EFFECT OF ORGANIZATIONAL CULTURE ON EMPLOYEE
RETENTION IN COMMERCIAL BANKS IN KENYA.

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DECLARATION

I, the undersigned, confirm that this research project is my original work and it has not been submitted for any course qualification in this or any other university or institution for academic credit.

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This research project has been submitted for examination with my approval as the
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I am grateful to God for providing me with the strength, health, wisdom and resources to pursue this course.

I must mention that the successful completion of this research project has been mainly due to the concerted effort and commitment of many individuals to whom I am highly indebted to. My sincere appreciation goes out to my family for their encouragement and support. Special appreciation goes to my mother, Mrs Margaret Wangu Gatuhí and daughter, Wangu Gatuhí.

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Blessings to you All.
DEDICATION

I wish to dedicate this research project to the Almighty God for giving me the strength, health, wisdom and resources to successfully complete this course.

Secondly, I wish to dedicate this research project to my loving family, especially my mother, for their moral support during the entire course.
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ABSTRACT

The banking industry has recently gone through a lot of changes in technology, staffing, regulation and competition but most banks are still not performing to the expected standards and the poor performance has been attributed to numerous factors, key among the factors being organizational culture. The objective of this research was to find out the effect of organizational culture on employee retention in commercial banks in Kenya. The population of study comprised of commercial banks in Kenya. Only primary data collection instruments were used for the study. Questionnaires were used to collect data and they contained closed questions only. The questions were centered on the main objective of this study and the data collected was verified for completeness. An analysis of the findings was prepared and presented and the summary finding was that most of the respondent banks were in agreement that espoused beliefs and values, rules and policies, artifacts and management behaviors, which are the major components of organizational culture, affect employee retention positively. The study found that organizations had different organizational cultures that either increased or decreased employee retention. The findings of the study also established that rules and policies and espoused beliefs and values were the most dominant organizational culture components. This research study concluded that an organizational culture should be compatible with the organizational human resource strategies so that employee retention can increase. The recommendation made was that organizations need to emphasize on the importance of embracing suitable organizational cultures. This is because organizational culture positively impacts strategies and policies implementation hence creating a thriving, dynamic and competitive organisation. In addition, organizations should align their human resource strategies with the organization culture so as to benefit from good organizational customs.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizational cultures have different and various effects on employee retention. (Sonja and Phillips, 2004) states that good organizational cultures should be compatible with the working environment in the organization thus creating employees who are actively and passionately engaged. A good organizational culture impacts the values, beliefs, practices and procedures of an organization, it builds and supports the vision, mission and values of an organization, it impacts organizational growth, communication, risk appetite, creativity and innovation and it also defines what customers expect from the organization. Organizational culture entails the candid and unforgettable beliefs that an organization has, that are demonstrated daily throughout the organization. The culture is evident in everything the organization does – from hiring people who fit the culture to developing product and service offerings – the culture guides the organization in everything it does. Hence, the organizational culture drives many variables in an organization including employee retention.

This research was informed by the Durkheim’s theory and Herzberg’s two-factor theory. (Durkheim, 1893) states that culture is an evolving network of representations that wholly encompasses the engrained values, beliefs and systems of a natural group. Thus this theory states that culture has relationships to a society by enabling individuals in that society to have power to belong to certain cultural categories and also creates certain practices that build up social order for the individuals in that society. Therefore, from an organizational culture perspective, employees in an organization belong to their specific organizational
culture and their daily tasks are guided by the organizational culture. In the two factor theory of motivation, (Herzberg, 1987) states that some factors bring about job satisfaction whereas other factors bring about dissatisfaction. This theory is essential to employers in understanding the needs and wants of employees hence it would help organizations in creating the necessary human resource strategies so as to improve the culture in the firm.

The study of the effect of employee retention on organizational culture focuses on commercial banks because of the high employee turnover and low retention rates in banks. The annual report for 2016 done by the Central Bank of Kenya (CBK) states that one of the key challenges facing commercial banks is low employee retention rates which greatly reduces customer retention rates, business continuity, performance and profitability as the banks continuously loose valuable employees. Hence, there is need to study and research on the major causes of low employee retention in commercial banks. Organizational culture (or corporate culture as it is usually known) is one of the major causes of the low employee retention rates in commercial banks. Hence, the reason why this study focuses on the effect of organization culture on employee retention in commercial banks in Kenya.

1.1.1 Organizational Culture

Organizational culture incorporates the values and behaviors that contribute to the unique social and psychological environment of a business. (Schein, 2001) defined organizational culture as the normal traditions that a defined group of people has formed, discovered or established so as to get through their external problems of survival and internal problems of assimilation. (Lincoln & Guillot, 2004) describes culture as collective beliefs and values that offers the group meaning and offers them the guidelines for specific behavior in their
organization. (Hofstede, 1993) describes organization culture as joint mind set that sets aside a group of people from another group of people. (Deal and Allan, 1982) describes organization culture as the manner in which things are done in the group or organization. (Pettigrew, 1979) described organizational culture as the values, customs and sentiments that are specific to a single organization.

Organization culture (also commonly known as corporate culture) is usually considered as a major organizational tool that could be used to increase organizational performance, productivity and profitability. (Schein, 2001) says that organization culture can be perceived at three levels of the organization: a work of art, adopted values and fundamental assumptions. Organizational culture is also considered as what brings the organization together and also as a guide that provides direction for a firm. Organization culture significantly impacts the organization’s decisions and actions. The fundamental values, approaches and beliefs of an organization act as a guideline in which the employees perform their duties – usually unintentionally. Hence, comprehending organizational culture is a must in the analysis of an organization.

### 1.1.2 Employee Retention

Employee retention is the ability of an organization to retain its employees. (Armstrong, 2006) defines employee retention as how a firm prevents its employees from exiting or separating from the firm. (Johnson, 2004) describes employee retention as the capability of an organisation to keep employees that the organization wants to have for a longer time. (Leighn, 2002) explains employee retention as keeping the staff who make sure that the firm is still doing business. These are the employees a firm would not like to loose, the key
employees, the employees who are the most difficult to substitute and the employees who contribute most to the organization’s bottom line. Organizations aim to keep their valuable employees because the more they work for the organization, the better they get. During these times of a well-informed workforce, employee retention is slowly becoming a real challenge to many organizations.

Organizations need to retain skilled, talented and competent employees so as to reduce employee turnover costs and increase performance, productivity, efficiency and profitability as their exit from the company could cause damaging effects on the profits and efficiency of the company (Zingheim et al, 2009). Today, organizations are more involved in keeping valuable employees while valuable employees are getting harder to retain (Panoch, 2001). Employee retention is especially challenging nowadays because of an aging senior labour force and lack of competent employees (Padron, 2004). With a dynamic global economy, organizations must comprehend and make use of key notions concerning employee retention. If organizations don’t adapt, they could face some negative findings which include cost of employee turnover (Panoch, 2001). It is widely known that one of the costly effect of employee turnover is lost man hours and productivity (Moncarz et al, 2009). Turnover of customers is also directly linked to employee turnover thus both of these variables have a direct connection to the profitability of the firm. (Agrusa & Lema, 2007).

1.1.3 Commercial Banks in Kenya

The commercial banking sector started way before Kenya was colonised. Initially, the founding banks focused on supporting international trade along the Europe- Africa–India
routes. However, they later expanded their operations to take advantage of opportunities for banking created by an increasing number of farming settlers and pioneer traders to whom they provided banking services. As time passed by, commercial banking saw the entry of locally-owned banks. The first Kenyan locally owned bank was Co-operative Bank of Kenya which was first established as a co-operative society. The first commercial bank to be fully owned by the government was the National Bank of Kenya. Later, in 1971, following the merger of National Bank and Grindlays Bank, the Kenya Commercial Bank was formed, with the government acquiring a 60-per cent majority shareholding in the Bank. After Kenya gained independence, the commercial banking sector has grown tremendously, imitating the country’s growth towards economic prosperity.

