

**THE PERCEIVED RELATIONSHIP BETWEEN EMPLOYEE  
RETENTION AND ORGANIZATIONAL PERFORMANCE AT  
NATIONAL OIL CORPORATION OF KENYA**

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**DECLARATION**

**STUDENT'S DECLARATION**

I declare that this project is my original work and has never been submitted for an award of a degree in any other university or college.

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**SUPERVISOR'S DECLARATION**

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

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## **DEDICATION**

I dedicate this work to my family and all those who supported me in the completion of this project.

## **ACKNOWLEDGMENTS**

I would like to thank God Almighty for His able guidance throughout my studies. My heartfelt appreciation also goes to my supervisor, Ms. Florence Muindi for her invaluable professional advice and guidance throughout this project. To all Interviewees involved in the data collection process, I say thank you for your time spent and quality responses.

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## **LIST OF ABBREVIATIONS**

HRM :	Human Resource Management
HR:	Human Resource
NOC:	National Oil Corporation of Kenya
SD:	Standard Deviation

## **ABSTRACT**

The retention of employees has been shown to be significant to the development and the accomplishment of the organization's goals and objectives especially in building competitive advantage over other organization in the phase of increased globalization. Today, changes in technology, global economics, trade agreements, and the like are directly affecting employee/employer relationships thus leading to high employee turnovers thereby affecting employee retention in an organization. Retention has become one of the biggest issues for the Energy Sector in Kenya because human resource helps to generates profits and considered as the capital or asset of the organization. Professional employees have kept on moving from one company to another in this Sector in search of better employment terms. As such, human capital has turned out to be an important competitive tool in the energy sector which calls for proper management practices for these resources to ensure sustained competitive advantage in energy operations making this study to be important for effective management of parastatals in Kenya. The objective of the study was to establish the perceived relationship between employee retention practices and organizational performance at National Oil Corporation of Kenya. The study adopted descriptive survey design as it ensures complete description of the situation thus ensuring there is minimum bias during the collection of data and reduce errors when interpreting the collected data. The study used consensus technique and based its findings on the views of the whole population. NOC has a population of 210 staff as at August 2014. The study used primary data collected through a structured questionnaire. The data collected was analyzed using descriptive Statistics comprising of frequencies, distribution percentages, mean and standard deviation. A summary of the findings testing the employee retention practices which are envisaged to enhance employee commitment that ultimately help increase organizational performance. According to the findings generally 80% of employee retentions practices are moderately applied. The study established that employees are not highly motivated to give their best commitment for better organizational performance. This answers the question of high turnover and low market share experienced at National Oil. The study therefore recommends radical improvement in the implementation of Employee Retention Practices to motivate employees to be committed in the organisation in order to reduce the turnover and improve performance and ultimately achieve its set goals. The study recommends a similar research to the other parastatals in Kenya to establish if employee retention practices are causing high employee turnover.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organizations today constantly wrestle with revolutionary trends; accelerating product and technological changes, global competition, deregulation, demographic changes, and at the same time, they must strive to implement trends towards a service and information age society. Society has now become knowledge-based where clearly human capital is considered a key resource and indispensable to the survival of businesses. Increasingly, organizations are competing for the best talent employees, (Fox *et al.*, 2009). New paradigm companies recognize that an important element in business management practices is the need to successfully motivate and retain high talent employees who survive organizational restructuring, downsizing, consolidation, reorganizing or re-engineering initiatives (Storey, 2005). These trends have increased dramatically the degree of competition in virtually all industries. Companies in such an environment either become competitive high-performers or they vanish (Dessler, 2000). Within this competitive organizational context, human resource management practices have gained increased significance. More specifically, human resource has been linked to increased productivity, good customer service, greater profitability and overall organizational survival (Fox *et al.*, 2009). To achieve such link, management must not only face current issues of human resource management but ensure that they put in place mechanisms that will retain its employees.

