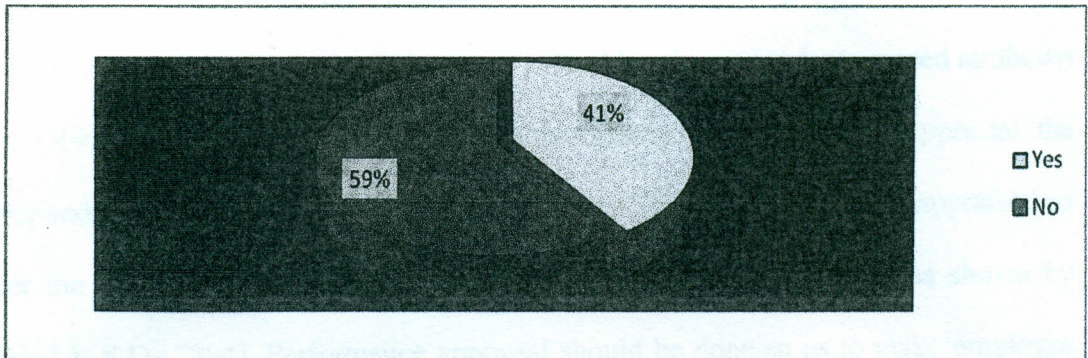
One of the objectives of the study was to determine the level of agreement on the process of recruitment and selection of the advertising agencies. On the personal attributes that fit with the job of the employee, the respondents agreed as shown by (X=4.1, S.D=.6987), while on recruitment through a competitive process the respondents also agreed on mean and standard deviation(X=4.4, S.D=.9874), and on recruitment process adequately preparing an individual's job, the respondents agreed on mean and standard deviation(X=4.3, S.D=.8746). It can therefore deduce that most of the employment opportunities offered in the advertising agencies is through merit. This study finding is therefore in line with the following studies; (Becker & H uselid,

1999; Cho, Woods, Jang & Erdem, 2006; Huselid, 1995; MacDuffie, 1995; Milman, 2003; Milman & Ricci, 2004; Pfeffer, 1994; Shaw, Delery, Jenkins & Gupta, 1998; US Department of Labor, 1993) who have conducted to examine the impact of recruitment practices on retention and performance. Anderson and Shackleton (1986) indicate that the quality of new recruits depends upon an organization's recruitment practices, and that the relative effectiveness of the selection phase is inherently dependent upon the calibre of candidates attracted. In his study on the impact of recruitment and promotion practices on retention and performance, Pfeffer (1994) concluded that firms wishing to succeed in today's global environment must make adequate human resource investments and build employees who possess better skills and capabilities than their competitors.

Cook (1993) indicates that while advertising is usual for job vacancies, applicants are sometimes recruited by word of mouth, through existing employees. Other research (Chatman, 1991) posits that when the job recruitment process produces a poor person to organization fit, employees are likely to leave the organization. Subsequent research (Cable & Judge, 1996; Werbel & Gilliland, 1999) has concluded that having personal attributes fit with the job contributes towards employee retention. Consequently, a lack of compatibility with the job requirements will often lead to employee departure.

4.4.2 Satisfaction with the recruitment

Figure 4.10: Employee satisfaction



The study found it paramount to determine employee level of satisfaction on the recruitment process on various advertising agencies. From the findings in figure 4.10, it can be deduced that most (59%) of the respondents said no satisfaction to the process of recruitment procedures, while 41% said yes they are satisfied with the recruitment process. From the findings of the study it can therefore indeed concluded that most of the employees in various advertising agencies are not satisfied with that criteria used in recruitment process.