As at 31st December 2016, the banking sector consisted of the Central Bank of Kenya, as the regulatory body, 42 commercial banks and 1 mortgage financing bank (Bank supervision annual report 2016). The commercial banking sector has created very many employment opportunities in Kenya – both directly and indirectly. The number of people employed directly by the commercial banking industry reduced by 7 percent from 36,212 in 2015 to 33,695 in 2016. The number of management employees increased while the number of non-management staff reduced by 9 percent hence leading to an general reduction in the commercial banking industry staffing levels. This shows that banks improved their efficiency because of automation thus the number of required non-management employees also reduced.
Kenya has a complicated, sophisticated and saturated commercial banking industry. Nevertheless, the industry is still on a growth trajectory and is still recording robust performance. Currently, the main developments in the commercial banking industry in Kenya include – increased use of technology, drive towards financial inclusion for all Kenyans, agency banking, increased innovation of products, operation of foreign banks representation offices and interest rate capping. The industry exists in a challenging business environment hence it also faces many challenges which include - increasing competition, macro-economic challenges, anti-money laundering, increased & rapid market & technological changes, strict regulatory framework, decreasing profitability, decreasing employee retention rates and increasing fraud. Nevertheless, the commercial banking industry is expected to continue being stable.

1.2 Research Problem

Organization culture varies significantly among organizations and this variation has a substantial influence on employee retention or the rate at which employees willingly terminate employment. (Sheridan, 1992) did a study that established that the organizational cultural effect on the organization is greater than the joint external influence of the labour market and the employees’ demographic features. Hence, organizational culture influences performance, job satisfaction and retention substantially in comparison with other variables. Employee culture fit is the most important aspect of retaining great employees hence defining organizational culture and values is crucial so that these can be used to assess employees’ performance and also to assess candidates during recruitment and selection. (Kristof-Brown et al, 2005) also says that employees who fit well within their
firm had more fulfillment and were least likely to leave their firm and consequently performed much better.

The banking industry in Kenya is massive and contributes significantly to the Kenyan economy by employing very many Kenyans, both directly and indirectly. According to the 2016 annual report on bank supervision done by the Central Bank of Kenya, the main challenges facing the banking industry are increasing competition, macro-economic challenges, anti-money laundering, increased & rapid market & technological changes, strict regulatory framework, decreasing profitability, decreasing employee retention rates and increasing fraud. Employee retention has reduced in banks as employees move from one bank to another bank or from one bank to another organization in a different industry. The main reasons for employees’ movement from banks is increased work-related pressure due to unrealistic performance targets, job insecurity due to retrenchment, increased fraud and less attractive salaries and benefits. Hence, there is need to address the low employee retention rates in banks as it affects business continuity and reduces performance, productivity and profitability. Also, low employee retention rates also affects customer retention as the employees tend to continuously move with their customers. This study focuses on effect of organisational culture on employee retention in commercial banks. The organization culture in the banks covers the shared values, beliefs, behaviours, practices and experiences that make up the work environment. Hence, these shared values, beliefs, behaviours, practices and experiences need to be defined and aligned to the vision and mission of the banks. Once they are defined, then they can be incorporated into the policies and used to assess employees’ performance and also assess candidates when recruiting.
the shared culture, values, beliefs, norms and practices are incorporated into the bank, then all employees are well-informed of them and they will put them into action and this in turn improves employee retention.

Several studies have been done on organizational culture and employee retention. One of the studies was done by (Sonja and Phillips, 2004) who studied the contextual influences on culture shifting and concluded that executives in the international business community experience organizational cultural differences that could hinder management practices in organizations. Another study was done by (Omega, 2012) which studied the perceived link between organizational culture and job satisfaction of employees of Kenya Commercial Bank Ltd and the outcome of the research indicated that organizational culture dimensions of reward, organizational supportiveness, innovation and performance had a direct link with the job satisfaction of employees of Kenya Commercial Bank. Also, (Odhiambo, 2016) examined the influence of organizational culture on employee performance at NIC Bank Kenya Ltd and the results were there is a strong direct connection between organization culture and employee performance. Also, (Salim, 2013) studied the perceived effect of employee retention on performance at Imperial Bank Ltd and concluded that employee retention has a positive impact on performance. (Yego, 2010) studied the relationship between employee retention and productivity in commercial banks in Kenya and concluded that employee retention positively affects productivity. From the above, studies that have been done before have linked organization culture to other variables like performance and job satisfaction and employee retention to other variables like productivity and performance but no study has been done to link organization culture to
employee retention hence this research will fill this gap by answering the following research problem – what is the effect of organizational culture on employee retention in commercial banks in Kenya.

1.3 Objective of the Study

The objective of this study was to determine the effect of organizational culture on employee retention in commercial banks in Kenya.

1.4 Value of the Study

The study will help in illustrating how organizational culture affects employee retention in banks. Organizational culture varies significantly among all the different banks in Kenya – each bank has its own unique organizational culture. Hence, the effect of organizational culture on employee retention will be completely different for different banks. Generally, different banks have different principles on reward, performance, risk appetite, etc. which in turn have a different effect on the employee retention by either enhancing or hindering organization’s retention of their employees. The study will also help banks appreciate the importance of hiring employees who fit better into the banks’ organizational culture which in turn leads to less employee turnover and more employee retention.

The study will help in formulation of policies on organizational culture and employee retention that guide banks and organisations. The outcome of the study will guide policy makers in commercial banks and organisations to rethink and incorporate their organizational culture values in their daily business proceedings. It will also inform policies
so as to ensure organisations have policies that adhere to the bank’s relevant values and culture.

Finally, the study will also be a good source of knowledge, information and facts for students or researchers who are currently studying organisational culture or employee retention. The outcomes of the study will also help highlight where more research and study needs to be done by future students and researchers.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the different literature that exist on the topic of organizational culture as it relates to employee retention. It presents the theories on which this study is anchored then proceeds to analyse the two different variables to be considered in the study – organizational culture and employee retention.

2.2 Theoretical Foundation of the Study

This section presents the theories on which this study is anchored. It specifically describes the Durkheim’s theory and Herzberg’s two factor theory.

2.2.1 Durkheim Theory of Culture

Emile Durkheim (1890) came up with this theory on culture. The theory states that culture is an emerging set of representations that recognizes the in-depth set belief, value and figurative structures of natural origin such as tribal communities which he had studied closely. Durkheim depicts culture as all-inclusive, continuous and homogenous, reified or hypostasized and deterministic. Culture is human beings’ joint efforts to assimilate with a complex and uncertain world. Society binds individuals inextricably to its culture and it generally represents the whole of their reality. According to (Emirbayer, 1996), Durkheim was renowned for his study of how communal groupings originate from and also support social systems. Organizational culture is a core and crucial paradigm in all organizations hence it is through the same organizational culture that a firm gets to have an influence on accomplishment of the firm’s objectives and goals.
Durkheim perceived culture developing in natural social groupings such as families and in similar shared interest groups but he did not perceive culture developing in business enterprises. This might be because he felt that such specialised and differentiated systems did not have the deep characteristics of attachment on which the unity of culture depended (Kunda, 1992). Hence, to reach the ultimate performance, organizations ought to develop a joint goal that motivates and directs employees without necessarily using the normal motivation tools of financial reward and authority but by using the inherent rewards of engagement in an organizational group that is brought together by rules, regulations, values and beliefs (Lincoln & Guillot, 2004).

2.2.2 Herzberg’s two factor theory of motivation

Herzberg’s two factor theory explains what inspires employees and what disgruntles employees. Herzberg divided the behavior aspects into two groups: hygiene and motivator aspects. According to (Herzberg, 1987), factors that reveal job satisfaction are dissimilar to the factors that cause job dissatisfaction but these factors are not opposites. Managers and leaders in organizations are encouraged by this theory to study both motivator and hygiene factors in order to inspire, engage and satisfy all employees. (Herzberg, 1987).

