

**EFFECT OF PSYCHOLOGICAL CONTRACT ON PERCEIVED  
EMPLOYEE RETENTION AMONG HOTELS IN MOMBASA COUNTY**

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## DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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This research project has been submitted for examination with my approval as university supervisor.

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## **DEDICATION**

This research is dedicated to my husband, parents and siblings. You supported me during the time of sacrifice to complete this research project. I appreciate for the much needed moral, emotional and spiritual support you have always given me. May the Almighty God bless you.

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## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iv</b>
<b>LIST OF FIGURES</b> .....	<b>viii</b>
<b>LIST OF TABLES</b> .....	<b>ix</b>
<b>LIST OF ABBREVIATIONS AND ACCRONYMS</b> .....	<b>x</b>
<b>ABSTRACT</b> .....	<b>xi</b>
<b>CHAPTER ONE</b> .....	<b>12</b>
<b>INTRODUCTION</b> .....	<b>12</b>
1.1 Back ground of the Study.....	12
1.1.1 Psychological Contract .....	14
1.1.2 Employee Retention .....	16
1.1.3 Hotel Industry in Mombasa County .....	18
1.2 Research Problem.....	20
1.3 Research Objective.....	22
1.4 Value of the study .....	22
<b>CHAPTER TWO</b> .....	<b>24</b>
<b>LITERATURE REVIEW</b> .....	<b>24</b>
2.1 Introduction .....	24
2.2 Theoretical Foundation .....	24
2.2.1 Hierarchy of Needs Theory .....	24
2.2.2 Herzberg’s Two Factor Theory .....	25
2.3 Overview of Employee Retention.....	27
2.4 Factors Influencing Perceived Employee Retention .....	31
2.4.1 Training and Development .....	31
2.4.2 Performance Appraisal .....	32

2.4.3 Welfare Benefits .....	33
2.4.4 Disciplinary Procedures.....	33
2.4.5 Career Growth .....	34
<b>CHAPTER THREE .....</b>	<b>35</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>35</b>
3.1 Introduction .....	35
3.2 Research design.....	35
3.3 Target population .....	35
3.4 Sampling Procedure and Sample Size.....	36
3.5 Data Collection Instruments.....	36
3.6 Reliability and Validity of Research Instrument.....	<b>Error! Bookmark not defined.</b>
3.7 Data Analysis and Presentation.....	37
<b>CHAPTER FOUR.....</b>	<b>38</b>
<b>DATA ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS .....</b>	<b>38</b>
4.1 Introduction .....	38
4.2 Response Rate .....	38
4.3 Descriptive Statistics .....	38
4.3.1 Employee Retention .....	39
4.3.2 Training and Development .....	40
4.3.3 Performance Appraisal .....	40
4.3.4 Welfare Benefits .....	41
4.3.5 Disciplinary Procedure .....	42
4.3.6 Career Growth .....	43
4.4 Regression Analysis .....	44
4.4.1 Model Summary .....	44
4.4.2 ANOVA.....	46
4.4.3 Regression Coefficients.....	46
4.5 Discussion and Interpretation of Study Findings .....	47
<b>CHAPTER FIVE .....</b>	<b>50</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS OF THE STUDY .....</b>	<b>50</b>
5.1 Introduction .....	50

5.2 Summary of Study Findings.....	50
5.3 Conclusion of the Study .....	52
5.4 Recommendations of the Study .....	53
5.5 Limitations of the Study .....	53
5.6 Areas for Further Research .....	54
<b>REFERENCES</b> .....	56
<b>APPENDICES</b> .....	<b>Error! Bookmark not defined.</b>
APPENDIX 1: INTRODUCTION LETTER.....	<b>Error! Bookmark not defined.</b>
APPENDIX II: RESEARCH QUESTIONNAIRE .....	65

## LIST OF FIGURES

Figure 4. 1: Bar Graph Indicating Frequencies for Employee Retention .....	39
Figure 4. 2: Frequencies for Training and Development Graph.....	40
Figure 4. 3: Frequencies for Performance Appraisal Graph.....	41
Figure 4. 4: Frequencies for Welfare Benefit Factors Graph.....	42
Figure 4. 5: Graph Showing Frequencies for Disciplinary Procedure.....	42
Figure 4. 6: Graph Showing Frequencies for Career Growth.....	43



## LIST OF TABLES

Table 4. 1: Regression Summary Table .....	45
Table 4. 2: ANOVA Table.....	46
Table 4. 3: Regression Coefficient Table .....	47

## **LIST OF ABBREVIATIONS AND ACCRONYMS**

<b>GDP</b>	Gross Domestic Product
<b>HR</b>	Human Resources
<b>HRM</b>	Human Resources Management
<b>KMC</b>	Kenya Meat Commission
<b>KTF</b>	Kenya Tourism Federation
<b>KAHC</b>	Kenya Association of Hotelkeepers and Caterer
<b>NSSF</b>	National and Social Security Fund
<b>VIF</b>	Variable Inflation Factors
<b>WTTC</b>	World Travel and Tourism Council

## **ABSTRACT**

Psychological contract is a philosophy that is held between employer and employee in regard to benefits that would accrue to the employer and the expected performance of the employee. Psychological contract is determined through various factors. Organizations in the current modern business environment hold human capital with high regard as it has been pointed as the only resource that may not be replicated or copied by competitors. It therefore becomes vital for organizations to ensure that they keep their most competent, talented and reliable employees as it becomes almost impossible to replace top talents in many organizations. This study therefore was undertaken with the view to focus on the effect of psychological contract on perceived employee retention among hotels in Mombasa County. The study was undertaken by use of descriptive research design as it involves relationship between variables. Primary data was collected by the use of questionnaires and data was analyzed by use of SPSS version 23. The F statistic test was undertaken to determine significance between the relationship while regression model was used to show the effect between the variables. The study targeted a sample size of 134 employees employed on permanent and pensionable terms in various hotels. There were only 93 questionnaires that were duly filled and returned for analysis which represented a response rate of 69.4%. Psychological contract was represented by 5 factors that formed five independent variables: Training and development, performance appraisal factors, employee benefit factors, disciplinary procedures, and career growth and development. The questionnaire had a Cronbach's Alpha of 88% that indicated that it was reliable. The regression analysis indicated a coefficient of determination of 42.6% which indicated a strong predictive capacity of the model. The analysis of variance indicated that the null hypothesis was rejected and there was a statistically significant and positive effect of psychological contract on employee retention among hotels in Mombasa County. The study found that increasing training and development, employee benefit factors, disciplinary procedures and career growth and development led to increased employee retention while increasing performance appraisal factors led to decrease in employee retention. The study concluded that psychological contract should be emphasized in hotels to ensure that there is increased employee retention.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Back ground of the Study

The global business has become very competitive that for any organization to survive, it entails the dedicated ability to attract and retain the right kind of human capital (Corbridge, 1998). Employees are an organization's most vital assets. According to Lawler (2008) businesses are coming to terms with the recognition that human capital is vital and can play key roles in ensuring competitiveness and creating the much needed competitive edge. Advancement in technology has been a factor that has been used by organizations to gain competitiveness, only that it is short lived, since competitors quickly copy and implement the technology. Human capital has remained the only resource in an organization that cannot be duplicated. The effectiveness with which an organization uses the key personnel to provide value and synergy in the organization, completely differentiates it from competitors. The employees on the other hand show various needs which require to be dealt with by the organization. Employees therefore offer the required effort in ensuring that the organization is in a position to retain the competitive edge and value that the employee adds to the organization. Lack of fulfillment of employee's needs and expectations leads to frustration on the part of the employee that surmounts to stress and increased employee turnover. Organizations that have been perceived to retain employees have been known to create platforms that ensure that their employees learn, grow, and prosper (Russo, 2009). Psychological contracts are therefore perceived to be vital in enhancing motivation that synergizes employee output and increases employee retention.

Theories proposed explain the various needs that would motivate employees and ensure that they obtain satisfaction. The Maslow's hierarchy of needs stipulates various needs that an individual requires. The needs are ordered in a certain hierarchy and an individual is only able to desire a higher level need when all the lower level needs are satisfied. The five level hierarchy of needs as suggested by Maslow, shows that each employee at every stage has needs that pertain to that stage and which if adequately addressed would enhance employee retention by the organization as the employee aspires to join the next hierarchy of needs (Maslow, 1943). On the other hand, Herzberg (1959) developed what came to be known as the Herzberg two factor theory, where he suggested that in every work place there are a set of factors that cause satisfaction to the employees while the other set of factors cause dissatisfaction. The organization is therefore tasked with identifying the two set of factors and improve on the factors that causes contentment while addressing the factors that cause dissatisfaction in order to ensure that there is improved psychological contract by the employees. Other theories of interest are theory X and theory Y, and Adam's Equity theory (Robbins et al., 2007).