4.5 Performance appraisal

The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

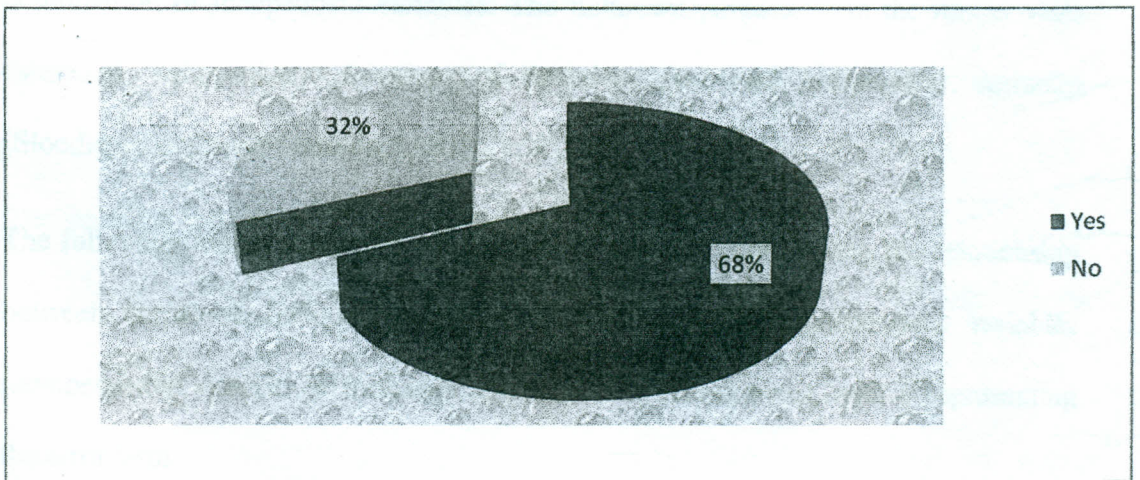
Table 4.4: Performance appraisal

ITEM	X	S.D
I am consistently informed when due for appraisal	2.4	.4579
I have always been appraised as per schedule	2.1	.7894
I feel the appraisal system is fair	3.6	.9451
I feel that my appraisal contributes towards my growth	3.9	.8741

The researcher found it of importance to determine the respondent's performance appraisal. Tables 4.4 show the study findings. On the appraisal contributing towards growth of an individual, the respondents agreed as shown by ($X=3.9$, $S.D=.8741$), while on feeling that the appraisal system is fair also the respondents agreed as shown by ($X=3.6$, $S.D=.9451$) and in consistently informed when due for appraisal the respondents disagreed as shown by($X=2.4$, $S.d=.4579$) while on having appraised as per the schedule of the advertising agency the respondents disagreed as shown by ($X=2.1$, $S.D=.7894$). Performance appraisal should be done so as to make employee get retained in the advertising agencies.

4.5.1 Influence negative performance appraisal system on decision leaving the employer.

Figure 4.11: Influence on negative performance appraisal



The study sought to determine whether negative performance appraisal system influences on decision leaving the employer. From the study findings in figure 4.11, most (68%) of the respondents said yes that negative performance appraisal indeed affects employee decision leaving the employer while 32% of the respondents said

negative performance appraisal has got no influence on decision of leaving the employer. This study is line with Thayer (1987) who suggests that performance appraisal quality variations will generate strong reactions among employees. This means that should employees feel that there is no equity in the performance appraisal, they are likely to leave the organization, and vis versa and also to justice (Adam, 1965) and emotion research (Fugate, Kincki& Prussia 2008) who suggest that negative performance appraisals are more powerful drivers of employee attitudes and behaviors than positive performance appraisals. As such it may be assumed that when an employee experiences a negative and low quality performance appraisal, they will react in a negative way, for example making a decision to quit.

4.7 Regression and Correlation Coefficients of Employee retention

Regression analysis was utilized to investigate the relationship between the variables. These included an error term, whereby a dependent variable was expressed as a combination of independent variables. The unknown parameters in the model were estimated, using observed values of the dependent and independent variables (Stoodley, Lewis and Stainton, 1980).

The following model represents the regression equation representing the relationship between employee retention as a linear function of the independent variables (compensation system, performance appraisal, and recruitment), with ϵ representing the error term.

$$Y_i = \alpha + \beta_1(RSS) + \beta_2(PA) + \beta_3(CS) + \epsilon . \text{ When } \beta_5=0 \dots \text{Equation 1}$$

(Equation 1: Regression Equation)

Where; Y_i =Employee retention

RSS= Recruitment procedures

PA= Performance appraisal

CS= Compensation system

ϵ representing the error term

Incorporating the values of the Beta values into equation 1 we have:

$$Y_i = \alpha + 0.719(CS) + 0.643(PA) + 0.862(RSS) + \epsilon \dots \text{Equation 2}$$

(Equation 2: Regression Equation with Beta Values)

The β_i 's in the above equation represent the estimated parameters.