It is imperative that firms create employee retention practices and adopt them so as to increase employee's performance (Gayathriet *al.*, 2012). According to Rawat, (2013) organizations face a lot of problems when they have a high turnover rate due to employees leaving the organization for reasons such as job dissatisfaction, poor working conditions, not having a decent salary packages and if there are no advancements in career among others. High loss of staff leads to low performance in the organization therefore, organizations have to come up with policies and practices on retaining employees so as to ensure that employees stay in the organization for a longer duration and have a positive effect on their performance. Most business leaders understand that having the right people in the right place at the right time to maximize business opportunities has become the most important factor in ensuring ongoing organizational success. While managing employees effectively is obviously important, to consider it's the acquisition, allocation, development, retention and succession that is even more important since value adding people can best create competitive advantage (Mellahi and Collings, 2010). It is no surprise therefore that a number of surveys show effective management of an organization's employees as one of business leaders' most critical challenges.

### **1.1.1 Concept of Perception**

Perception has been defined as the process by which people translate sensory impressions into a coherent and unified view of the world around them. Perception plays a key role keeping employees hoping for a better tomorrow hence want to work with a given organization for long (Curtis, 2001). According to Nelson and Quick, (1997) social perception is the process of interpreting information about another person. In other

words, one may be in possession of the same set of information that other people have on a particular situation, person or group but still arrive at different conclusions due to individual differences in the capacity to interpret the information that you all have. Rao and Narayan, (1998) emphasize that perception ranks among the important cognitive factors of human behavior or psychological mechanism that enable people to understand their environment. In their own words, perception is the process whereby people select, organize, and interpret sensory stimulations into meaningful information about their work environment. They argue that perception is the single most important determinant of human behavior, stating further that “there can be no behavior without perception.” Though focusing on managers in work settings, Rao and Narayan draw attention to the fact that since there are no specific strategies for understanding the perception of others, everyone appears to be left with his own inventiveness, innovative ability, sensitiveness and introspective skills to deal with perception. Positive employee perception of the organisation portfolio is an important factor for existence growth and development of an organisation. What the employee perceives is generally what the employee believes and acts on. Employee perceptions are shaped by many factors, prominent among them organizational roles, supervisory styles, and communication styles. Employee perceptions cannot be ignored, even when they are known to be incorrect, because they are factual to the employees who in turn act as a major factor to continued existence of the employee to the organisation (Parkinson,1990).

### **1.1.2 Employee Retention**

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs Glen, (2006).Employee Retention involves taking

measures to encourage employees to remain in the organization for the maximum period of time (Griffeth & Hom, 2001). Leign, (2002) also defines retention as keeping those employees that keep you in business. Nowadays, organizations are experiencing a balance of power shifting from employers to employees. Employees can be retained and satisfied within those organizations which keep on learning how to keep their employee satisfaction at the highest level. Sohailet, (2011) enlightened that employee retention as an important process for organisation performance to remain competitive. Thus for Organizations to remain competitive, they need to have in place employee who are focused, equipped with effective skills and committed to their work. It means therefore, that crafting and implementing retention practice is a core function of Human resource management. It follows therefore that before implementing retention practice, companies have to understand employee's expectation in the workplace. Failure to understand employee's expectations results to erroneous practice and spoils retention intentions. Employee retention practice is a plan or policies that are practiced by an organization to retain its employees throughout their work life. In other words Retention means the long-term relationship between employee and the organization. Effective implementation of Employee retention practices increase employee loyalty, commitment and minimize employee turnover cost. By having a better handle of why the employees are leaving or want to leave the organization, effective retention practices can be adopted and reduce turnover. (James & Mathew, 2012).

Previous studies show that, a good recruitment practice is the key to employee retention Hascall, Hopkins & Hollman,(1995).The first thing leading organizations are doing to retain employee is a focus on "hiring retainable employees." Recruitment should aim at

finding a fit between the employer and employee. How managers handle selection process can also influence employee retention. Use of Biodata technique empirically enables identification of life experience that tends to differentiate those who will stay with organisation and those who will not. Such experience may include trend of how long they have been staying with previous organisations. Training and development teaches existing employees new knowledge, skills and abilities to ensure their continued usefulness to the organization and meeting their personal desires for advancement. In organizations where there is no career growth employees tend to leave and work elsewhere. When training opportunities are lacking, workers gets demoralized and easily move to other companies even for allow pay but as long as there are chances for training and development. Compensating or Paying employee high wages in relation to their job will enable employees to remain in the firm and avoid them from looking for a job elsewhere. Giving bonuses to employees who have improved their performance and increased profitability and offering stocks to employees thus making them own a part of the organization. This will result to them being more loyal and committed to the firm. Managers should establish an effective two way communication with operatives as this result in employees to remain in the organization (Taplin, &Winterton, 2007). Providing employees with career paths and steps on how they can reach their goals and achieve them. Among many organisations high turnover is mainly in new employees.