Hygiene factors comprise of the desires from Maslow’s hierarchy of needs. These are the aspects that are indirectly linked to the job but are directly linked to the environment that is involved in doing the job. These factors include organizational policy, employee relations, compensation, job security, personal life, working environments and rank in an organization. Herzberg termed these hygiene aspects because they are essential in maintaining a realistic level of fulfillment. These factors are not motivating factors but they
are required to avoid dissatisfaction and act as a start for motivation. Nevertheless, improving these conditions does not generate motivation (Huling, 2003).

Motivator aspects relate to the work itself – they are inherent to the work and they do not come about from incentives. They mainly involve the desire for advancement and appreciation among employees. Also, a lack of these factors is not extremely dissatisfying but they tend to create high levels of motivation. Hence, they are also referred to as satisfying factors or motivating factors and they include achievement at work, recognition, career advancement and possibility of personal growth and responsibility.

2.3 Components of Organizational Culture

(Schein, 2001) stated that organizational culture is one of the hardest elements of an organization to change as it outlives the services, products, employees, management, executives, founders and other physical aspects of the organization. (Schein, 2001) defines organizational culture from the point of view of the person observing. According to (Schein, 2001), organizational culture has three different components or levels: the surface artifacts, shared or adopted values and the basic underlying assumptions. Surface artifacts refers to the physical elements of the firm that show cultural differentiation or it could also refer to the small portion of the organization’s culture that is seen and it includes the dressing, employee status in organization, signs, physical arrangements and interpersonal relations. According to (Denison, 1990), artifacts are the physical aspects of culture as defined by the employees – these are the behavioral, verbal and tangible artifacts that are the exterior exhibition of the organization’s culture. Artifacts are the vital elements of
organizational culture that differentiate a specific organization from another. According to (Armstrong, 2006), the surface artifacts are the physical, visible features of an organization that individuals can see, hear or feel, for instance, language, myths, ceremonies, legends, rituals, décor and appearance can be easily seen, heard or felt.

Another element of organizational culture are the values collectively owned by the employees of the organization. Generally, these values help in creating policy and are thus mirrored in the way the organization runs its business. According to (Jones, 2010), values are the shared guidelines, criteria or propositions that guide the character of employees. (Schein, 2001) states that although values are often unseen, they come up in discussions about why the organization was established and where the organization is going. The values of the organization become clearer as the senior management develop and define the organization’s vision and mission. According to (Brown, 1988), organizational values form the most intrinsic level of culture and they are closely connected with morals and ethics as they define what the employees think should be done. Lastly, the third element and the very intrinsic level of culture are the principal assumptions. (Schein, 2001) says that these begin as joint values of the firm but later become embedded that they become strong beliefs about the way work is done. These assumptions act as a control on how decisions are made and about how the structure of the organization is created and the creation of a proper strategy that helps in achieving an advantage over the competition and the appropriate tools for recruitment and selection and considering all the requirements of the numerous stakeholders. Unfortunately, these assumptions are often hard to recognize and communicate.
(Brown, 1988) recognized organizational culture by four main themes which are culture as a learning unit, culture as a belief structure, culture as a strategy and culture as a mental structure. The theme of learning entity describes culture as the right approach for employees to act hence culture maintains survival and growth of the organization. The theme of belief system is that culture consists of guiding and daily beliefs that give direction to the employees of the organization. The theme of culture as a strategy views culture as a strategic phenomenon since any culture change system in an organization is not isolated as it occurs within the strategy of the organization. The fourth perception of organizational culture as a mental system takes the view of (Hofstede, 1993) that organizational culture is the joint mind set of a group of persons which sets aside members of one grouping from another grouping.

(Hofstede, 1993) also separated culture into four main features which are symbols, heroes, rituals and values. Values is fundamentally culture at the deepest level and they are closely associated with morals and ethics. They govern what employees perceive should be done and recognize the preferences for both employers and employees. Rituals are the joint actions that are considered socially important. Heroes are the individuals who have features that are regarded highly or the employees who get ahead in a firm. (Deal and Allan, 1982) define the hero as a great motivator – the employee to be counted on when it gets rough. Symbols are the obvious elements of culture and they include the objects, words or actions that signify something as different and has meaning for an individual or group.
2.4 Factors affecting Employee Retention

According to (Dockel, 2003), there are six main factors that need to be put into consideration to increase retention of employees who perform well. These factors are compensation, job autonomy, training, support from superiors, career development and work life policies. (Flippo, 2009) describes compensation as the satisfactory and justifiable remuneration of employees for their contribution to the organizational goals. Compensation is a key incentive used to lure competent employees to an organization. However, according to (Mitchel et al, 2001), higher salaries are not important but fair salaries are linked with retention as long as the salaries are viewed as reasonable. Monetary incentives are one of the major commonly deliberated employee retention factors since they not only satisfy both material desires and social desires since the salary levels roughly shows the employee’s comparative position of command and influence within a firm (Becker, 1998).

Job autonomy is the extent to which work offers reasonable individuality, choice, freedom and discretion to the job holder to plan their daily chores and choose the best processes to do their work (Jiang and Klein, 2000). Also, work that consists of mainly routine based tasks is likely to yield demotivation and high employee turnover (Panoch, 2001). (Leighn, 2002) states that many employees would leave their employer or organization if they do not perceive their work as significant or their work contributions as regarded important by others. In organisations with high job autonomy, employees viewed their outputs in terms of their own hard work, ingenuity and choices rather than supervision from their superiors.
According to (Cook, 1992), an increase in job autonomy increases the rate of employee retention.

(Becker, 1998) states that it is important for organizations to make sure their employees are trained so as to cope with the requirements of a dynamic business environment. Employees tend to work for organizations that encourage career growth and development through learning (Jiang and Klein, 2000). According to (Johnson, 2004), training and development has an emotional impact on employees. When the organization is training employees as appropriate, the employees feel that their organization is improving their skills. Development of managers is also important in retaining employees because it reduces recruitment and selection of managers especially where the organization wants to grow employees internally rather than acquiring employees externally (Morgan, 1997).

With supervisor support, it’s noted that when employees are recognised and praised more, loyalty to the firm develops as a result (Cook, 1992). When supervisors recognise their employees more, the commitment to the organization also increases. (Cook, 1992) perceives supervision as an enabler in helping employees cope successfully with the rigors of their work. (Cook, 1992) views supervisor support as providing productive and valuable feedback to the employee. He affirms that without supervisor support, an organization cannot retain its best people. (Morgan, 1997) state that supervisor support can also be used to report job performance and hence it is more productive if it is used to determine promotions and merit compensation.
An organization should provide innovative career development opportunities that are part and parcel of the organization and also offer mentoring programs (Morgan, 1997). (Panoch, 2001) suggests that a firm that wishes to improve the rapport with employees must train and develop its staff by generating prospects for promotions and training that allow staff to enhance their prospects in the labour market. (Allen and Meyer, 1990) notes that career growth is effective if it is integrated in the organizational strategy and performance evaluation so as to promote developmental wants in employees. (Allen and Meyer, 1990) observe that employees’ good perception of career growth opportunities reduces employee turnover. It was also noted that provision of numerous career development opportunities for employees increased employee retention more than any other type of reward.

Work-life policies usually include adjustable job schedules that allow employees time off work to sort out their personal matters (Burke and Cooper, 2002). These policies typically cover part-time work, family leave policies, childcare assistance, proximity of work from home, parental leave, etc. (McCrory, 1999) states that many employees value work-life balance initiatives. Dedicated employees are usually more concerned with work-life balance policies. (Dubie, 2000).