High rate of globalization has made it quite cumbersome to obtain or attract good talent. It has become a challenge to retain the good talents in the organization. It has also become inadequate to only undertake training of the employees on their day to day activities. The market requires an undertaking where the employees are not only trained but also nurtured, supported and apprenticed in their respective roles in the organizations, for adequate employee development. The hotel industry in Mombasa County has however experienced high employee turnover. According to Nyaura and Omwenga (2016) the hotel industry in Mombasa has had major problems in retaining its employees. This was associated with the work environment and leadership style adopted by the different hotels in the County. The study determined that it was only 13% of the employees in the

hotel industry in Mombasa that had worked for over ten years. The highest percentage of workers had worked for a period of between 2 to 5 years. The hotels have also succumbed to political influence and terror attacks that have been experienced in the Kenyan coastal areas. They have experienced extremely low seasons that have forced them to retrench and declare employees redundant as a measure to remain afloat. The fluctuations on high and low activity seasons have also been key in increasing employee turnover in the hotel industry in Mombasa.

### **1.1.1 Psychological Contract**

Psychological contract is defined as the unwritten mutual expectation of both employees and employers in regard to job performance and rewards thereon. The daunting task of ensuring that the management of an organization has successfully been able to manage expectations of their staff, goes a long way in ensuring that the organizations are comfortably able to meet their end of the bargain (Festing & Schafer, 2014). Psychological contract is built on assumptions that are made on the relationships between the employers and their employees. According to Rousseau (2004) these assumptions significantly influences the performance of the employees and dictates their behavior towards the employers. Organizations on the other hand are also under pressure to offer more to their employees than legally required by the contracts with the employees. Torrington et al. (2007) note that psychological contract is never a written document but rather a notion that exists in people's head regarding the contract agreement with the organization. It goes to the extent of undertaking extra obligations by both parties including protecting and preserving employees jobs, ensuring that cutting down of available job opportunities is highly avoided, as well as offering avenues to ensure that individual success, employee personal development is highly advocated. Torrington et al. (2007) also were keen to note that employment contracts categorically stated the terms and conditions under which the employee and the organization would engage and set out

benefits that would accrue to each party as a result of the relationship. On the other hand psychological contracts were only keen on expectations that were carried by each party over the benefits they would likely accrue from the other. Anderson and Schalk (1998) added that despite the fact that it is practically impossible to note all features that concern a formal employment contract, psychological contract takes expectations by either party too far, sometimes beyond what the other party can possibly afford to deliver. Psychological contracts are also found to be instrumental in shaping employee behavior as the employees weigh their own obligations towards the organization and compares it to benefit derived from the organization. They therefore desire to match and balance out their actions towards the organization, against the actions of the organization towards the employee (Anderson and Schalk, 1998).

According to Rousseau (2004) psychological contracts could be classified as transactional contracts, relational as well as balanced contracts. Transactional contract relate to that benefit that would be derived by the employee in monetary form (example being bonus that would be enjoyed by the employees as a cause of excellent performance beyond the set limit). However, relational contract involves the non-monetary and socio-emotional aspect which would only thrive in an environment where there are no trust issues and where the organization is fully committed to the retention of their employees (Rousseau, 2004). The last class of psychological contract is the balanced contract which combines open ended time frame together with the concern is shown as a result of past engagements and pegged on performance as compared to expectations from the employees. The perception of psychological contracts among the employees can be improved as a result of job training, better payment and benefits and employee improvement plans that have been set out by the organization (Wangithi and Muceke, 2012).

### **1.1.2 Concept of Perception**

The concept of perception could be explained as the way in which human beings are able to transmit sensory impressions into a manner that they could use to make sense of the world around them. Perception plays a vital role in ensuring employees are comfortable and motivated to work in a certain job and for a certain organization. Every activity that takes place in the workplace sends certain signals to an employee. This signal is then interpreted by the mind to give a position that informs the perception of the employee (Curtis, 2001). Perception, though wrong sometimes, cannot be ignored. This is because perceptions inform the decisions the employees make which eventually contribute to become behavior. According to Narayan (1998), perception is the most cognitive factor of human behavior where it is said that “there can be no behavior without perception.” Perception therefore determines whether an employee would be motivated enough to work in a certain organization for long. It also guides the relationship of the employee with the supervisors, the juniors, clients, suppliers among others. This means that organizations may not motivate their employees if they do not appeal to the perception of the employee by sending the right signals and addressing signals that would lead to misleading perceptions.

### **1.1.3 Employee Retention**

The effort by an organization to ensure that it secures and keeps its highly valued talent as well as top performing employees in the organization is referred as employee retention. Carsen (2015) describes employee retention as the focus by an organization to retain high performers in the organization as well as those employees who are endowed with adequate and relevant natural talents, an aspect he referred to as keeping the keepers and losing the losers. According to Heathfield (2016) retaining the best employees in an organization is vital for success and



attainment of the organizational goals. The current technological changes and advancement have become rapid and rampant that they have ceased to be an area that can create a competitive edge for the organization. The study suggested that with increased competition and advanced technology that is experienced today, organizations will only rely on the competence and innovativeness of their human capital to differentiate products and services to clients and therefore obtain a competitive edge. It is therefore vital for every organization to ensure that they are able to retain their top talents, if creating competitive edges as well as attainment of organizational goals are major components of the organization. The organization should therefore conduct exit interviews for their employees to be in position to address issues that would escalate to high employee turnover (Heathfield, 2016).

Organizations undertake various measures that make certain that employees are developed and are comfortable in their places of work. This can be done by ensuring that there are adequate opportunities that ensure there is growth and development. The employees on the other end are in a position to reciprocate by the provision of quality services. Employees are assets and as such, if an organization invests in them, it would yield positive returns for the organization (Timothy et al., 2010).

About 86% of employees find it hard finding new workers and 58% of firms are finding it hard to retain their workers. Despite the high unemployment, rate many firms are majorly concerned with maintaining their top workers (Hales, 2018). In the near era it will be of much relevance to appreciate the importance of an individual to a firm and if the firm requires to provide better conditions which workers will be willing to be in (Harris, 2017). Loyal employees usually remain in a firm for long periods of time. In many firms it's of much significance to have workers who are long tenured though at times this condition can be a problem (Phillips et al, 2016).A better way

of keeping workers is managing a team of workers whose resignation is difficult to the firm. A loss of an average performer in one of these groups is often less damaging for the organization than the loss of someone outstanding from some other group. Farham (2010) observed that employees' feelings affect their creativity in the organization which consequently affects the going concern and prosperity of any firm. Bennet and Graham (1998) stated that, directors should be aware of aspects that inspire workers to work hard and in a benefiting way. Vohra (2014) said that a better way to have honest retention is by having a management process which is reliable, expected, considerate, bold and full of quality and honor.

#### **1.1.4 The Relationship between Psychological Contract and Perceived Employee Retention**

Psychological contracts in organizations act as source of signal that helps employees to guide their perceptions of an organization and their jobs in that organization. They therefore make the decision to remain in the organization or leave. Psychological contracts are therefore vital in shaping opinions and guiding employees in determining their stay in an organization. The perceived employee retention guides the motivation and performance of the employee (Tett & Meyer, 1993). The psychological contracts that exist in an organization therefore shape the perceptions of the employees in regard to the organization and inform them on whether to increase their stay in the organization or not. Psychological contracts should therefore be packaged in a manner that they will elicit the right signals and therefore make right perception that enhances performance by the employee and their decision to stay in the organization (Deckop et al., 2016).

#### **1.1.5 Hotel Industry in Mombasa County**

Mombasa is known as a center for tourism in Kenya. The town borders the Indian Ocean and it is located in the Kenyan Eastern Coastline. The friendly atmosphere, attractive beaches, marine life

and world-class hotels makes it a destination of choice for most tourists visiting Kenya. Since Vasco Da Gama visited the East African town in 1498, the town has been very relevant and serving as a major port for the Portuguese, the British and Kenyans. Mombasa receives both domestic and foreign visitors and therefore hoteliers and hotel owners have established world-class hotels to tap into this population. The hotels are designed in a way that they demonstrate the rich culture that is synonymous with the town as well as have an international appeal that ensures visitors from diverse destinations, cultures and religion feel well accommodated. (Ministry of Tourism and Wildlife, 2019). The world-class hotels therefore seek competent and qualified employees who would offer professional services and therefore meet the diverse needs of clients and keep them coming. Employees who are able to anticipate the need of the clients and offer quality services beyond their expectations should be kept by the hotel and their turnover reduced. Factors that elicit the right perceptions should be developed for employees who are able to meet the demanding and diverse aspects of these hotels (Longurasia, 2018).