Research shows socialization and work environment practice can help new hires become embedded in the company and thus likely to stay. The interesting part of work environment is; work environment characteristics in services sector differ from production sector, because services sector directly deal with consumers/clients

(Normann, 1986). Organizational Culture encompasses perceived images towards organizations, relationships among employees, attitudes towards customers and accepted ways of performing tasks Donald and (Catt, 1989). Organizations with high levels of employee commitment have significantly higher operating margins and net profits than organizations with low employee commitment. Employee Retention saves an organisation a lot of inconveniences including finances, replacement costs, training costs among many other costs. Such practices may include individualized learning experience formal and informal activities that help people get to know one another, and the assignment of more seasoned employees as role models for the newcomers.

If there is excess of departures of staff then it indicates a basic problem within the company and for such organization it is important to be familiar with how to retain employees. Attracting and retaining the employees in emerging countries is highly desired practice of the high performance organizations. Also after some years, the competition will be fierce and having the best talent in the company will be a challenge. Research reports that most of the employees leave an organization out of frustration and constant friction with their superiors or other team members. Organisation should ensure a favorable environment in terms of line manager employee relationship to be able to retain employees.

### **1.1.3 Organizational Performance**

Organizational performance is the final achievement of an organization and contains a few things, such as the existence of certain targets are achieved, has a period of time in achieving the targets and the realization of efficiency and effectiveness (Gibson *et*



*al.*,2010). On the other hand, organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz & Donnell, 2003). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization. All types of organization, whether small or big, public or private, for-profit or non-profit, struggle for survival. In order to survive, they need to be successful (effective and efficient). To assure their success, organizations must perform well. Ultimately, performance lies at the heart of any managerial process and organizational construct and is therefore considered as a critical concept in the strategic management field. Organizational performance includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target (Johnson *et al.*, 2006). It is used to make adjustments to accomplish goals more efficiently and effectively. Organization performance is what business executives and owners are usually frustrated about. This is so, because even though the employees of the company are hard-working and are busy doing their tasks, their companies are unable to achieve the planned results. However, for any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that are designed around the skills that would enhance the performance of the organization.

Managing performance requires organizations to reconcile caring for and developing their people with ensuring that departmental and organizational aims are achieved. This involves judging each different situation on merit and deciding a course of action and management style that is right for the situation. For instance, we need to be caring and compassionate if, for example, an employee needs help and encouragement to get through difficulties or challenges. Being able to assess situations and adapt our management response is vital to managing people. Managing people well, will ensure managing performance well too. It's important to recognize a fundamental fact: that organisation performance determine its existence in the competitive world of business. It is therefore important to make an effort to attract, develop and maintain productive workforce which will translate the organisation into high performance through increased market share and attaining a competitive advantage.

#### **1.1.4 National Oil Corporation of Kenya**

National Oil was incorporated in April 1981 under the companies Act, Cap 486 and charged with participation in all aspects of the petroleum industry. The company has 100% Kenya Government shareholding. The formation of National Oil was predicated by the Oil crisis of the 1970's (1973/74) and 1979/80) and the correspondent supply disruption and price hike which resulted in the country's oil bill comprising of almost one third of the total value of imports and therefore making petroleum the largest single drain of Kenya foreign exchange earnings.

A recent development in exploration of Oil and Gas (O&G) sector offers a burgeoning market with significant opportunities for exploration development and production

companies. Among other challenges facing the Industry is Human Capital. Human Capital is an integral part of economic growth and development in this sector. The sector lacks the HR capacity to exploit the potential Oil and Gas in East Africa. This is partly because there has been little emphasis of Oil & Gas training in the National Curriculum in Kenya. Over the years, National Oil has been losing its developed skilled staff to the competing firms in the industry at a very high rate.