2.5 Effect of organizational culture on employee retention

The question of whether organizational culture has an effect or influence on employee retention or on their wish to work for an organization has been researched by different scholars and below is a summary of some of the outcomes of this empirical study. (McDonald, 1993) took an all-inclusive approach and studied the effect of overall
organizational culture on capability of the organisation to keep its employees. He studied organizational culture and recognised that the more similar the values of an organization were to an employee’s individual values, the more devoted the employee was to the organization hence the employee would not seek employment elsewhere. He also established that the relationship between organizational culture and retention or employees’ intention to exit the organization was affected by the employees’ persona. Similarly, (Reilly et al, 2005) studied the influence of organizational culture on retention of employees and established that staff were more dedicated and least likely to exit the organization when their organization’s culture was comparable to what they perceived to be their optimal culture.

Contrary to the all-inclusive view, other researchers studied the influence of certain organizational values on employee retention. An example is, (Sheridan, 1992), a psychologist, quantified organizational culture values inside some firms in a certain area and he established that accountants employed by firms that put a lot of emphasis on interpersonal relationship values served the organizations longer than those employed by firms that put more emphasis on work task values. (Sheridan, 1992) also studied the effect of specific organizational cultural values on employee retention and found that retention was better for staff who perceived that the firm gave the necessary importance to relationship-oriented values and change-oriented values. On the other hand, retention was less among employees who perceived these values not to be important.
Hence, from the studies mentioned above, research and evidence points to the fact that organizational culture significantly influences employees’ retention. Employees will be especially appealed by organizations with values that are similar with their own values or values that are similar to their ideal organizational values. This can be done by creating a culture where relationship oriented values are dominant. This is also a major feature of many organizations that are recognized as top employers. In addition, the values an organization endorses in creating its culture should be governed by the type of employees the organization wishes to appeal to and keep in addition to its overall business strategy.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter covers the research plan, population, sample design, data collection and analysis.

3.2 Research Design
This study embraced a descriptive research design. Mugenda (2003) states that descriptive research design is a scientific technique which entails observing and describing the characteristics of a population or a phenomenon that is being studied. This research design was applied because it is the best in collecting data across different banks at a specific time with the aim of describing the status-quo.

3.3 Population of the Study
The expected population comprised of all the 42 banks (Bank supervision annual report 2016). Since the minimum recommended sample is 30 units and the number of banks is fairly small, then a census approach was adopted thus data was collected from all the 42 banks.

3.4 Data Collection
This research utilized primary data. Primary data was gathered using questionnaires that comprised closed questions only. The questionnaires were divided into three sections - section A, B and C. Section A dealt with general information about the bank while section B addressed organizational culture components adopted by the Bank and section C
addressed employee retention. The respondents were human resource officers or human resource managers working in the commercial banks as they have a good understanding of the organizational culture components embraced by their respective commercial banks and they also have raw data on their banks’ employee retention and turnover. The questionnaires were administered through email.

3.5 Data Analysis

Data on section A was studied using descriptive statistics which are mean, standard deviation and frequencies. Data on section B was analyzed using simple regression analysis. Simple regression analysis established the effect of organizational culture on retention of employees in commercial banks. Tables were used to present the data gathered to enable easy understanding.

The simple regression model used in this study was

\[ Y = a_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e \]

where \( Y \) = Employee retention

\( X_1, X_2, X_3, X_4 \) were independent variables that affect employee retention and

\( X_1 = Artifacts \)

\( X_2 = Espoused beliefs and values \)

\( X_3 = Rules and policies \)

\( X_4 = Management behaviors \)

\( a_0 \) was a constant variable that affects employee retention.

\( b_1, b_2, b_3, b_4 \) were co-efficients of the independent variables.

\( e = error \ term \)
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysed data, the results and discussion on the analysed data. The data collected from the research study has been analysed, presented and discussed in this chapter.

4.2 Response Rate

A total of 30 questionnaires were responded to out of the total of 42 questionnaires that were distributed. The 30 questionnaires that were responded to represent a response rate of 71% hence the non-response rate is not likely to affect the outcome of the research study. This response rate is in alignment with stipulations by Mugenda (2003) that a response percentage of 70% and above is representative of the target population and therefore sufficient for data analysis.

4.3 Demographic Data

This section gives a brief analysis of the respondent banks’ demographic data in terms of the bank tier, age of bank in Kenya, number of employees in the bank, ownership of the bank, position of the respondent in the Bank, gender of the respondent and the age of the respondent.
4.3.1 Response by Bank Tier

This study aimed to find out the distribution of the respondent banks by bank tier which indicates the relative size of the bank in relation to other Banks. This would help ascertain the characteristics of each bank by bank tier. The outcomes are below.

Table 4.1: Response by bank tier

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>6</td>
<td>19%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>5</td>
<td>16%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>19</td>
<td>65%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

The respondent banks in tier 1 were 6, in tier 2 were 5 and in tier 3 were 19 thus the respondent banks from tier 1 were 19%, from tier 2 were 16% and from tier 3 were 65%. From this analysis, the respondent banks were mostly from tier 3 than from tier 1 and tier 2 but the difference by bank tier was not substantial therefore this implies that the research study was not affected by differences in bank tier.

4.3.2 Response by period of operation in Kenya

This study aimed to find out the distribution of the respondent banks by the period of operation of the bank in Kenya. This helps to understand the organization culture of the bank based on how long it has been in operation. The outcomes are below.

Table 4.2: Response by period of operation in Kenya

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10 years</td>
<td>8</td>
<td>28%</td>
</tr>
<tr>
<td>10 – 20 years</td>
<td>13</td>
<td>42%</td>
</tr>
<tr>
<td>Over 20 years</td>
<td>9</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>
The respondent banks with less than 10 years of operation in Kenya were 8, while the banks with between 10 and 20 years operation in Kenya were 13 and the banks with more than 20 years of operation in Kenya were 9 and the respective percentages are 28%, 42% and 30%. From this analysis, the respondent banks are equally distributed among all the periods of operation in Kenya thus there is no substantial difference by period of operation in Kenya therefore this implies that the research study was not affected by differences in period of operation in Kenya.

4.3.3 Response by Number of employees in the Bank

This study aimed to find out the distribution of the respondent banks by number of employees in the bank. This was important so as to ascertain the characteristics of each bank by the number of employees in the Bank. The outcomes are below.

Table 4.3: Response by number of employees in the bank

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 100 employees</td>
<td>12</td>
<td>42%</td>
</tr>
<tr>
<td>100 – 500 employees</td>
<td>8</td>
<td>28%</td>
</tr>
<tr>
<td>500 – 1000 employees</td>
<td>6</td>
<td>19%</td>
</tr>
<tr>
<td>Over 1000 employees</td>
<td>4</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The respondent banks with less than 100 employees were 12, while the banks with between 100 and 500 employees were 8 and the banks with between 500 and 1000 employees were 6 and the banks with more than 1000 employees were 4 and the respective percentages are 42%, 28%, 19% and 12%. From this analysis, the respondent banks are well distributed among the number of employees in the bank thus there is no substantial difference by
number of employees in the bank therefore this implies that the research study was not affected by differences in number of employees in the bank.

4.3.4 Response by Bank Ownership

This study aimed to find out the distribution of the respondent banks by bank ownership. This was vital so as to appreciate the patterns of each bank by ownership. The outcomes are below.

Table 4.4: Response by bank ownership

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally-owned</td>
<td>10</td>
<td>33%</td>
</tr>
<tr>
<td>Foreign-owned</td>
<td>20</td>
<td>67%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

The respondent banks that are locally-owned are 10 while the respondent banks that are foreign-owned are 20 and the percentages represented by the locally-owned and foreign-owned banks are 33% and 67% respectively. From this analysis, the respondent banks were mostly foreign-owned but the difference by ownership was not substantial therefore this implies that the research study was not affected by differences in ownership.

4.3.5 Response by Position of the Respondent in the Bank

This study aimed to find out the distribution of the respondent banks by bank tier. This was important so as to understand the respondents. The outcomes are below.