The hotel industry in Kenya has been keen to benefit from the good tourism viewpoint. In Kenya there are over 5000 hotels, and they are developing at a high rate. There are many Chinese hotels in Mombasa which are also very lively in the area of food making, manufacturing and production. This increases variety for the local and domestic tourists to choose from. Kenya is actually among nations that have embraced tourism as an important economic area and the demand for hospitality services are hurriedly growing. This sector has improved and grown to make it among the main country foreign exchange earners. As stated by the World Travel and Tourism Council (2018), visiting the attractions in Kenya is most important after agriculture and it is responsible for 14% of the Gross Domestic Product (GDP) and 12 percent of average employment. The measure of the

economy includes the nation's incredible normal tourism resources example good-looking beaches and impressive wildlife in their normal habitation (Nyauri and Omwenga, 2016).

## **1.2 Research Problem**

It is the desire of every organization to retain their best experienced, motivated and committed workforce. However, the retention of such employees comes at a cost as employers are required to undertake more investment in human resources as most factors in psychological contracts that are provided by employers in order to form perceptions that would retain employees may not be necessarily captivating or they may form misconstrued perceptions in employees that would eventually increase employee turnover (Holzer et al. 2011). The employer is therefore required to provide opportunities for growth of employees that sends the desired signals to create right perceptions about their jobs. This may include enhancing job security, retirement and medical cover benefits. The employer should provide an environment where the employees' skills are adequately utilized for the right purpose. Similarly, employees should be able to meet the minimum expectations of the employer. This implies that the employer expects that each employee is able to undertake their jobs descriptions adequately. However, the extra mile or the extra tasks accomplished by an employee sets them apart from the rest. It is one of the basis under which an employer decides the critical employees that should be retained even at a higher costs (Perlmutter, 2017).

The hotels in Mombasa County are prone to high employee turnover as a result of various challenges that uniquely affect the sector. The struggle to obtain employees who are competent to deal with needs of people from diverse nations and backgrounds, and able to deliver has been

immense. The system of education in Kenya may not necessarily equip potential employees of multi lingual, multi-cultural systems and other skills desired in world class hotels in Mombasa. The few competent employees have high and unique demands from the potential employers that some hoteliers fear the high costs of maintaining them. However, human capital is vital to the industry because as organizations reach optimal levels for technological changes, and systems changes, the only resulting niche where an organization can obtain competitive edge is through human capital. These hotels strive to retain competent and key personnel. The increased local and global competition in the industry has the effect of ensuring that the hotels protect their market by ensuring that they retain their competitiveness and are able to bring out products and services that oscillate well with local and international markets. The vigor and valor with which the hotels will invest in their top talents, able to influence their perception sensory responses to motivate them even more and retain them as unique assets will determine the competitiveness of these hotels (Nyaura and Omwenga, 2016).

Mohamad (2011) carried a research on the effect of psychological contract on employee turnover of hotel directors in Malaysia. He found out that although the psychological contract is built on individual level, it reflects the way of life concerning touchable and insensible things that are to be exchanged in the perspective of a dyadic affiliation. The creation and protection of mutual commitment in the hiring relationship are significant in enhancing employees' retention. Abwayo (2015) also carried a study on the relationship between psychological contract and the firm's commitment and job contentment in commercial banks in Nairobi. Among other things, the researcher found encouraging connection between the needs of employees and job contentment and an off-putting connection between psychological contract and firm's obligation; Longurasia (2018) conducted a study on employee's view on psychological contract at the KMC. The study

noticed that firms accomplished their psychological contract mainly by linking job with duties, making easy a positive connection between colleagues and development and a good understanding where employees accomplish their commitments to the corporation; finally, Nambaka (2010) studied the link between employee's psychological contract and firm's citizenship conduct at the NSSF. The results indicated that the fulfillment of the organization's needs towards its employees is essential in explaining the willingness of employees to fit in organization's citizenship behavior. The studies have different research findings as different organizations adopt different strategies on psychological contracts that lead to diverse impact on workers retention in these organizations.

In view of these studies, more studies need to be undertaken on psychological contract and perceived employee retention in different sectors and in different contexts. Despite the focus and the contribution of Mombasa hotels in tourism promotion, there is not much research undertaken to determine the effect of psychological contract on perceived employee retention in these hotels. This study therefore sought to answer the research gap: What is the effect of psychological contract on perceived employee retention in hotels in Mombasa County?

### **1.3 Research Objective**

The research objective of this study is to determine the effect of psychological contract on perceived employee retention in hotels in Mombasa County.

### **1.4 Value of the Study**

The study places a key role on employee retention theory which helps in bringing out a better idea on the employee's role in enhancing retention and offering a framework to include the importance of employee contribution in performance management. This study is of benefit to policy decisions

makers whose overall objectives are to accelerate the rate of growth in the hotels. It helps the management to have a better idea on the factors that sustain employees' retention. The study also forms good literature review upon which further research on employee retention will be based.

The study assists the hotels to get a better understanding of psychological contract on employee retention. The leadership in the hotel industry formulate and develop better policies that would curb employee turnover.

The study provides useful information to human resource practitioners that can be used as the basis for introduction or improvement of employee retention programs in organizations. The findings of this study was of significant importance to those in the academic realm as it provides relevant literature on employee retention. It also sheds more light on psychological contract to employee retention in organizations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section entails theoretical foundation of the study, it also highlights the empirical studies and points out the study gap that made this study relevant. The study also underpins the conceptual framework that guides the relationship that exists between the study variables.

#### **2.2 Theoretical Foundation**

If you need to get employees commitment and assurance of undertaking tasks accurately, a firm needs to offer good inducement, gifts and right training and motivation (O'Malley, 2010). There are theories that have been proposed from different areas that aspire to highlight and theorize on psychological contract and employee retention. This study will focus on Hierarchy of needs theory and Herzberg's two factor theory that will form the basis of theoretical foundation of this study.

##### **2.2.1 Hierarchy of Needs Theory**

The theory was proposed by Abraham Maslow (1943) which was considered as a theory of human motivation in mental review. Maslow aimed at detailing the growth stages in humans. He then planned to create an arrangement system which showed the general needs of people as its bottom and then went on to indicate that more emotions were acquired. This theory is used to show how a human being participates in behavior motivation. Maslow used the term 'Physiological safety'



belongings and love, social needs or esteem and self-actualization to determine the pattern in the course of which human motivation normally takes place.

He discussed various levels of individual needs. The first level comprises of biological needs for a human being to survive, which include air, water, foodstuff, shelter, and sleep. When these needs are not met they compromise on the working capability of an individual. The other level consists of safety wants which comprises of; security of body, security of employment and stability. The third level comprises of love and belonging needs which will only come up after the first two levels have been fully satisfied. This level generally comprises of connection, offering affection, trust and intimacy. The fourth need is esteem need which includes; mastery, achievement, desires to have a better name. The fifth need is need for self-actualization which entail; one realizing his or her potential, self-fulfillment and seeing personal growth

### **2.2.2 Herzberg's Two Factor Theory**

This theory expounds on the factors that workers find pleasing and disappointing in the place of work, which are hygiene and motivator factors. When the hygiene factors lack in work environment, the employees get disappointed and their output is affected. The working environment is key for employees to fulfill and undertake tasks and obligations that enhances the performance of the organization. Motivators on the other hand captivate employees and makes them use the most efficient processes to ensure quality output that meets expectations. Employees who feel valued and important in their organizations feel motivated and are therefore more likely to have better output than their counterparts who are less appreciated in their organizations (Perlmutter, 2017).

Motivator factors include being assigned important tasks in the organizations, acknowledgment for one's success, chance to do something significant, participation in decision making, employees' opinions being sought to solve difficult situations in the organization, providing ample opportunity for employee development, chance to use one's skills in accomplishing daily tasks, among other motivator factors (Holzer et al. 2011). The motivator factor basically ensures that the employees feel good about the task they undertake in the organization and feel that they contribute towards its general success and productivity. Herzberg felt that with enough motivation, organizations are able to retain and attract quality employees who will maintain a competitive edge for the organization.