A market survey by Petroleum Institute of East Africa indicates a Corporation's market share of 4.9%. According to this survey National Oil emerged the 4th position below actors like Total Kenya, Oil Libya, Vivo, KenolKobil, Hashi, Oryx Energies among other players in the industry. Petroleum insight, (2014). The high employee turnover has been on the increases over the past decade. Currently 66% have worked in the Corporation for less than 5 years, 25% have served for 5 to 10 year and 9% have served the Corporation for more than 10 years.

The turnover rate has been operation and above 10%. This has affected employee psychologically hence reduced commitment, productivity and the profitability of the firm as indicated in this study findings. The researcher recommends that it is critical that National Oil Corporation attracts and retains qualified and experienced employees, as the stabilized supply of the petroleum product for the whole country depends to a great extent on the steady fast operation of the firm. According to records with National Oil (2014), the company lost 25% skilled and professional employees to other competitor organizations. Over the last 32 years the organization's highest attained market share remained at 4.9%. NOC was suitable for this study given that it is in the sector of Energy

and Petroleum which lacks professional human resource as it is undergoing changes due to recent discoveries of Oil and Gas in Kenya.

## **1.2 Research Problem**

In the global business environment, employee commitment, productivity and retention issues are emerging as the most critical workforce management challenges of the immediate future. A recent research on determinants of organisation performance reported that High performance organizations are focused on maximizing the potential of their workforce and utilizing this for mutual benefit and competitive advantage responsibility and control (Ai, 2012). This is because HR resource determines whether the organisation will succeed or fail. Surprise employee departures will therefore affect the organizations performance in term of productivity, profitability and growth. It is prudent therefore for organizations to develop proper practices in managing human resource to ensure they retain them for longer period to avoid the associated costs.

Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. Organizations tend to suffer in terms of retaining talented staff due to high employee turnover rates. In order to minimize this problem, employee retention practices should be developed and implemented in organizations. Therefore, organizations have to first find out the reasons as to why employees are exiting the company and then finding appropriate retention practices to adopt and retain the staff. The organisation performance level drops as a key employee is not there to offer their expertise and experience in problems or decisions, (James & Mathew, 2012).

With intense competition from both domestic and international players, rapid innovation and introduction of new financial instruments, changing consumer demands, sector regulation and explosive growth in information technology. NOC need to change the way conducts business and reaches out to its customers. NOC must put more stress on understanding the drivers of success, like better utilization of its resources (like technology, infrastructure and employees), process of delivering quality service to its customers and how to increase its market share through opening of more service stations. Statistics shows that National Oil has been losing its employees at a very high rate both voluntary and involuntary exit. This is confirmed by the current upto date analysis of employee turnover which is now 11.8% (see Appendix III). The Corporation's performance has not been quite good either operating at a market share of 4.9% being the best for the last 32 years after its inception in 1981.

Studies that have been undertaken on the role of employee retention on organizational performance include Bawazir, (2013) undertook a study on the perceived effect of retention strategies on employees performance at Imperial Bank Limited, Kenya. The findings of the study were that retention strategies had a positive relationship with employee performance. Training and development, communication, compensation, good working environment and career advancements strategies were rated as the strategies pursued by the bank in order to influence the performance of employees. Njoroge, (2007) undertook a study on the factors that influence employee retention in manufacturing firms in Nairobi and established that most of the employees consider organizational culture and job satisfaction as the key factors that influence employee retention in the sector. Thiriku,

(2013) researched on the perceived factors affecting employee retention in Safaricom Limited and found out that performance management practices were not transparent and unfair hence low retention and performance management practices are by objective, attainable and realistic, systematic, participative and regular. Career growth practices within Safaricom Limited leads to lower rate of employee retention. Working conditions, compensation assisted in employee retention.