The correlation matrix in table 4.6 indicates that compensation system is strongly and positively correlated with employee retention as indicated by a correlation coefficient of 0.719. Further the matrix also indicated that performance appraisal is also positively correlated with employee retention as indicated by a coefficient of 0.643.

The correlation matrix further indicates that recruitment and selection system is also strongly and positively correlated with employee retention as indicated by a coefficient of 0.862.

The correlation matrix in table 4.6 implies that the independent variables: compensation system, performance appraisal, recruitment are very crucial in determining employee retention as shown by their strong and positive relationship with the dependent variable i.e. employee retention.

Table 4.5 Correlation Coefficients between Independent Variables and the Dependent Variable

	Compensation system	Performance appraisal	Recruitment and selection systems	Employee retention
Compensation system	1			
Performance appraisal	0.851	1		
Recruitment	0.753	0.653	1	
Employee retention	0.719	0.643	0.862	1

4.8 Regression Model Summary of the Effect of Independent on the Dependent Variable

From the results shown in table 4.7, the model shows a goodness of fit as indicated by the coefficient of determination (R^2) with a value of 0.7338. This implies that the independent variables compensation system, performance appraisal and recruitment explain 73.38 percent of the variations of employee retention in advertising agencies in Kenya. The study therefore identifies compensation system, performance appraisal and recruitment as critical factors for employee retention in advertising agencies in Kenya. It further reveals that the interaction of the three factors creates an impetus for employee retention and employers should therefore adopt strategies to enhance these three areas.

Table 4.6: Regression Model Summary of the Effect of Independent Variable on the Dependent Variable

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.8566	0.7338	0.7011	0.7638

Predictors: (Constant), compensation system, performance appraisal, recruitment and selection systems.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of the study was to establish the effects of human resource management practices on employee retention in advertising agencies in Kenya.

5.2 Summary of Findings

5.2.1 Demographic Information

The study sought to determine the effect of human resource management practices on employee retention in advertising agencies in Kenya. Therefore, the study found it paramount to study demographic information of the respondents. From the findings majority were aged between 31-40 years and most of them are from the male gender. On the department of respondents most operate as client-service and many of them come from Scan group advertising agency and most of the respondents have worked in the advertising agency for more than five (5) years. Majority of the respondents also indicated that they have worked with more than two (2) advertising agency.

5.2.2 Compensation System

One of the objectives of the study was to find out the influence compensation has on employee retention in advertising agencies. From the study findings most of the respondents disagreed with the system of compensation while on the other hand some of the employees have greatly attempted to move to other advertising agencies and most of the respondents are in their agency because it offers an individual growth. Actually this statement concurs with Walsh & Taylor (2007) who argue that although it is 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. This argument implies that those employees most committed to performing challenging work are the ones most likely to remain with their companies and also most of the employees have attempted to quit the organization due to unsatisfactory compensation. The study findings are aligned with scholars (Carter and Van Auken, 1990, 2005; Sturman, 2003), who assert that employers view compensation (both monetary and non-monetary) as a major factor for the retention of good employees. Similarly, other researchers (Barber & Bretz, 2000; Chiu 2001; Lazear, 1998; Milkovich & Newman, 1999; Rynes & Gerhart, 2000; Tang 1998) reveals that money and benefits are some of the forms of compensation used to retain employees in order to achieve organizational goals. Moreover, Mathis & Jackson (2003) posit that most managers believe that money is the prime retention factor and many employees cite better pay or higher compensation as the motivation for leaving one employer for another. Additionally, Williams & Dreher (1992) assert that it is those organizations with high pay levels that retain qualified employees. This school of thought is aligned to research (Armstrong & Murlis, 1994; Judge, 1993) which reveals that high pay influences employee decisions to stay on with an organization. The implication of these arguments is that compensation must be competitive to what other employers are providing, in order to ensure retention.