Table 4.5: Response by position of the respondent in the Bank

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Assistant</td>
<td>10</td>
<td>35%</td>
</tr>
<tr>
<td>HR Business Partner</td>
<td>7</td>
<td>23%</td>
</tr>
<tr>
<td>HR Manager</td>
<td>13</td>
<td>42%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>
The position of the respondent in the banks was HR assistant in 10 banks while for 7 banks, the position of the respondent was HR business partner and finally the position of the respondent in 13 banks was HR manager and the respective percentages were 35%, 23% and 42%. From this analysis, the respondent’s position are equally distributed among all the banks thus there is no substantial difference by position of the respondent in the bank therefore this implies that the research study was not affected by position of the respondent in the bank.

4.3.6 Response by Gender

This study aimed to find out the gender distribution of the respondents. This was important so as to understand the trend and patterns of each gender in terms of culture in the organization. The outcomes are below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>18</td>
<td>60%</td>
</tr>
<tr>
<td>Male</td>
<td>12</td>
<td>40%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

Based on the analysis, male respondents were 12 while 18 were female. The results indicate that 40% of the respondents were male while 60% were female hence the respondents were mostly female than male. The outcomes indicate that the gender difference was not substantial and thus this implies that the research was not affected by gender imbalance.
4.3.7 Response by Age Bracket

This study aimed to find out the age bracket of the respondents. Age was an vital factor of the research as perceptions depend on the maturity of the person. The outcomes are below.

Table 4.7: Respondents by Age bracket

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 – 30 years</td>
<td>10</td>
<td>33%</td>
</tr>
<tr>
<td>31 – 40 years</td>
<td>10</td>
<td>33%</td>
</tr>
<tr>
<td>41 – 50 years</td>
<td>8</td>
<td>27%</td>
</tr>
<tr>
<td>Over 50 years</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The research study enquired about the age bracket of the respondents and the research outcomes showed that 10 employees each fell under the age bracket of 18 to 30 years and 31 to 40 years which represents 33% for each age bracket. This was followed by 8 employees who fell under the age bracket of 41 to 50 years which represents 27% and last but not least, 2 employees fell under the age bracket of over 50 years which represents 7%. The results indicate that all age groups were represented.

4.4 Organizational Culture

This study aimed to find out the effect of organizational culture on employee retention in commercial banks in Kenya. The components of organizational culture that were measured include artifacts, espoused beliefs and values, rules and policies and management behaviors. A five-point likert scale was used where 1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly agree. The averages of the different components of
organizational culture were calculated in order to identify the overall feeling of the respondents.

Averages of less than 1.5 implied that respondents strongly disagree that organizational culture influenced employee retention while averages of more than 1.5 but less than 2.5 implied that the respondents disagree that organizational culture influenced employee retention. Averages greater than 2.5 but less than 3.5 implied that respondents had an indifferent or moderate response with respect to organizational culture influencing employee retention. Averages greater than 3.5 but less than 4.5 implied that respondents agree that organizational culture influenced employee retention and averages greater than 4.5 implied that respondents strongly agree that organizational culture influenced employee retention.

The standard deviation gives the distribution of the responses with respect to the average mean. It gave an indication of how far-off the different responses to each component of organizational culture varied from the average mean. A standard deviation of more than 1 indicated that there is no agreement on the responses given while a standard deviation of less than 1 indicated that there is an agreement on the responses given.

4.4.1 Artifacts

The questionnaire aimed to find out the respondent’s extent of agreement with various statements on the extent to which artifacts affected employee retention in commercial banks in Kenya. The average outcomes are below.
Table 4.8: Artifacts

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The physical facilities (air conditioning, lighting, ventilation, noise, heating, etc.) of the bank building is appropriate for working.</td>
<td>3.5</td>
<td>0.793</td>
</tr>
<tr>
<td>The bank buildings (corridors, departments, toilets, elevators etc.) are sufficiently formal, clean and orderly in general.</td>
<td>3.6</td>
<td>1.026</td>
</tr>
<tr>
<td>The necessary security measures (alarming, security systems, entry–exit controls etc) have been considered in the bank building.</td>
<td>3.8</td>
<td>0.683</td>
</tr>
<tr>
<td>The bank employees follow business acumen and professional dress code.</td>
<td>3.9</td>
<td>1.021</td>
</tr>
<tr>
<td>The number and quality of equipment (printers, computers, desks, stationery etc) that are necessary to work is adequate and sufficient.</td>
<td>3.8</td>
<td>0.833</td>
</tr>
<tr>
<td>The bank provides parking facilities for both management and non-management employees.</td>
<td>3.65</td>
<td>0.779</td>
</tr>
<tr>
<td><strong>Average Mean</strong></td>
<td><strong>3.7</strong></td>
<td></td>
</tr>
</tbody>
</table>

The outcomes indicate that the respondent banks moderately agree that physical facilities in the bank are appropriate for working with an average mean of 3.5 and there was agreement that bank buildings are sufficiently formal, clean and orderly. Also, there was agreement that the bank building has the necessary security measures and also agreement that the bank employees follow business acumen and professional dress code. There is also agreement that the number and quality of equipment for working is adequate and sufficient and also agreement that the bank provides parking facilities for both management and non-management employees. Overall, there is agreement that artifacts, as a component of
organizational culture, are good in commercial banks in Kenya as illustrated by an average mean of 3.7.

Based on the above analysis, the physical facilities of the bank buildings seem to be reasonably inappropriate for working. However, the bank buildings are sufficiently formal, clean and orderly and the necessary security measures have been set up in the bank buildings. Also, employees in commercial banks follow the appropriate business acumen and dress professionally. The commercial banks have also provided adequate equipment for working and the banks have also provided parking facilities for both management and non-management employees.

4.4.2 Espoused Beliefs and Values

The questionnaire aimed to find out the respondent’s extent of agreement with various statements on the extent to which espoused beliefs and values affected employee retention in commercial banks in Kenya. The average outcomes are below.

Table 4.9: Espoused Beliefs and Values

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The rules of the bank are followed explicitly and faithfully.</td>
<td>3.85</td>
<td>0.904</td>
</tr>
<tr>
<td>The bank involves all stakeholders including employees in the main decisions.</td>
<td>3.9</td>
<td>1.034</td>
</tr>
<tr>
<td>Highly skilled employees are considered valuable assets to the bank.</td>
<td>4.3</td>
<td>0.847</td>
</tr>
<tr>
<td>Empowering of employees in the Bank has helped in discovering potential future leaders.</td>
<td>4.1</td>
<td>1.016</td>
</tr>
<tr>
<td>Statement</td>
<td>Mean</td>
<td>Standard Deviation</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------</td>
<td>--------------------</td>
</tr>
<tr>
<td>All employees usually have the same views with regards to objectives and decisions of the bank.</td>
<td>3.92</td>
<td>0.754</td>
</tr>
<tr>
<td>The bank encourages innovation among all employees.</td>
<td>3.9</td>
<td>0.912</td>
</tr>
<tr>
<td>The bank’s employees value teamwork as opposed to individualism.</td>
<td>4.2</td>
<td>1.075</td>
</tr>
<tr>
<td>The bank rewards individual performance.</td>
<td>3.85</td>
<td>0.904</td>
</tr>
<tr>
<td>The bank acknowledges and encourages individual employees’ strengths.</td>
<td>3.9</td>
<td>1.034</td>
</tr>
<tr>
<td>The bank encourages employees to air their opinions.</td>
<td>3.95</td>
<td>1.167</td>
</tr>
<tr>
<td>The bank encourages and rewards hard work.</td>
<td>4.15</td>
<td>1.123</td>
</tr>
<tr>
<td><strong>Average Mean</strong></td>
<td><strong>4.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

The outcomes indicate there is agreement that rules of the banks are followed explicitly and faithfully with a mean of 3.85 and there is agreement that the banks involve all stakeholders in decision making with a mean of 3.9 and there is also agreement that highly skilled employees are considered valuable to the banks with a mean of 4.3 and there is agreement that empowering employees helps in discovering future leaders with a mean of 4.1. In addition, there is agreement that all banks’ employees usually have the same views with respect to objectives and decisions of the banks with a mean of 3.92 and there is agreement that the banks encourage innovation among employees with a mean of 3.9 and there is agreement that banks’ employees value teamwork with a mean of 4.2 and there is agreement that the banks reward individual performance with a mean of 3.85 and there is agreement that the banks encourage individual employee strengths with a mean of 3.9. Finally, there is agreement that the banks encourage employees to air their opinions with a mean of 3.95 and there is agreement that the banks encourage and reward hard work with a mean of 4.15. Overall, there is agreement that espoused beliefs and values, as a
component of organizational culture, are good in commercial banks in Kenya as illustrated by a mean of 4.0.