Hygiene factors include job status, job security, fringe benefits, good working environment, good salary, paid insurance, and employee vacations, and don't necessarily provide fulfillment or bring out motivation to the employees. However, the lack of these factors may be a source of dissatisfaction on the employees. It therefore implies although hygienic factors may not solely bring about employee motivation, their absence increases the chance for employee dissatisfaction. The hygiene factors are extrinsic to the job of an employee but proper organization strategy, and managerial practices are able to help employees align their expectation to the goals and objectives of the firm. This helps in reducing dissatisfaction and employees become part of the solution for organizational problems and not adding problems to the organization (Earle, 2013).

The two factor theory has been applied in organizations to help solve problems associated with human resources. It has been widely used to ensure that human capital contribute significantly to the development and enhancement of goals and objectives of organizations. However, there exist criticism of the theory that indicates that some situations or conditions may not be optimal for application of the recommendations of this theory. According to Kemske (1998) the factors that

would lead to either satisfaction or dissatisfaction of employees are not different from each other. Therefore a factor may be satisfying to some employees while the same factor may bring dissatisfaction to other set of employees in the same organization. Some critiques also argue that the two factor theory provides for too much oversimplification of the existing relationship between motivation on one hand and dissatisfaction on the other. It is also stated that as much as people may find satisfaction on factors such as recognition, achievement and responsibility, very few people would associate job dissatisfaction from their own inadequacies and end up associating it with policies established in the organizations, their bosses, established processes among others. The organization in that way is not able to address the real cause of job dissatisfaction that emanates from ones personality, experiences or personal challenges.

### **2.3 Overview of Perceived Employee Retention**

On retaining top employees, employers need to come up with ways of decreasing both unintentional and intentional division. Unintentional division comes from poor performance or unreliability because of conflicting work and family issues or individual issues as highlighted by Holzer et al. (2011); Perlmutter (2017). Tett and Meyer (1993) envisages that employee turnover in the organization refers to the intentional naughtiness of employees to leave the firm. Vandenberg and Nelson (1995) referred employee's objective to leave as the person's approximate likelihood that they are quitting the firm at certain level in future. The objective is to keep on looking at the employee's dedication to his firm in addition to the readiness to stay on working (Hewitt, 2004). It also indicates intentional parting that originates from improved chances given by other employers (Johnson & Corcoran, 2003) or stress which results from increase in family conflicts, or unmet family needs. Ferris et al. (1999) and Kemske (1998) concur that on the last 10 years HR department has changed from the small task of human resource management to

a complete organizational strategy on the manner to approach and manage human capital for the overall benefit of the firm. The human resource management is therefore faced with the challenge of ensuring that it elicits the right perceptions in employees in order to control their behavior and hence meet the organization's objectives.

According to Leonard (1998) one source of competitive advantage for either small or large firms is the ability to elicit perceptions that help retain employees who are performing well. Retaining employees is a common problem among major companies. Identifying ways of retaining employees in an organization is among the vital aspects that help in boosting the competitiveness of the firm. Companies must ensure employees are comfortable enough in undertaking their duties in the company without unnecessary termination of their employee contracts. In order to retain top employees, leaders and HR departments ought to spend a great deal of time, effort and money. Enrolment training and retention of employees is a seemingly daunting task for managers working in the old paradigm (Diamond, 2010). Whenever the employees realize that their supervisors can't meet their needs in the agreement, they feel deceived, like the exact agreement has been broken in bad faith. This can be a change that prompts the sliding cycle towards disconnection and exit (Branham, 2015). Prevention of unceremonious job losses necessitate effectual controls for performance while minimizing deliberate division calls for employer and providing good motivation, competitive earnings, growth and development (Deckop et al., 2016).

Organizations should be aware of what makes their employees happy, and their perceptions in regard to their tasks in the organization. In order to influence such employees, the factors that may help them address their perception should be adopted to retain them without being tempted to switch to competitive payrolls. In a study undertaken by Earle (2013) most firms fall short of proper planning of their rare resources in order to ensure that they maximize output by engaging

each resource in the most productive venture that would provide the best returns. The human resource management ought to be one of the management initiatives that help to ensure all employees are employed in duties that will bring the best in them as well as give the best output to the organization. Engaging employees fully gives them a sense of responsibility and a feeling that they are important in contributing positively to the success of the organization. Njue (2014) in his study showed many stages of job contentment among high schools teachers in Nairobi province. He established that teachers required training and proper working environment in order to improve their output.

According to Overman (2018) in the job environment, employees are less devoted to their firm if employers can no longer assure the firmness and endurance of company career paths or their job security. The employees' honesty in their work places has since been replaced with strategies that ensure that they secure their jobs. Beck (2011) adds that it is significant to know that current employees have to take initiative in job resiliency, growing skills and flexibility required to respond fast to changing employer needs.

Makutsa (2018) also concluded that a good working environment was the most significant motivational factor cited by the respondents arising from simple measures like preparing lunch in the office, providing comfortable furniture, good lighting and proper ventilation in addition to simple appreciation and acknowledgement. New paradigm companies know that a significant part in controlling of business is the desire to effectively motivate and maintain top performing employees who can survive firms' reformation, cut back, consolidation, restructuring and re-engineering scheme (Clarke, 2011). Organizations have therefore become more aware that retention of employees does not end in hiring the best employees, but the ability to maintain them after hiring them (Harris & Brannick, 1999).

The diverse works of Appelbaum et al. (2010) and Lawler (1986) contribute that in the undertaking of retaining workers, the HR sector of every firm takes essential responsibility by looking at the selection and enrolment process or other basic HR responsibilities. The human resource sector is also answerable to employees maintenance when analyzing labor turnover and understanding the reasons for employees leaving the company. Mohamad (2011) conducted a study on the impact of psychological contract and affective obligation on turnover plans for hotel managers in Malaysia. He found out that even if the psychological contract is built on an individual level, it reflects viewpoints on sensitive stuffs that are to be exchanged in the context of a dyadic connection. The building and protection of mutual obligation in the job relationship are significant factors for maintaining employees.

Abwayo (2015) also conducted a research on the relationship between psychological contract and firm's obligation and job contentment in depository institutions in Nairobi. Among other things, the researcher found that there was a helpful association between duties of the employees and job contentment and unhelpful relationship between psychological contract and firm's obligations. Longurasia (2018) conducted a research on employees view point on psychological contract at the KMC where they noted that a firm accomplishes its psychological contract mostly by assigning job with tasks, leading to a helpful connection between workmates and development of good connection as well accomplishing their firm goals. Nambaka (2010) considered the relationship between employee psychological agreement and organization nationality actions at the NSSF. The result showed that the accomplishment of the organization's needs towards its workers is significant in clearing up the readiness of employees to get into organization citizenship behavior.

## **2.4 Psychological Contract Factors Influencing Perceived Employee Retention**

Psychological contract involves factors that are not contractually written down in an employer employee relation, but they are factors that each party expects to be undertaken or to be carried out to enhance performance in the job. This study anticipates five factors of psychological contract that if undertaken by organizations they would appeal to the perception of employees in order to enhance their retention (Abbasi & Hollman, 2000). These psychological contract factors may therefore imply increased costs for organizations, but they would be necessary to ensure that they elicit the right perception that would enhance employee retention.

It is the basic duty of those in management to determine gifted and top performing employees from the onset and they should be appreciated in every aspect e.g. benefits in terms of money (Sigler,1999). Low remuneration and dissatisfying reward also catalyze the rate at which employees leave organizations. Numerous circumstances that lead to employees leaving their employment with an organization make it hard for the organization to attract new employees (Susan & Schuler, 2000).The psychological contract factors that would have impact on employee perception to make decisions in regard to increase their stay in an organization would include: offering training and development facilities, undertaking performance appraisals, participation and encouraging employees' welfare benefits, undertaking consistent and fair disciplinary procedures and ensuring that there is enough opportunity to enhance career growth of each employee. These factors are explained herein below.

### **2.4.1 Training and Development**

Latham (1988) refers training as the orderly achievement and expansion of acquaintance, ability and manner needed by employees to carry out work that is allocated to them in a better way. If the

training is relevant to the needs of the employee, and if it is well and efficiently distributed, it should bring new understanding and skills as well to accomplish both the needs of employees and the firm. When the result of training is seen by achievement in necessary awareness and the acquisition of necessary skills, employee job performance should also be successful given that the skills studied in training move to the job.

Achievement in performance example production, value and services are the training results given that the job is purposefully associated to the firm's goals. For a worker, if they are satisfied through the guidance program offered, there is no disbelief that the wanted result by the firm and employee retention will be fulfilled. Huselid (1995) recommended that the way individuals view HR activities e.g. offering training and job protection by the firm are necessary determinants of employee retention. However, some research says that HR activities such as employee training are absolutely connected to retention since the preparations inspire workers and look them to their jobs which is called employee retention. Landsman (2004) recommended that guidance is helpful in improving skills and enhancing employee's performance. Employee training can handle a few factors leading to employee's maintenance e.g. alleged help from overseer, the agency and neighborhood.