5.2.3 Recruitment

The study sought to determine whether the respondents agree with the recruitment and selection process. From the study findings most of the respondents agreed on the personal attributes for the work while they were not satisfied with recruitment process. The findings concur with the research (Cable & Judge, 1996; Werbel & Gilliland, 1999) who has concluded that having personal attributes fit with the job

contributes towards employee retention. Consequently, a lack of compatibility with the job requirements will often lead to employee departure.

5.2.4 Performance Appraisal

One of the objectives of the study was to determine on whether performance appraisal influences an employee's decision. The study findings indicated that positive performance appraisal is good while negative appraisal makes the respondents to have a decision of leaving the organization. The findings is in line with,(Adam, 1965) and emotion research (Fugate, Kincki & Prussia 2008) who suggest that negative performance appraisals are more powerful drivers of employee attitudes and behaviors than positive performance appraisals. As such it may be assumed that when an employee experiences a negative and low quality performance appraisal, they will react in a negative way, for example making a decision to quit.

5.3 conclusions

From the findings the study concludes that compensation of the employee's play an important role because it influences employee decisions to stay on with an organization and compensation should competitive to what other employers are providing.

The study findings also conclude that the recruitment process should be thorough to acquire the most qualified personnel who suits with the job.

The study further concludes that performance appraisal should be positively driven because negative performance appraisal is one of the powerful drivers of employee attitudes and behaviors than positive performance appraisals to quit the organization.

5.4 Recommendations

From the findings the study recommends that the advertising agencies should be compensating their employees' it has an influence on decisions.

The study also recommends that in order for development and progress, advertising agency should employ basing on merit because those employee who needs individual growth, always work to achieve the dream.

The advertising agencies should motivate their employees through performance appraisal because it has an influence on decision making.

5.5 Recommendations for further study

The objective of the study was to establish the effects of human resource management practices on employee retention in advertising agencies in Kenya ,a further study is recommended to establish more effects in human resource management practices in other advertising agencies in Kenya. This study will help to lay a comparative ground.

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A I: QUESTIONNAIRE

This questionnaire is used to gather data for academic purposes only on the **EFFECT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON EMPLOYEE RETENTION IN ADVERTISING AGENCIES IN KENYA**. The information provided will be treated with utmost confidentiality and will not be divulged. Please answer these questions honestly.

This questionnaire has five sections.

A. Bio Data

A1. Please select your age group?

21 – 30 years

31 – 40 years

41 – 50

More than 51 years

A2. What is your gender?

Male

Female

A3. Please select the department you work in?

Client Service

Creative

A4. What advertising agency do you work for?

.....

.....

.....

A5. How long have you worked with the advertising agency?

Below 1 year

1 – 3 years

3-5 years

More than 5 years

A6. Have you previously worked at another advertising agency?

Yes

No

A7. If yes, how many advertising agencies?

1

2

More than 2

Recruitment Procedures

C1. In a scale of 1 – 5 indicate your satisfaction in relation to the following?

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
I have personal attributes that fit with the job	1	2	3	4	5
I was recruited through a competitive process	1	2	3	4	5
I feel my recruitment process adequately	1	2	3	4	5
Prepared me for my job	1	2	3	4	5

C2. I am satisfied with the recruitment and selection process at my organization

Yes

No

B. PERFORMANCE APPRAISAL

D1. In a scale of 1 – 5 indicate your satisfaction in relation to the following?

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
I am consistently informed when due for appraisal	1	2	3	4	5
I have always been appraised as per schedule	1	2	3	4	5
I feel the appraisal system is fair	1	2	3	4	5
I feel that my appraisal contributes towards my growth	1	2	3	4	5

D2. Does a negative performance appraisal system influence your decision to leave your employer?

Yes

No

C. Compensation system

B1. On a scale of 1 – 5 indicate your satisfaction in relation to the following?