It is observed that these studies did not cover the effect of Employee Retention in relation to how it affects performance of an organisation. Given that the turnover of employee is above the recommended 10%, and the corporation performance has not been good, the researcher therefore concludes that this is a research gap that needs to be addressed. It is in this regards that the researcher wishes to establish the relationship between the Employee Retention and Organisation Performance at National Oil Corporation of Kenya.

### **1.3 Research Objective**

To establish the perceived Relationship between Employee Retention Practices and Organisational Performance at National Oil Corporation of Kenya.

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

This study is of benefit to the Management of National Oil Corporation as they have been able to establish what areas of employee practices are not implemented to satisfactory of the employee. The management is able to know the effects of employee benefits on employee retention and to identify various forms of employee benefits to individual

employees. This will reduce the employee turnover and hence improve the organizations image and performance in the competitive environment they are operating in.

The study will be of great interest to the researcher and the Human Resource and Administration Division. It will improve the administration of various forms of benefits to employees and also link the employee benefit with staff retention which ultimately results to increased organizational productivity. In addition, it will enable other organizations to know which retention practices motivate employees to remain with the organization and improve performance. It will be an insight in formulation of Employee Retention policies by the human resource managers who will want to come up with retention practices in their corporate policies and adopting them in the organization in order to retain staff and reduce labour turnover. This will help inform when designing regulatory framework and measures on how to monitor employee retention.

For academicians, this study forms the foundation upon which other related and replicated studies can be based on. The study increases the body of knowledge in this area. The research provides an insight into the effectiveness of employee retention through retention practices. The findings bring forth knowledge on which retention practices are best suited and whether retaining employees has any impact on organizational performance.

## **1.5 Research Questions**

The overall research question of this study was to examine the Perceived Relationship between Employee Retention Practices and Organizational Performance at National Oil Corporation of Kenya.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviewed the available literature related to the study. An overview of theoretical foundation of the study was discussed. Further, it discusses the Employee Retention practices pursued in order to retain employees. It goes further to highlight the role of employee retention on organizational performance at.

#### **2.2 Theoretical Foundation of the Study**

The study was guided by the Herzberg's, (1968) motivation- hygiene theory of job satisfaction and job embeddedness theory by (Mitchell *et al.*, 2001).

##### **2.2.1 Two Factor Theory of Motivation**

Herzberg believes that every worker has two sets of needs (motivational and hygiene needs). He contends that employees in this respect will stay in their work place so long as their needs are satisfied and they are motivated. Failure to meet their needs would automatically call for departure hence employee turnover. People are satisfied at their work by factors related to content of that work. Those factors are called intrinsic motivators and contain achievement, recognition, interesting work, responsibility, advancement and growth. Factors that make people unhappy with their work are called dissatisfies or hygiene factors. Herzberg found the following dissatisfies: company policy, supervision, working conditions, interpersonal relationships, salary, status, security. What makes them different from motivators is the fact that they are not related to the content of the work but to the context of the job (Armstrong, 2007).



The presence of hygiene factors (unfair company policies and poor supervision) and the absence of motivators (sense of achievement and recognition of achievement) cause employees to quit. Therefore, it is imperative that in order to retain employees organizations find ways of motivating employees to remain with the organization (Flegley, 2006). Organisation attractiveness lies in its potential to provide high benefits for employees who in turn facilitates higher productivity to achieve higher flexibility and competitive advantage while remaining cost efficient and competitive (Bauer,2004). Guest, (2006) is of the view that organisation would do better to increase their focus on intrinsic satisfaction rather than extrinsic rewards if they are to improve commitment and motivation as key ingredients for high performance. This means redesigning jobs to provide workers with the challenge and opportunity for learning and a sense of fulfillment. He also notes that if workers are able to be motivated by rewards, these needs to be valued rewards which the workers accept as being awarded for his effort or performance. Retention means the long-term relationship between employee and the organization. Effective implementation of Employee retention strategies increase employee loyalty and minimize employee turnover cost.