#### **2.4.2 Performance Appraisal**

Performance appraisal is defined as the procedure of examining and estimating someone's work. It examines someone's overall involvement to the firm by evaluation of your personal features, performance in working and one's ability to secure into a top position in the firm (Gruman and Saks, 2011). In order to improve firms capability survive through hard surroundings, most high organizations are concerned in controlling the measure of performance of their employees, it is



usual to be aware that high gifts are major to business victory today, though how firms controls its talents would be essential to the achievement of firm where the successful arrangement of performance quantity would make sure that a firm totally make use of its competitive possessions to a utmost. As seen from the imaginary tale, performance appraisal plays the task as an intermediate of communication between administration and employees. Successful appraisal would come out as improved employees growth and response as well as enhanced workers contentment comprehension by the firm.

### **2.4.3 Welfare Benefits**

Employees' wellness refers to as the attempt to make life comfortable for workmen with their basis either in some ruling created by the country or in some local practice or in joint conformity or in the firm's own proposal according to Derek and Laura (1998) there are two basic wellness which places significance to people e.g. bodily (great health, paid holiday, decreasing working hours) and emotional (better mental wellness through condition of therapy services ,better communication and broad human relation at the place of work). Fox (1966) said wellness entails not only the prior anxiety with employees' bodily working environment but also the human relations side to gain job contentment.

### **2.4.4 Disciplinary Procedures**

This is the process for dealing with employees' wrongdoings. Firms will typically have an extensive range of disciplining employees to rise depending on the strictness of the misbehavior. Disciplinary actions differ on the unofficial and official capacities. Disciplinary actions which are not formal may be codified and tackled 'discretely' by the directors, while the official disciplinary actions are more likely to be arranged in a systematic manner in the firm guidebook or hiring

agreement and followed strictly by the employers because difference over tackling could end up resulting in an employment law.

For serious misconduct, workers can be called off from work whereas the disciplinary is being carried on. When a worker fails to do work assigned to him/her to the required standards, contemplation should be given to the strategy with ability which tackles such issues. Power might be measured by the indication of workers ability, capacity, wellbeing, or other bodily and psychological quality in relative to the work they are hired to do.

#### **2.4.5 Career Growth**

Career development is the managing of individual's growth and improvement in his or her work. Braer et al. (2008) contend that one's career improvement is everlasting procedure that entails the development and transformed procedure of early age, the prescribed career learning on school, as well as the procedure that is carried on throughout individual's working from adulthood to the retirement period.

The standards of Canadian and their directive for improvement of career practitioners referred career growth as "the enduring developing preferred future" Schreude and Coetzee (2006) said career contains many different levels and the person is caught up by many concerns at some stage in each of the levels. It's of much relevance to be therefore correct put into assumption that distinct people have distinct concerns that tackle them as they carry on with their workings and may be easy for this to get distinct observations concerning growth of career and improvement in different people.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter illustrates the numerical methods used in verification of the relationships between the self-determining variables and the dependent variable being researched on. It entails the study design, people and sample, data collection measures, testing and analysis of study variables.

#### **3.2 Research design**

The research adopted a descriptive research design as it explain the relationship that exists between the variables. It describes the effect of psychological contract which is defined by the identified five factors on employee retention on Hotels in Mombasa County.

#### **3.3 Target population**

According to a report undertaken by Cytonn (2017) there are over 600 employees employed on permanent and pensionable terms among Hotels in Mombasa County, registered by the Kenya Association of Hotelkeepers and Caterers. The target population of the study was therefore the 600 employees employed on permanent and pensionable terms spread across the different hotels in Mombasa County.

### **3.4 Sampling Procedure and Sample Size**

The study undertook random stratified sampling as it gives every element in the population an equal chance of being selected for the study. A target sample size of 134 employees was selected by the use of Yemane's (1967) sample size calculation formula.

$$n = N / (1 + N (e)^2)$$

Where N – Population Size

e – Population rate at +- 8%

n – Sample Size

$$n = 600 / (1 + 600 (0.08)^2)$$

$$n = 134$$

### **3.5 Data Collection Instruments**

Kothari (2011) explains information gathering as the method of organizing and gathering information with objective of getting data to document, to make judgments concerning significant matters and to make sure facts reach to everyone. The collection of data in the study from a group of individuals who are chosen using uniform survey or questions. Primary data collection instrument was used in the form of structured questionnaires used to gather data from the respondents. The drop and pick later method was used in data collection, where questionnaires were dropped among employees in different hotels in Mombasa County and picked later for analysis.

### **3.6 Data Analysis and Presentation**

Data collected was analyzed by use of qualitative techniques and by use of the frequency and the percentage of respondents who agreed with statements that defined a certain factor. The mean value was also used to describe the factors used to describe psychological contract as well as questions that were asked to represent the retention of employees in a hotel.

Data analysis was undertaken by use of regression analysis of the variables that was used to determine the effect of psychological contract on perceived employee performance. The significance of the study was tested by the use of F test at 95% confidence level. Scientific Package for Social Sciences (SPSS) version 23 was used for undertaking the analysis.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS**

#### **4.1 Introduction**

The philosophy by the employees in regard to performance at their work place and the reward therein has been expressed as psychological contract. This chapter analyses the components of employee psychological contract and how it impacts employee performance through explanation of the variables of the study from the data collected. The findings of the study are thereafter discussed.

#### **4.2 Response Rate**

The population of the study involved all the employees employed on permanent and pensionable basis working in the hotel industry in Mombasa County. The target population according to the study was a total of 134 respondents from different hotels who were identified at random. However only a total of 93 questionnaires were duly filled and returned. The response rate was therefore 69.4%. This response rate is deemed satisfactory in undertaking study analysis (Mugenda & Mugenda, 2003).

#### **4.3 Descriptive Statistics**

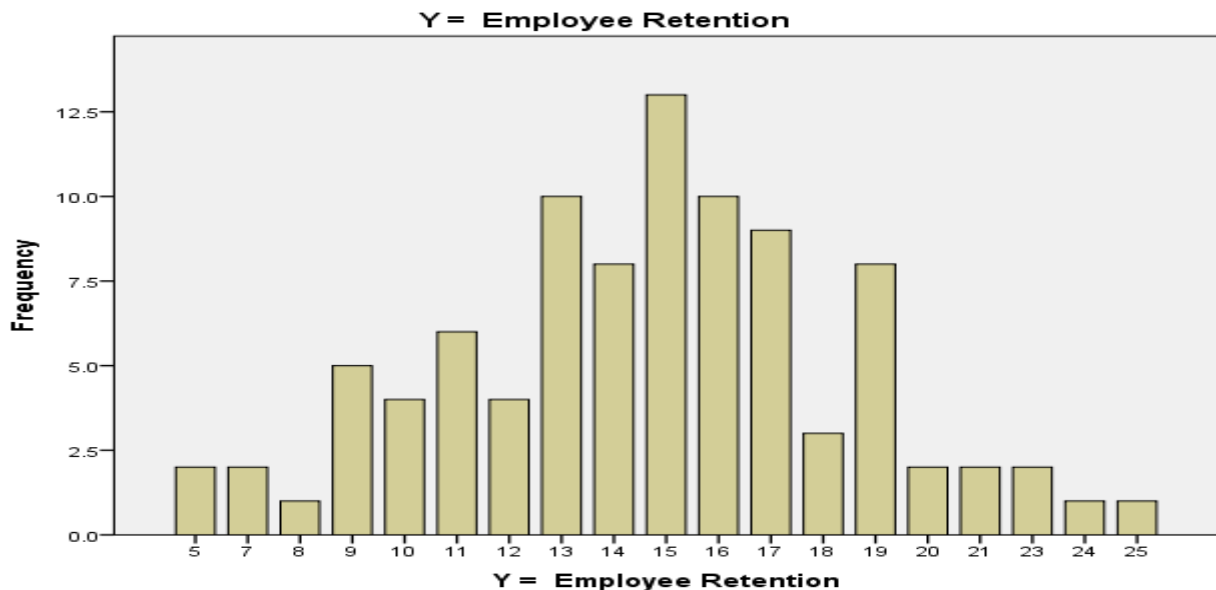
The descriptive statistics of the data collected is undertaken by the use of frequencies of which each statement is assessed on the extent to which each respondent agrees with the statement that partly measures the variable. Each variable in the questionnaire was composed of five questions in a 5 point likert scale. The total score for a respondent who believed that a variable was perfect

ought to have a total of 25 points while a score from a respondent who believed that the variable was poorest indicated a total score of 5. Each variable therefore ranged from 5 to 25 in scores, with 25 denoting the best performance for the variable and 5 denoting the worst performance.