From the analysis above, employees of commercial banks in Kenya follow the bank’s rules explicitly and faithfully. Also, the banks involves all stakeholders including employees in decision making and highly skilled employees are considered valuable to the bank. Empowering of employees in commercial banks has helped in discovering potential future leaders and all the bank employees usually have the same views towards the objectives and decisions of the bank. Commercial banks in Kenya encourage innovation among its employees and the bank employees value teamwork more than individualism. The banks encourage individual employees’ strengths and consequently reward individual performance and hard work. The banks also encourage its employees to air their opinions freely.

4.4.3 Rules and Policies

The questionnaire aimed to find out the respondent’s extent of agreement with various statements on the extent to which rules and policies affect employee retention in Commercial Banks in Kenya. The average outcomes are below:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees in the bank place the necessary importance on bank values, rules and regulations.</td>
<td>4.21</td>
<td>1.361</td>
</tr>
</tbody>
</table>
The bank deals with all employees fairly and refers to the rules, regulations, processes and procedures in case of any contentions.

| The bank has documented and availed all the rules, processes and procedures to all employees. | 3.62 | 0.847 |
| The bank ensures that all employees are clearly aware of their duties and tasks and all that is expected from them. | 4.36 | 1.088 |
| The bank encourages leaders and managers to deal with their employees fairly according to the values, rules and regulations of the Bank. | 3.74 | 1.208 |
| Average Mean | 3.82 | 1.056 |

The outcomes indicate that there is agreement that employees in the banks place the necessary importance on bank values, rules and regulations with a mean of 4.21 and there is agreement that the banks deal with all employees fairly by sticking to the rules with a mean of 3.67. In addition, there is agreement that the banks have documented and availed all the rules and procedures with a mean of 4.36 and there is agreement that the banks ensure all employees are aware of their duties and tasks with a mean of 3.74. Finally, there is agreement that the banks encourage leaders and managers to deal with their employees fairly according to the values, rules and regulations of the bank with a mean of 3.82. Overall, there is agreement that rules and policies, as a component of organizational culture, are good in commercial banks in Kenya as illustrated by a mean of 3.95.

From the outcomes above, we can conclude that the bank employees place the necessary importance on bank values, rules and regulations and the bank deals with all employees fairly and refers to their respective rules, regulations, processes and procedures in cases of
any contentions. The banks have also documented and availed all the rules, processes and procedures to the employees and the banks ensures that its employees are fully aware of their duties and tasks and what is expected from them. The banks also encourage their leaders and managers to deal with their employees fairly according to the values, rules and regulations of the bank.

4.4.4 Management Behaviors

The questionnaire aimed to find out the respondent’s extent of agreement with various statements on the extent to which management behaviors affect employee retention in Commercial Banks in Kenya. The average outcomes are below:

Table 4.11: Management behaviors

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers in the bank are flexible when making decisions.</td>
<td>3.44</td>
<td>0.852</td>
</tr>
<tr>
<td>Managers in the bank take time to build relationships with individual employees.</td>
<td>3.54</td>
<td>0.942</td>
</tr>
<tr>
<td>Managers in the bank involve their employees in making decisions.</td>
<td>4.26</td>
<td>1.076</td>
</tr>
<tr>
<td><strong>Average Mean</strong></td>
<td><strong>3.75</strong></td>
<td></td>
</tr>
</tbody>
</table>

The outcomes indicate that there is moderate agreement that managers in the bank are flexible when making decisions with a mean of 3.44 and there is moderate agreement that managers in the bank take time to build relationships with the employees with a mean of 3.54. There is also agreement that managers in the bank involve employees in decision making with a mean of 4.26. Overall, there is agreement that management behaviors, as a
component of organizational culture, are good in commercial banks in Kenya as illustrated by a mean of 3.75.

Based on the above analysis, there is some inflexibility when managers in the bank are making decisions. However, managers in the bank seem not to take time to build relationships with the individual employees and the managers involve their employees in decision making.

4.5 Employee Retention

The questionnaire aimed to find out the respondent’s extent of agreement with various statements on employee retention in commercial banks in Kenya. The average outcomes are below.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overworking of employees in the bank causes them to want to leave the bank.</td>
<td>3.95</td>
<td>0.793</td>
</tr>
<tr>
<td>Payment of better salaries and bonuses will reduce the number of employees who are leaving the bank.</td>
<td>4.00</td>
<td>0.026</td>
</tr>
<tr>
<td>Improvement of employee benefits will reduce the number of employees who are leaving the bank.</td>
<td>3.82</td>
<td>0.683</td>
</tr>
<tr>
<td>Improved training and development opportunities will increase employee retention rates.</td>
<td>3.9</td>
<td>1.021</td>
</tr>
<tr>
<td>Better working relations between employees will reduce employee turnover rates.</td>
<td>3.87</td>
<td>0.833</td>
</tr>
</tbody>
</table>
Less monotony at work will increase employee retention rates. | 3.85 | 0.779 |
|---------------------------------|------|------|
More career development opportunities will make more employees to want to stay with the bank. | 3.72 | 0.826 |

The outcomes indicate that there is agreement that overworking of employees in the banks make them want to leave with a mean of 3.95 and there is agreement that payment of better salaries and bonuses will reduce the number of employees leaving the bank with a mean of 4.00. There is also agreement that improvement of employee benefits will reduce the number of employees leaving the bank with a mean of 3.82 and there is agreement that improved training and development opportunities will increase employee retention with a mean of 3.9. In addition, there is agreement that better working relations between employees will reduce employee turnover with a mean of 3.87 and there is agreement that less monotony at work increases employee retention with a mean of 3.85 and there is agreement that more career development opportunities will make more employees to want to stay with the bank with a mean of 3.72. Overall, there is agreement that initiatives towards increasing employee retention in commercial banks in Kenya are good as illustrated by a mean of 3.87.

Based on the above analysis, overworking of employees in the banks makes the employees want to leave the bank while payment of better salaries and bonuses, improvement of employee benefits, improved training and development and career development opportunities reduces the number of employees leaving the bank. Also, better working
relations between employees and less monotony at work increases the employee retention rates.

### 4.6 Regression Analysis

The relationship between different components of organizational culture and employee retention among the respondents was studied. It was established that all the four variables (components of organization culture – artifacts; espoused beliefs and values; rules and policies and management behaviors) were closely linked to employee retention in commercial banks in Kenya.

In order to measure the relationship between the independent variables (components of organizational culture) and the dependent variable (employee retention), the results were subjected to regression analysis. The regression analysis would help predict the value of \( Y \) for specific values of \( X_1, X_2, X_3 \) and \( X_4 \).