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
My remuneration is satisfactory	1	2	3	4	5
My remuneration is at par with colleagues at same level	1	2	3	4	5
Competitive salary is the main reason to stay on	1	2	3	4	5

B2. I would move to another advertising agency or job

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
As long as the remuneration was better	1	2	3	4	5
It offered same remuneration with opportunity for growth	1	2	3	4	5
Less remuneration with better work environment	1	2	3	4	5

B2. I am with my current employer because

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
I am satisfied with my compensation	1	2	3	4	5
It offers opportunity for growth even though compensation is not good	1	2	3	4	5
It pays better than other organisations	1	2	3	4	5
I am still looking for a better opportunity	1	2	3	4	5

B3. I have made attempts to quit the organization because of unsatisfactory

compensation Yes

No

A. II: QUESTIONNAIRE

This questionnaire is used to gather data for academic purposes only on the EFFECT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON EMPLOYEE RETENTION IN ADVERTISING AGENCIES IN KENYA. The information provided will be treated with utmost confidentiality and will not be divulged. Please answer these questions honestly;

This questionnaire has five sections.

A. Bio Data

A1. Please select your age group?

21 – 30 years

31 – 40 years

41 – 50 years

More than 51 years

A2. What is your gender?

Male

Female

A3. Please select the department you work in?

Client Service

Creative

A4. What advertising agency do you work for?

.....
.....
.....

A5. How long have you worked with the advertising agency?

Below 1 year

1 – 3 years

3-5 years

More than 5 years

A6. Have you previously worked at another advertising agency?

Yes

No

A7. If yes, how many advertising agencies?

1

2

More than 2

C. Recruitment Procedures

C1. In a scale of 1 – 5 indicate your satisfaction in relation to the following?

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
I have personal attributes that fit with the job	1	2	3	4	5
I was recruited through a competitive process	1	2	3	4	5
I feel my recruitment process adequately	1	2	3	4	5
Prepared me for my job	1	2	3	4	5

C2. I am satisfied with the recruitment and selection process at my organization

Yes

No

D. Performance Appraisal

D1. In a scale of 1 – 5 indicate your satisfaction in relation to the following?

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
I am consistently informed when due for appraisal	1	2	3	4	5
I have always been appraised as per schedule	1	2	3	4	5
I feel the appraisal system is fair	1	2	3	4	5
I feel that my appraisal contributes towards my growth	1	2	3	4	5

D2. Does a negative performance appraisal system influence your decision to leave your employer?

Yes

No

B. Compensation system

B1. On a scale of 1 – 5 indicate your satisfaction in relation to the following?

Strongly agree Disagree Don't know Agree Strongly agree

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
My remuneration is satisfactory	1	2	3	4	5
My remuneration is at par with colleagues at same level	1	2	3	4	5
Competitive salary is the main reason to stay on	1	2	3	4	5

B2. I would move to another advertising agency or job

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
As long as the remuneration was better	1	2	3	4	5
It offered same remuneration with opportunity for growth	1	2	3	4	5
Less remuneration with better work environment	1	2	3	4	5

B2. I am with my current employer because

	Strongly agree	Disagree	Don't know	Agree	Strongly agree
I am satisfied with my compensation	1	2	3	4	5
It offers opportunity for growth even though compensation is not good	1	2	3	4	5
It pays better than other organisations	1	2	3	4	5
I am still looking for a better opportunity	1	2	3	4	5

B3. I have made attempts to quit the organization because of unsatisfactory compensation Yes

No

A III: TIME FRAME

Activity	June 2012 to September 2013	Oct. 2012 to Jan. 2013	Feb.2013 to March 2013	March to April 2013	April to May 2013	May 2013
Proposal writing and Presentation						
Pilot testing						
Refinement of Instruments						
Data Collection						
Data Analysis						
Writing of research report						
Submission of research report						

APPENDIX IV: FINANCIAL BUDGET

ITEM	COST
1. Stationary	
a) Writing materials	Kshs. 5,000.00
b) Duplicating papers	Kshs. 5,000.00
c) Flash disks	Kshs. 3,000.00
2. Secretarial Services	
a) Typing proposal	Kshs. 9,000.00
b) Typing final copy	Kshs. 10,000.00
c) Photocopying	Kshs. 5,000.00
3. Travelling	
a) Piloting	Kshs. 15,000.00
b) Research-Data collection	Kshs. 20,000.00
4. Binding	
a) Proposal	Kshs. 3,000.00
b) Research report	Kshs. 5,000.00
5. Data Analysis	Kshs. 20,000.00
6. Contingencies	Kshs. 10,000.00
Total	Kshs. 110,000.00

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