### 4.3.1 Employee Retention

The dependent variable for the study was employee retention which was also determined by five questions in the questionnaire. The first two questions were negatively stated, and therefore the scores for these two questions were a score of 5 for strongly disagree all the way to a score of 2 for strongly agree. The other questions were positively stated and therefore the score for each question ranged from 1 for strongly disagree to 5 for strongly agree. The frequencies that indicated the response by the respondents on the variable are represented in the bar graph in Figure 4.1

**Figure 4. 1: Bar Graph Indicating Frequencies for Employee Retention**



Source: Author (2020)

The bar graph indicates that the score with the highest response was 15 with 13 respondents having a total score of 15 while only one respondent indicated that the hotel had perfect employee

retention with a total score of 25 while two respondents thought that the hotels they were working in had poorest employee retention at a total score of 5. The graph indicates a normal curve pattern.

### 4.3.2 Training and Development

The ability of a hotel to carry out training and enhance employee’s development was also assessed by use of five questions in the questionnaire. All the questions were positively stated and therefore scored from 1 to 5. The frequencies for all the 93 respondents is indicated in Figure 4.2

**Figure 4. 2: Frequencies for Training and Development Graph**



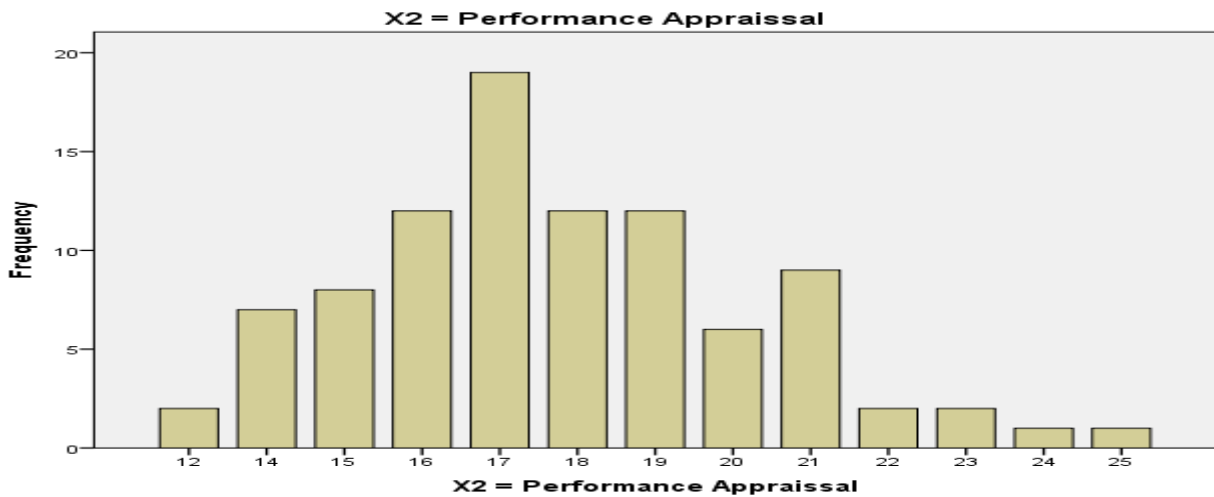
The graph indicates that most of the respondents scored their hotels poorly in the manner in which the hotel was able to undertake training and development. Only 29% of the respondents indicated that their hotels had a score of more than 15 indicating an above average performance. The rest of the respondents believed either their hotels were average or below average on training and developing their employees.

### 4.3.3 Performance Appraisal



The questions for the variable were set out to indicate in which the appraisal of the employees motivated them to positively impact their performance. The five questions were positively stated apart from one question which asked whether the appraisals were performed excessively too many times. The scoring for this question was therefore from 5 for strongly disagree while it was 1 for strongly agree, the other questions were scored normally from 1 to 5. The graph in Figure 4.3 indicates the frequencies for the responses in regard to the variable.

**Figure 4. 3: Frequencies for Performance Appraisal Graph**

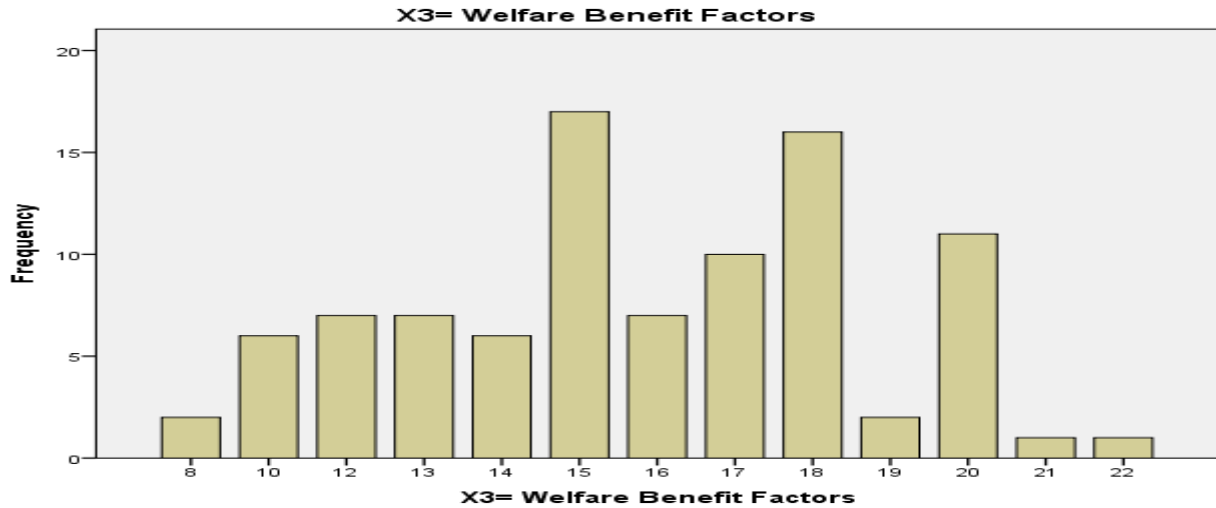


The bar graph indicates that most of the hotels performed above average on use of employee appraisal in motivating them impact their performance. The graph also indicated a normal curve pattern and distribution.

#### **4.3.4 Welfare Benefits**

The welfare benefits for the employees was also represented by five questions that touched on availability of employee medical scheme, motivating leave policies, availability of recreational facilities, and adequate platforms to further one’s career. The questions were positively framed and the respondents indicated the score as per the graph in Figure 4.4

**Figure 4. 4: Frequencies for Welfare Benefit Factors Graph**

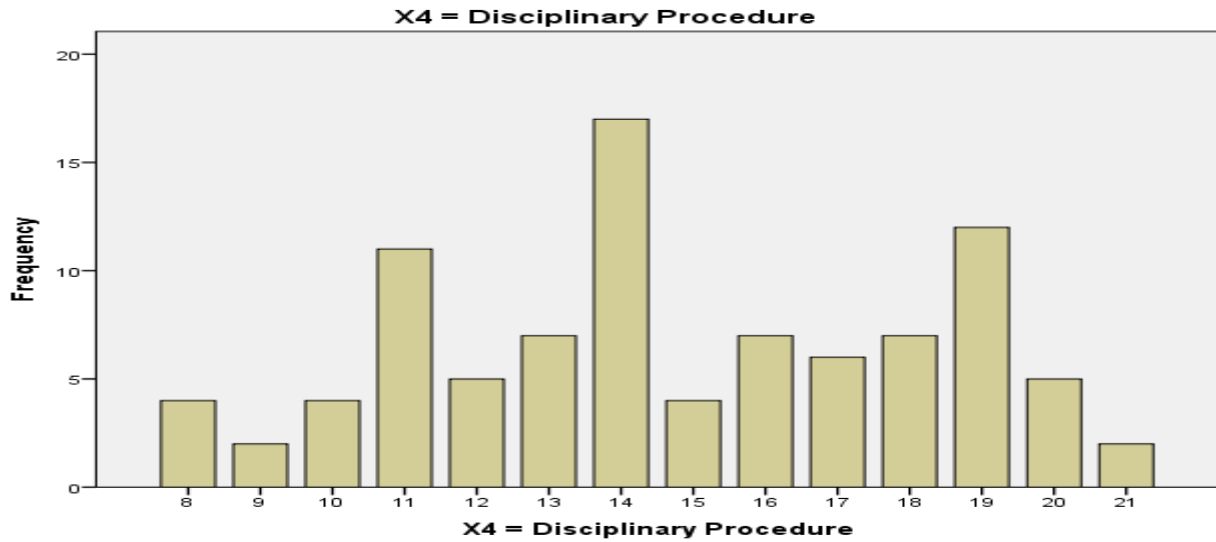


The graph indicates that most hotels had good performance on looking at the welfare of the employees. 11 respondents had a score of 20 which is an average score of 4 for each score. The total score with majority of the respondents was a score of 15 with 17 respondents a score of 18 had 16 respondents.