The regression equation used was \( Y = a_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e \)

where \( Y = \) Employee retention measured on a likert scale

\( X_1, X_2, X_3, X_4 \) were the independent variables that affect employee retention and are represented by

- \( X_1 = \) Artifacts
- \( X_2 = \) Espoused beliefs and values
- \( X_3 = \) Rules and policies
- \( X_4 = \) Management behaviors
a<sub>0</sub> is a constant variable that affects employee retention.

b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub>, b<sub>4</sub> are co-efficients of the independent variables.

e = error term

The results are given in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sigma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Standard Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artifacts</td>
<td>0.355</td>
<td>0.051</td>
<td>0.396</td>
<td>7.193</td>
</tr>
<tr>
<td>Espoused beliefs and values</td>
<td>0.405</td>
<td>0.039</td>
<td>0.161</td>
<td>5.172</td>
</tr>
<tr>
<td>Rules and policies</td>
<td>0.321</td>
<td>0.026</td>
<td>0.278</td>
<td>6.256</td>
</tr>
<tr>
<td>Management behaviors</td>
<td>0.205</td>
<td>0.042</td>
<td>0.144</td>
<td>4.857</td>
</tr>
</tbody>
</table>

The table above illustrates that the co-efficient of artifacts, espoused beliefs and values, rules and policies and management behaviors are positively correlated to employee retention. Hence, from the above analysis, it is clear that the organizational culture in commercial banks in Kenya is positively linked to employee retention.

4.7 Discussion on Findings

This study established that commercial banks in Kenya have diverse organizational cultures that significantly affect employee retention and the organizational cultures are mainly focused on the interpersonal relationships between the employees. The research outcomes revealed that the components of organizational culture that affected employee retention most were espoused beliefs and values and rules and policies. Hence, the outcomes indicate that commercial banks in Kenya have adopted espoused beliefs and
values and rules and policies as their core organizational cultural components. This also concurs with Hofstede (1993) who illustrates the existence of several types of organizational cultures whereby employees place a high priority on rules, laws, obligations and shared values and belief systems. This is evident in organizations that consist of employees who believe that the interpersonal relationships among the employees dictate the rules they should live by.

Hiring employees based on the organization’s shared values and beliefs is a sure way to achieve winning results. In human resource, this is known as cultural fit of employees to the organization, which is a major component of organizational culture. Hence, organizations need to define their organizational culture and particularly define their values and beliefs. The findings in this study illustrate the importance of having organizational beliefs and values that all employees can identify with. These outcomes concur with (Sheridan, 1992) who states that discrepancies in values and beliefs between employees and the organization can result in increased employee turnover. The outcomes also establish that an organization with a strong belief and value system will positively influence the employees’ behaviors when performing their daily duties hence resulting in increased productivity, performance, commitment and employee retention. It is also evident from the outcomes that employees who have a common belief and value system are more engaged and motivated hence resulting in increased employee retention.

By and large, employees remain or leave organizations based on how the rules, policies and practices of their organizations are in line with their own personal beliefs, values and
expectations. The outcomes from this study established that commercial banks in Kenya have rules, policies and practices that are favorable to their employees hence resulting in increased employee retention. The outcomes also establish that if employees perceive that the organizational rules, policies and practices are rigid or restrictive in any way, then the employees would consider other employment options hence affecting employee retention. This also concurs with (Cook, 1992) who states that rules, policies and practices that are linked to training and development, compensation and organizational culture are a major predictor of employee retention. Thus the outcomes of this research study have established that commercial banks in Kenya have incorporated different rules, policies and practices that aim to increase employee retention.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the summary of the outcomes, conclusions and recommendations drawn as a result of the research outcomes. The limitations of the study and the researcher’s suggestions for additional research are also discussed in this chapter.

5.2 Summary of findings

The main findings from this study was that organizational culture affects employee retention in commercial banks in Kenya. There are various components of organizational culture but, according to this study, the major component that affects employee retention the most is the organizational espoused beliefs and values and the second major component that affected employee retention was the rules and policies that guide an organization. Hence, commercial banks in Kenya need to focus on improving their core values, beliefs rules and policies as one of the main initiatives of increasing employee retention. Also, banks need to create a sustainable and dynamic organization culture so as to continuously address employee issues thus increasing employee retention in the long run.

The study found that commercial banks in Kenya have incorporated various organizational culture components that aim to increase employee retention. The organizational cultures that have been created by the commercial banks are mainly focused on the interpersonal relations between the employees. The outcomes also reveal that the provision of rules, policies and practices that provide favorable conditions and environments for employees
was an important organizational culture component. The existence of diverse organizational culture components resulted in an increase in employee retention in the various commercial banks in Kenya and brought about increased productivity and improved quality of work from employees. In addition, existence of different organizational culture components also resulted in the timely achievement of the strategies and goals of the commercial banks.

The study also revealed that employees valued teamwork more than individualism while conducting their duties. The incorporation of organizational cultures that are focused on better employee relations seemed to have a substantial impact on employee retention. The outcomes also show that banks who have employees who have strongly embraced their organizational culture had increased organizational performance and positive employee relations. Consequently, the employee relations also had an effect on employee motivation and satisfaction since a friendly working environment motivates staff to give more in their daily tasks therefore increasing the organizational performance.

5.3 Conclusion

Based on the analysis and findings from this study, some important findings have been revealed from which these conclusions have been drawn. Employee retention in commercial banks in Kenya is influenced by different factors but rules and policies and espoused beliefs and values are the most important components of organizational culture that affect employee retention compared to the other two components that were measured - artifacts and management behaviors.
The study established that employee retention is impacted by many different factors and that all the different factors are important. In addition, one inference that can be drawn from this research is that culture is a vital aspect in every firm and that it has an impact on employee retention. However, organizations ought to be aware of the importance of the different factors that affect employee retention so that they can focus on the factors that are most critical.

Organizational culture is a strong force that significantly influences organizational performance and profitability. A good and strong organizational culture will enhance good employee behavior that is conducive for increased productivity and performance among employees. However, organizational cultural components ought to be compatible with the intended human resource strategies and goals. This is because organizational culture influences employee actions by enabling them to support organizational strategy implementation. Consequently, for employee retention to increase, the current organizational culture should be compatible with the intended human resource strategies. In addition, if commercial banks wish to stay competitive, they should aim to have an organizational culture that gives staff a feeling of belonging to the organization.

Finally, another conclusion drawn from the study is that organizations should focus not only on incorporating positive organizational cultural components that increase employee retention but also on the organizational cultural components that support the overall well-being of the employees. This is because employees also have their own goals in addition
to their goal of working for the organization to ensure it attains its desired objectives. Therefore, organizational management should also aim towards creating a motivating, engaging, positive and professional work environment that is not intimidating so that staff can reach both their individual and professional goals.

5.4 Limitations of the Study

The research did not cover all the commercial banks in Kenya since responses were not received from some commercial banks. Therefore, it is not clear whether the organizational cultural components studied were consistently applied across all the commercial banks in Kenya. Therefore, this could have an effect on the general outcomes of the research study.

The research study heavily relied on the views of the human resource staff that were interviewed on the various organizational cultural components that had been adopted in their respective commercial banks. Thus, it would be difficult to entirely validate the accuracy and objectivity of their responses regarding organizational culture and employee retention in commercial banks in Kenya.

5.5 Recommendations for Policy and Practice

The results of this research have vital implications on the management of commercial banks in Kenya. Based on the outcomes of the study, senior leadership of commercial banks in Kenya ought to know the importance of organizational culture to the overall and long-term growth and success of their respective banks. Therefore, commercial banks should develop and create organizational cultural components which will help in building
a stronger organizational culture which creates a competitive advantage for the bank and improves its performance. Thus, commercial banks in Kenya should consider the following recommendations.

They should embrace and adopt good and strong organizational cultures since this positively influences strategies and policies implemented by organizations thus creating sustainable competitive advantage. Organizations should also ensure that they align their strategies and policies to the current organizational culture if the organization intends to benefit from good organizational culture customs. Organizational culture audits should be done periodically to track progress and foster a cohesive organizational culture. Organizations should create organizational cultures that are practical to reduce conflicts between employees’ personal goals and organizational goals.

Commercial banks in Kenya should ensure that the bank buildings are conducive for working and they should improve the physical facilities in the banks and ensure the necessary security measures are installed in their buildings. The banks should also inculcate in their employees the appropriate business acumen and professional codes through training and rewarding appropriate behavior so as to improve the business acumen of their employees. These initiatives will help in creating a conducive work environment for its staff thus in the long run increasing employee retention.