### **2.2.2 Job Embeddedness Theories**

Mitchell *et al.*, (2001) noted that job embeddedness theorizes that employees remain in the organization as long as the inducements to stay there match or exceed their expectations. Job embeddedness influences employee's decision to whether remain in the company or leave. By being embedded in a job, the individual will be less likely to leave the organization thus having a positive impact on their performance. As employees participate in their professional and community life, they develop a web of connectness

and relationships on and off the job. Organizations should ensure that their employees are job embedded as this will keep the individual from leaving the company hence resulting to employee retention. Human resource practitioners should try and ensure that employees are embedded to their jobs through the three dimensions of job embeddedness; links, fit and sacrifice.

The links dimension describes the relationship the employee has with other people in the organization. Organisations can manage links by providing employees with mentors within, design work in teams, foster team cohesiveness. Examples include co-workers, work groups, mentors friends relatives and so forth. Employees with numerous links to other in their organisation and community are more embedded and would find it more difficult to leave. By having good relations in the workplace will act as a way of embedding the employee to their jobs and this can be accomplished by having a member working in teams. The second dimension fit is described as the compatibility that an employee has with their work and in the work place. Organisation can employ realistic job preview, incorporate organisation fit into employee selection as well as provide clear socialization and communication about the enterprises values and culture to realize employee fitness into their new environment. Example is an employee whose product knowledge is in that organisation and any other organisation has been a competitor, this employee will feel fitted into this organisation exiting to counter the competitor. Therefore, the human resource department should ensure that the individual's needs such as career goals, personal values and plans for the future fit with the organizations goals and plans. This will ensure that the employee feels tied to the organization thus ensuring the employee is retained and have an increase in performance. Sacrifice is the third

dimensions in the job embeddedness theory. Sacrifice is the loss that an employee will feel and bear when he/she decides to leave the organization. When the individual leaves the organization he/she will have to lose interesting projects, attractive benefits and compensation, working with colleagues who have grown close to as well as promotional chances.

Therefore, job embeddedness is beneficial to organizations when it comes to retaining employees as it enables the firm to know why people decide to stay thus creating appropriate retention strategies that suit the organization (Mitchell *et al.*, 2001).

### **2.3 Employee Retention Practices**

According to Armstrong, (2006), employee retention refers to how an organization keeps their employees from leaving the organization thus coming up with retention strategies to ensure that employees remain in the company. Research shows that HR practices can be especially powerful in enabling an organisation to achieve its retention goals. These practices includes: Recruitment, Selection, Socialization Training and Development, compensation and rewards, employee engagement Griffeth, R. W, (2002). Yazinski, (2009), in his study gives a brief review of the twelve retention factors working towards the preservation of an organizations most valuable asset – skill recognition, learning and working climate, job flexibility cost effectiveness, Training, benefits, career development compensation organisation commitment, communication, Employee Motivation, Conduct of stay and exit interviews caring management and culture.

### **2.3.1 Recruitment and Selection**

Labour market shortages and recruitment difficulties have led to a more competitive recruitment market in the last decade. Lievens, van Dam and Anderson (2002) asserted that the war for talent meant that the emphasis in organisations moved from the selection to the attraction of employees. Recruitment “includes those practices and activities carried out by the organisation with the primary purpose of identifying and attracting potential employees” Breugh& Starke, (2000) and has long been regarded as an important part of human resource management as it performs the essential function of drawing an important resource - human capital- into the organisation (Barber, 1998). The strategic significance of recruitment is often reported in the literature Boxall and Purcell, (2003), the emphasis being upon the need to attract and retain high quality people in order to gain a competitive advantage, as is consistent with the resource-based view Barney, (1991); Barney and Wright, (1998); (Wright and McMahon, 1992). Recruitment and selection play a pivotal role in service delivery. If utilized efficiently it can be cost effective in more than one way. From a managers point of view the objective is to get the maximum return on investment from human capital. Investments, such as salaries, cost of recruitment, training, fringe benefits, are expected to be returned in the form of profits or some sort of increase in the bottom-line. Hammersak, (2002) explained that star performers usually return three to seven times their salary’s worth in productivity. If the right person is appointed, training cost will be minimised, breaks in delivery decreased, and production or service increased, putting the organisation in a position of achieving its key performance objectives of: dependability, cost, speed and quality (Slack, Chamber and Johnson, 2001).