#### **4.3.5 Disciplinary Procedure**

The variable tested the ability of a hotel to undertake fair and just disciplinary measures and the ability to communicate clearly rules and regulations to the employees. The graph indicates that the disciplinary procedures are fairly well executed in most hotels. 17 respondents indicated a score of 14 while 12 respondents had a total score of 19 which indicated a fairly good performance on the variable. The graph in Figure 4.5 indicates the distribution of the frequencies by the respondents on the variable. The distribution does not indicate normal curve tendencies.

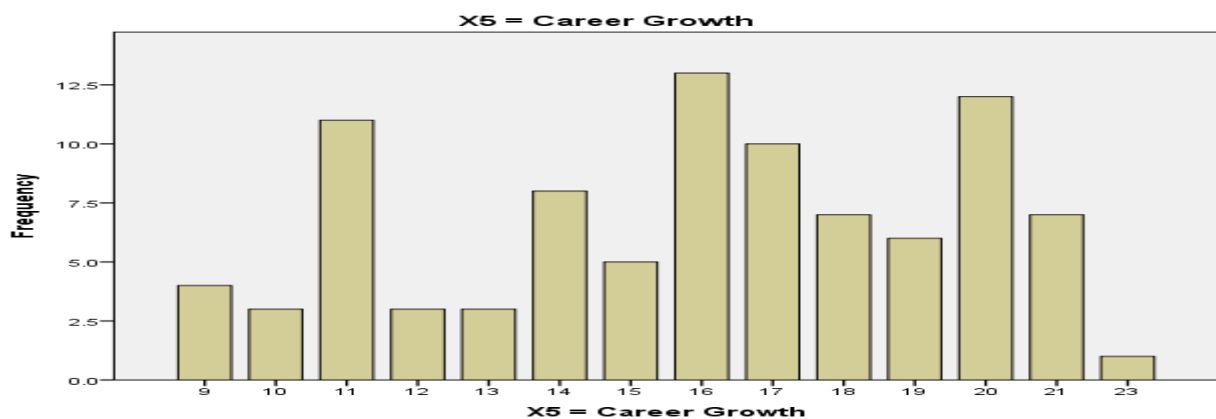
**Figure 4. 5: Graph Showing Frequencies for Disciplinary Procedure**



### 4.3.6 Career Growth

Similarly career growth was determined by a set of five questions in the questionnaire. The variable was determined by ways in which the hotel undertook promotions, the various policies in place in regard to career progression and development of the employees and the availability of mentorship in careers.

**Figure 4. 6: Graph Showing Frequencies for Career Growth**



The graph indicates that most hotels were also performing well in regard to career growth with higher bars indicating scores of 16 and above.

#### **4.4 Regression Analysis**

In order to determine the effect of psychological contract on perceived employee retention among hotels in Mombasa County, a regression analysis was undertaken represented by the model

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + E_i$$

Whereas Y = Perceived Employee Retention

X<sub>1</sub> = Training and Development

X<sub>2</sub> = Performance Appraisal

X<sub>3</sub> = Welfare Benefit Factors

X<sub>4</sub> = Disciplinary procedure

X<sub>5</sub> = Career Growth

E<sub>i</sub> = Error Term

B<sub>0</sub> is a constant while B<sub>1</sub>, B<sub>2</sub>, B<sub>3</sub>, B<sub>4</sub> and B<sub>5</sub> are coefficients of X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>, X<sub>4</sub> and X<sub>5</sub> respectively.

##### **4.4.1 Model Summary**

The summary indicates that there is an R of 0.653 which shows that there exists a 65.3% correlation between the observed values of dependent variable and the values of dependent variable predicted by the model. R square on the other hand represents the coefficient of determination which shows

the amount of variance in the data that is explained by the linear model. The coefficient of determination in the study is 42.6% which indicates that the independent variable in the model could be used to predict 42.6% of the changes in perceived employee retention. The adjusted R square, is the R square which has been adjusted by the number of independent variables in the model.

**Table 4. 1: Regression Summary Table**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653 <sup>a</sup>	.426	.393	3.102

a. Predictors: (Constant), X5 = Career Growth, X1 =

Training and Development, X2 = Performance Appraisal,

X4 = Disciplinary Procedure, X3= Welfare Benefit Factors

#### 4.4.2 ANOVA

In order to determine the significance of the effect of psychological contract on employee retention, an F test was undertaken.

**Table 4. 2: ANOVA Table**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	621.778	5	124.356	12.928	.000 <sup>b</sup>
	Residual	836.889	87	9.619		
	Total	1458.667	92			

a. Dependent Variable: Y = Employee Retention

b. Predictors: (Constant), X5 = Career Growth, X1 = Training and Development, X2 = Performance Appraisal, X4 = Disciplinary Procedure, X3= Welfare Benefit Factors

The significance of the study is below 0.05 which indicates that there is statistically significant effect of psychological contract on perceived employee retention in hotels in Mombasa.

#### 4.4.3 Regression Coefficients

The regression coefficients indicates the ability of each independent variable to predict changes in the dependent variable and the direction taken by the dependent variable thereof.

**Table 4. 3: Regression Coefficient Table**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.823	2.629		1.074	.286
X1 = Training and Development	.065	.069	.080	.941	.349
X2 = Performance Appraisal	-.067	.138	-.043	-.487	.627
X3= Welfare Benefit Factors	.044	.198	.034	.220	.826
X4 = Disciplinary Procedure	.356	.170	.310	2.094	.039
X5 = Career Growth	.392	.200	.355	1.957	.054

Source: Author, (2020)

The regression model  $Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + E_i$

Takes the form  $Y = 2.82 + 0.065X_1 - 0.067X_2 + 0.044X_3 + 0.356X_4 + 0.392X_5 + 2.629$

#### **4.5 Discussion and Interpretation of Study Findings**

The study findings indicate that there is statistically significant effect of psychological contract on perceived employee retention for hotels in Mombasa County. This indicates that there is significant need for human resources managers in hotels to ensure that they fulfill the factors that affect psychological contract if they purpose to have positive perceived employee retention.

The regression model and the ensuing regression coefficients indicate that if all other factors were held constant and training and development increased by 1 unit, then the perceived employee retention would also increase by 0.065 units. The positive increase indicates that increasing training and development for the employees in hotels, would result to increased perceived retention of the employees.

On the other hand, performance appraisal if increased by one unit while all the other factors are held constant, then perceived employee retention decreases by 0.067 units. This indicates that increasing appraisal of employees, and tightening the rules around appraisals leads to decrease in employee retention and thereby increasing staff turnover in the hotel. The HR managers should therefore conduct employee appraisals with moderation if they would need to increase retention of their top performing employees.

Increasing Welfare Benefits factors, improving disciplinary procedures in the hotels and increasing the career growth opportunities would all lead to positive increase in employee retention in the hotel industry in Mombasa County. This would be explained by the fact that increasing these factors improves the working conditions and the terms for working that ensures there is improved employee retention in the hotels. Improving these conditions and these factors would mean improving the psychological contract which would result in improving employee retention in the hotels.

The study findings are consistent with findings by Appelbaum et al. (2010) who concluded that the HR managers must be concerned with the recruitment process and consider the welfare of employees in order to ensure that the employees feel adequate and satisfied in the organization. Abwayo (2015) on the study concerned with psychological contract and its effect on the



contentment of the job in Depository Institutions in Nairobi found a positive and significant relationship between the variables. Similar findings were found by Nambuka (2010) who found positive relationship between psychological contract and employee goal congruence at NSSF. Longurasia (2018) had similar findings at KMC.

There are however few studies that had contradictory findings. Mohamad (2011) on his study found that psychological contract on employee retention does not show significant relationships among the variables as variables of psychological contract are viewed differently by individual employees. The factors that motivate one employee are not necessarily the factors that motivate another employee, and therefore an insignificant effect among the variables was obtained.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

Psychological contract has been expressed as the manner in which management is able to manage expectations of the employees to enhance their satisfaction in their organizations. This study was undertaken with an intention of finding out the effect of the psychological contract on perceived employee retention among hotels in Mombasa County. This chapter focuses on the summary of the study, conclusion and study recommendations.