The management of the commercial banks should continuously invest in their employees through training and development, rewarding appropriate behavior and performance and
empowering employees so as to create a culture of creativity, innovation, accountability, high performance and team work. The banks should invest and focus in their talented employees in order to retain them and develop them into future leaders of the banks. The investment should be done by training and development, expanding their jobs, coaching, mentoring and rewarding them appropriately. This will retain the highly talented employees and it will also help in retaining and motivating other employees so as to increase their performance and productivity.

Commercial banks should ensure that their employees are aware of the bank’s rules, regulations, processes and procedures. This can be done by providing the relevant rules and regulations to all employees in both soft and hard copy. All new employees should also be inducted on all the relevant and most important rules and regulations. The bank through the legal and human resource department should also continuously inform staff of any rules and regulations that are not so clear so as to remove any grey areas. These updates to staff can be done by email, training, employee road-shows and messages on the payslips. This will help in ensuring that all employees are fully aware of the rules and regulations that govern them thus reducing inconsistencies and managing expectations among employees thus increasing employee retention ultimately.

Many employees usually leave their employers because of ineffective leadership thus commercial banks should also train their managers on effective leadership so that they can effectively manage their employees to increase performance and reduce employee retention. Managers should be trained on how to effectively manage all employees
despite their diversity and to involve all employees in the day to day work and decision making and to exercise flexibility when managing employees. This will immensely increase employee retention, motivation and satisfaction.

By and large, employee retention covers many aspects therefore commercial banks should look at employee retention holistically so as to retain employees effectively. The main aspects to be considered in employee retention are work-life balance, remuneration, training and development, work environment and career development. The banks should focus on these aspects so as to retain employees, especially the top talented employees who perform best.

5.6 Suggestions for Further Study

Additional research should be done on the impact of different human resource strategies like compensation, training and development on employee retention in commercial banks in Kenya. This would help in having a holistic view of the factors that determine employee retention hence enabling organizations to concentrate on the most critical factors.

Additional research should also be done on the impact of training, career development, management style and organization’s strategy on organizational culture and organizational cultural change. This would help in establishing the factors that influence organizational culture. Also, a study with a focus on organizational management’s role in the implementation of cultural change should be done.
Finally, further research needs to be done on the effect of organizational culture on employee retention in other sectors, industries and organizations in order to compare the findings.
REFERENCES


Appendices
Appendix I: Commercial Banks in Kenya as at December 2016 as published by the 2016 Bank Supervision Annual Report

1. African Banking Corp. Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of India
4. Bank of Baroda (K) Ltd.
5. Barclays Bank of Kenya Ltd.
6. CfC Stanbic Bank Ltd.
7. Chase Bank (K) Ltd.
8. Citibank N.A.
9. Commercial Bank of Africa Ltd.
10. Consolidated Bank of Kenya Ltd.
12. Credit Bank Ltd.
13. Development Bank (K) Ltd.
14. Diamond Trust Bank (K) Ltd.
15. Dubai Bank Ltd.
16. Ecobank Limited
17. Equity Bank Ltd.
18. Family Bank Ltd.
19. Faulu Bank
20. Fidelity Commercial Bank Ltd.
21. Fina Bank Ltd.
22. First Community Bank Ltd.
23. Giro Commercial Bank Ltd.
24. Guardian Bank Ltd.
26. Habib Bank Ltd.
27. Housing Finance Company of Kenya Ltd.
28. Imperial Bank Ltd.
29. I & M Bank Ltd.
30. Jamii Bora Bank Ltd.
31. K-Rep Bank Ltd.
32. Kenya Commercial Bank Ltd.
33. Kenya Women Microfinance Bank
34. National Bank of Kenya Ltd.
35. NIC Bank Ltd.
36. Oriental Bank Ltd.
37. Paramount Universal Bank Ltd
38. Prime Bank Ltd.
39. Standard Chartered Bank (K) Ltd.
40. Transnational Bank Ltd.
41. UBA Kenya Bank Ltd.
42. Victoria Commercial Bank Ltd.
Appendix II: Questionnaire

Section A: Demographic Data (Please tick appropriately)

1. Name of Commercial Bank (optional)

2. How many employees does the Bank have in Kenya?
   - Below 100 [ ]
   - 101 - 500 [ ]
   - 501 - 1000 [ ]
   - 1001 and above [ ]

3. In which bank tier is the Bank as per the Central Bank of Kenya grouping?
   - Tier 1 [ ]
   - Tier 2 [ ]
   - Tier 3 [ ]

4. How long has the Bank been in operation in Kenya? (Please Tick appropriately)
   - Below 5 years [ ]
   - 5 - 10 Years [ ]
   - More than 10 Years [ ]
Section B: Organizational Culture
Below are several statements on various aspects of organizational culture adopted by commercial banks. Please indicate your level of agreement with each of this statement with regards to the effect of organizational culture in the bank.

(Please use the scales of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5 = strongly agree.)

Artifacts
The physical facilities (air conditioning, lighting, ventilation, noise, heating, etc.) of the bank building is appropriate for working.

(1) (2) (3) (4) (5)

The bank buildings (corridors, departments, toilets, elevators etc.) are sufficiently formal, clean and orderly in general.

(1) (2) (3) (4) (5)

The necessary security measures (alarming, security systems, entry–exit controls etc) have been considered in the bank building.

(1) (2) (3) (4) (5)

The bank employees follow business acumen and professional dress code.

(1) (2) (3) (4) (5)

The number and quality of equipment (printers, computers, desks, stationery etc.) that are necessary to work is adequate and sufficient.

(1) (2) (3) (4) (5)

The bank provides parking facilities for both management and non-management employees.

(1) (2) (3) (4) (5)

Espoused Beliefs and Values
The rules of the bank are followed explicitly and faithfully.

(1) (2) (3) (4) (5)

The bank involves all stakeholders including employees in the main decisions.

(1) (2) (3) (4) (5)

Highly skilled employees are considered valuable assets to the bank.

(1) (2) (3) (4) (5)

Empowering of employees in the Bank has helped in discovering potential future leaders.
All employees usually have the same views with regards to objectives and decisions of the bank.

The bank encourages innovation among all employees.

The bank’s employees value team work as opposed to individualism.

The bank rewards individual performance.

The bank acknowledges and encourages individual employees’ strengths.

The bank encourages employees to air their opinions freely.

The bank encourages and rewards hard work.

**Rules and Policies**
Employees in the bank place the necessary importance on bank values, rules and regulations.

The bank deals with all employees fairly and refers to the rules, regulations, processes and procedures in case of any contentions.

The bank has documented and availed all the rules, processes and procedures to all employees.

The bank ensures that all employees are clearly aware of their duties and tasks and all that is expected from them.

The bank encourages leaders and managers to deal with their employees fairly according to the values, rules and regulations of the Bank.

**Management Behaviours**
Managers in the bank are flexible when making decisions.
Managers in the bank take time to build relationships with individual employees.

Managers in the bank involve their employees in making decisions.
SECTION C: EMPLOYEE RETENTION

Below are several statements on various factors that affect employee retention in banks. Please indicate your level of agreement with each of this statement with regards to the effect on employee retention.

(Please use the scales of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5 = strongly agree.)

Overworking of employees in the bank causes them to want to leave the bank.

(1)  (2)  (3)  (4)  (5)

Payment of better salaries and bonuses will reduce the number of employees who are leaving the bank.

(1)  (2)  (3)  (4)  (5)

Improvement of employee benefits will reduce the number of employees who are leaving the bank.

(1)  (2)  (3)  (4)  (5)

Improved training and development opportunities will increase employee retention rates.

(1)  (2)  (3)  (4)  (5)

Better working relations between employees will reduce employee turnover rates.

(1)  (2)  (3)  (4)  (5)

Less monotony at work will increase employee retention rates.

(1)  (2)  (3)  (4)  (5)

More career development opportunities will make more employees to want to stay with the bank.

(1)  (2)  (3)  (4)  (5)