### **2.3.2 Training and Development**

Some observers worry about training and development opportunities may be double-edged sword. This is due to the fact that training can necessitate employee leaving due to added skills. In the other hand people in certain jobs that require constant updating of skills such as Information Technology might leave if they have no options for strengthening those skills, Sommer, R.D (2000). It calls for organisation therefore to be keen to formulate and implement retention practices to avoid their trained employees from leaving immediately after training.

Investment on employee Training and career development is considered important factor in employee retention. Organization has the incentive to make investment in form of training & development only on those workers, from whom organization expect to return and give output on its investment. According to Clark, (2001), organizations are intensification development for talented employees, through proficiency analysis, input on employee interests, need development and multisource appraisal of capabilities and formulate plans for action. Wetland, (2003), suggested that firms and individual made investment on human capital in the form of training. Training enhances the skills of employees. When employees are hired to enhance the skill, organization needs to start training program. According to Parker & Wright, (2001) employees have perception to acquire new knowledge and skills which they apply on the job and also share with other employees.

Gomez *et al.*,(2005) posits that training provides specialized technique and skills to employee and also helps to rectify deficiencies in employee performance, while

development provide the skills and abilities to employee which will need the organization in future. Development of skill consists of improving interpersonal communication, technological knowledge, problem solving and basic literacy. Garg & Rastogi, (2006), explained that in today's competitive environment feedback is essential for organizations from employees and the more knowledge the employee learn, the more he or she will perform and meet the global challenges of the market place. The availability for all employees having access to training and development programs is critical in facilitating organizational growth, particularly with performance and technological improvements. Clark, (2001), recommends that training is a sign of organization commitment to employees. Training also reflects organization strategy that is based on value adding rather than cost lowering. Leading firms of the industry recognized that comprehensive range of training, skill and career development are the key factors of attraction and retention the form of flexible, sophisticated and technological employees that firms strategy to succeed in the computerized economy (Accenture, 2001).

### **2.3.3 Career Advancement Opportunities**

Career Growth and development are the integral part of every individual's career. If employees cannot foresee their path of career development in their current organization, there are chances that they will leave the organization as soon as they get an opportunity, (Bratton & Gold, 2003). The important factors in employee growth that an employee looks for himself are work profile, personal growth and dreams, and training and development. Career development is vital for both the employees and employers. Career development is mutual beneficial process because it gives imperative outcomes to

employer and employees. To gain and maintain competitive advantage organizations required talented and productive employees and these employees need career development to enhance and cultivate their competencies, (Prince, 2005).

Employee's career advancement is a phenomenon which is formalized, organized and it is planned effort to accomplish the balance between requirement of organization workforce and individual career needs. The rapidly rising awareness makes it evidence that employees can give leading edge to the organization in market place. It is a challenge for today human resource managers to identify the organization developmental strategies which entusiasts the employee commitment to the organization vision and values to motivate the employees and help the organization to gain and sustain the competitive advantage (Gomez *et al.*,2005). Greller, (2006) states that people always work for a reason and the cause should be provided by work, organization, co-workers or from within. Findings showed that when employees want to advance in their careers, a motivational factor, it does not matter how old one is, a lot of stay in the organization as a way to advance.

### **2.3.4 Compensation**

Compensation plays significant role in attracting and retaining good employees, especially those employees who gives outstanding performance or unique skill which is indispensable to the organization because company invest heavy amount on their training and orientation. Overall satisfaction results from a mix of rewards rather than any single reward. Both rewards must been seen as timely and tied to effective performance. The employee must perceive the reward offered as attractive. Lawler, (1971) further observes

that, to maintain employee satisfaction with pay, corporations have developed systems that are intended to maintain pay equity with comparable internal persons or groups. The consequences of inequity in employee pay regarding the external labour markets are potentially very severe for a corporation, which would be unable to attract and keep the talent required. They conclude that, high total compensation does not however, ensure that the best employees are retained. To keep them, a company must also pay its better performers more than it pays poorer performers and the difference must be significant in the judgments of the employee. According to Lawler,(1990); company adopt the strategy of low wages if the work is simple and requires little training and companies competing in high labor markets, adopt the high wages strategy.