#### **5.2 Summary**

The study findings indicate that there is a statistically significant effect of psychological contract on perceived employee retention among hotels in Mombasa County. This indicates that there is significant need for human resource managers in Mombasa hotels to ensure that they undertake factors that influence the perception of employees and make them consider working for the company for a longer period.

The regression model and the ensuing regression coefficients indicate that if all other factors were held constant and training and development increased by 1 unit, then the perceived employee retention would also increase by 0.065 units. The positive increase indicates that increasing training and development for the employees in hotels, would result to increased perceived retention of the employees.

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Increasing Welfare Benefits factors, improving disciplinary procedures in the hotels and increasing the career growth opportunities would all lead to positive increase in employee retention in the hotel industry in Mombasa County. This would be explained by the fact that increasing these factors improves the working conditions and the terms for working that ensures there is improved employee retention in the hotels. Improving these conditions and these factors would mean improving the psychological contract which would result in improving employee retention in the hotels.

The study findings are consistent with findings by Appelbaum et al. (2010) who concluded that the HR managers must be concerned with the recruitment process and consider the welfare of employees in order to ensure that the employees feel adequate and satisfied in the organization. Abwayo (2015) on the study concerned with psychological contract and its effect on the contentment of the job in Depository Institutions in Nairobi found a positive and significant relationship between the variables. Similar findings were found by Nambuka (2010) who found positive relationship between psychological contract and employee goal congruence at NSSF. Longurasia (2018) had similar findings at KMC. The study are however contrary to findings by Mohamad (2011).

### **5.3 Conclusion**

The study findings led to various conclusions. In the first instance, the study concludes that there is a statistically significant effect of psychological contract on perceived employee retention. Specific objectives of the study relate on each factor that describes psychological contract and how the factor affects perceived employee retention.

The study concluded that the undertaking of training and development in hotels in Mombasa County was important as the increase in training and development of employees led to increased perceived employee retention. On the contrary, increasing Performance Appraisal mechanisms in the hotels led to decrease in perceived employee retention. The study concluded that the decrease in perceived employee retention could be associated with the fact that over emphasis on appraisal demotivates employees and thereby increasing the staff turnover.

The study concluded that increasing Welfare Benefit factors helped employees to settle in the organization as their welfare in terms of medical cover, leave administration policy among others were well taken care of. Increasing these factors therefore led to increased perceived employee retention. Disciplinary procedure denoted the manner in which management was able to undertake disciplinary measures on employees in a just and fair manner. It also included the articulation of rules and regulations to all the employees in unbiased manner. The study concluded that the more the hotels practiced these factors the more it led to increased perceived employee retention. Similar conclusion was undertaken in regard to career growth. Increasing prospects of career growth among employees, clarity on requirements and targets for promotions, and fairness in execution of promotions ensured increased perceived employee retention.

#### **5.4 Recommendations of the Study**

The recommendations of this study emanate from the conclusions by the study. The study recommends generally that psychological contract should be enhanced in hotels in Mombasa County in order to enhance employee retention. The study recommends ensuring that training and development of employees is undertaken effectively without bias on all employees as increase in training and development among employees lead to increase in employee retention.

The study recommends that performance appraisals in the hotel industry in Mombasa County should be undertaken with moderation. This means that excessive undertaking of appraisal mechanisms lead to demotivation of employees and therefore causes increased staff turnover and lowers retention of employees.

The study also recommends undertaking of disciplinary methods by use of fair and just mechanisms, ensuring that the rules and regulations that warrants disciplinary actions are clearly articulated to all employees and punishment mechanisms are well documented and undertaken without bias. Similarly the study recommends improvement of welfare benefits to employees through provision of adequate medical schemes, ensuring that leave administration policies are adequately implemented. The study also recommends increased advocacy for career growth and development of employees. The promotion systems in the organization should be clear and well-articulated.

#### **5.5 Limitations of the Study**

There are various limitations that affected the study. In the first instance the study was undertaken by the use of primary data. The accuracy of the response by each respondent was therefore

dependent on the particular respondent. The researcher however explained the questionnaire to all the respondents that needed clarifications and purpose of the study. This was to help to ensure that the responses were unbiased as the respondents were also promised anonymity to ensure that the accuracy with which they responded to the questions was guaranteed.

The study was only able to obtain a response from at least one person from each hotel. This was limiting on the response as one individual may be biased against or towards the hotel. The response rate of the study was also not 100% as some of the questionnaires did not have all the required responses and as such were termed as incomplete. The researcher was also not able to receive back some questionnaires which reduced the response rate to 69%. The response rate was however adequate for analysis (Mugenda & Mugenda, 2003).

The study was also undertaken in Hotels in Mombasa County. This may not be representative of the hotel industry in the country. The hotels in Mombasa may be run differently from other hotels in other regions in the country.

## **5.6 Areas for Further Research**

The study recommends undertaking further research on the same topic but increase the context of the study to include the hotel industry in Kenya. This might take the form of perhaps at least all 4 stars hotels in Kenya. The results of this study would then be compared with the results of this study and difference in the results explained.

Perhaps a similar study would also be undertaken of which both primary and secondary data obtained. The secondary data to be collected would perhaps be performance of employees from

various appraisals. The effect of psychological contract on employee retention would then be undertaken accordingly.

A similar study may be undertaken but a small population be chosen in order to ensure that 100% response rate is obtained. The use of small sample where  $n$  is less than 30, would mean that the regression model would be adjusted by use of  $t$  test statistics instead of  $F$  statistics to determine the significance of the relationship.

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## APPENDIX II: RESEARCH QUESTIONNAIRE

Name of the Hotel \_\_\_\_\_.

Please tick appropriately on whether you strongly disagree, disagree, don't know, agree or strongly agree.

### **SECTION A: PERSONAL DETAILS (Tick Appropriately)**

#### **1. Age**

Under 20 years

36- 45 Years

21-35 Years

46 and above

#### **2. Gender**

Male

Female

#### **3. Marital Status**

Single

Married

#### **4. Education Level**

Primary Level

Diploma Level

Post Graduate Level

Secondary Level

Degree Level

5. Which year did you join the hotel? \_\_\_\_\_.

6. Which department are you currently working in? \_\_\_\_\_.

**SECTION B: PSYCHOLOGICAL CONTRACT FACTORS**

	<b>TRAINING AND DEVELOPMENT FACTORS</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Don't Know</b>	<b>Agree</b>	<b>Strongly Agree</b>
1.	There are enough staff training and development programs that are supported by the hotel					
2	Training opportunities are fairly allocated					
3	The training and development offered is relevant for my career progression					
4	Training and development programmes at the hotel have helped me improve my performance					
5	Skills learnt during training and development programmes, can influence my promotion in the hotel					
	<b>PERFORMANCE APPRAISAL FACTORS</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>I don't Know</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The Performance targets are clearly set out in the hotel					
2	I am usually consulted by my supervisor while setting out performance targets					
3	The performance ratings in the hotel are conducted free and fairly					
4	Performance appraisals are conducted excessively too many times in a year.					
5	Performance appraisal results have positive impact on my career growth					
	<b>WELFARE BENEFIT FACTORS</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>I don't Know</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The hotel has an adequate medical scheme					
2	I am very comfortable with the leave administration policy at the hotel					

3	The hotel cares for its employees general welfare					
4	The hotel provides adequate recreational facilities and packages to employees e.g. highly discounted rates for their packages, etc.					
5	The hotel promotes formal education for its employees to advance their career.					
	<b>DISCIPLINARY PROCEDURE</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>I don't Know</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The hotel administers a fair and just disciplinary procedure to the employees					
2	Supervisors are willing to humanely listen to employees at fault before making disciplinary decision					
3	The rules and regulations are clear and are well communicated to employees in advance					
4	Employees are given opportunities to appeal disciplinary decisions against them					
5	Disciplinary actions are equally undertaken to all employees without favour					
	<b>CAREER GROWTH</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>I don't Know</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The hotel management is deeply concerned with career growth and progression of the employees					
2	Promotion paths are well defined in the hotel					
3	Promotions are conducted on merit basis without favourism					
4	There are well developed employee mentorship and coaching programmes					
5	The hotel advocates for succession planning practice based on merit					

**SECTION C: EMPLOYEE RETENTION**

		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>I don't Know</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	I have always considered leaving working for the hotel					
2	I am actively looking for a job elsewhere					
3	I love what I do at the hotel					
4	I aspire to retire working for the hotel					
5	I would always recommend the hotel to jobseekers out there					