Some researchers argue that competitive compensation package is the only strong commitment and also build strong commitment on the workers side. However, the contribution of compensation towards retention, help in retention of employee irrespective of their skill and contribution to the company and it likely affect both turnovers desirable and undesirable. The total amount of compensation offered by other companies also affects the turnover. Organization which offers high compensation package as compared to others would have a large number of candidates applying for induction and have lower turnover rate. Moreover, the high compensation package, the organizations would create culture of excellence, (Lawler, 1990).

Many organizations implement very good employee retention strategy without offering high compensation or pay based retention strategy, (Pfeffer, 1998). In such circumstances, a wide number of factors seem successful retention of employees. The



existence of other retention factors cannot be ignored. The company objective to retain their valuable employee performance pay is considered important factor for it. Compensation is considered the most important factor for attracting and retaining the talent. Fair wages are the key element of the implied and contractual bond between employers and employees, the underlying supposition being that monetary can persuade behavior, (Parker and Wright, 2001). Organizations often offer high pay packages i.e. stock options, special pay, retention pay, gain share pay, performance base pay and bonus etc. for attraction and retention of talented employees of the market. Many organizations claim to base pay raises on performance, but that is not actually the case. Some companies try to emphasize a team environment, but continue to reward people for individual achievement, (Feldman, 2000). These inconsistencies can cause frustration and cynicism by employees. It is especially difficult when employees are not seeing significant pay raises, yet company leaders are richly rewarded, (Feldman, 2000).

### **2.3.5 Communication**

Studies have indicated that effective communications improve employee identification with their agency and build openness and trust culture. Increasingly, organizations provide information on values, mission, strategies, competitive performance, and changes that may affect employees enthuse (Gopinath & Becker 2000); (Levine, 1995). Many companies are working to provide information that employees want and need in better way of communication, through the most credible sources (e.g., CEO and top management strategies) on a timely and consistent basis. Having in place a good communication system where there is a flow of information between managers and non-managers will ensure that there is no misunderstanding. In addition, effective

communication in teams where employees are free to discuss and voice their opinions in projects such as holding an event for junior account holders will result in increased performance as the best solutions are offered and applied, (Smith & Rupp, 2004).

### **2.3.6 Work Environment and Socialization**

Work environment is considered one of the most important factors in employee's retention. According to Hytter, (2008), work environment is generally discussed as industrial perspective, focus on aspect i.e. noise, toxic substances exposure and heavy lifts. The interactions depend on the kind of job or / and kind of business, it may be more or may be less. The interaction between employees and clients and consumers moves from physical to psychological dimension. Psychological work environment consist of work load, decision, support, stressors, latitude and decision. It is of much importance to know and recognize the emerging needs of employees and providing good work environment in order to keep the employees committed with organization.

Ramlall, (2003) posit that people strive to work and to stay in those organizations that provides good and positive work environment, where employees feel that they are valued and making difference. Proficient employees of such organizations are dragging together to push the organization forward. Organizations should focus on managing the work environment to make better use of the available human assets.

People want to work for an organization which appreciates work performance, has opportunities to grow, a friendly and cooperative environment and a feeling that the organization is second home to the employee (Ontario, 2004). Three types of environment that an employee needs in an organization are learning, supportive and work environment, (Freyermuth, 2007). Learning environment includes continuous learning

and improvement of the individual, certifications and provision for higher studies. For supportive environment an organization can provide support in the form of work-life balance. Work life balance includes flexible hours, telecommuting, dependent care, alternate work schedules, vacations and wellness. However, work environment includes efficient managers, supportive co-workers, challenging work, involvement in decision making, clarity of work and responsibilities, and recognition. The absence of such environment pushes employees to look for new opportunities. The environment should be such that employees feel connected to the organization in every respect.

### **2.3.7 Supervisor Support and Relationship**

The leadership style is considered an affective factor in employee retention. The relationship between supervisor and worker play pivotal role in employees' turnover intention. Leaders are the human face of the firm. Greenhaus, (2004) suggested that employees' views regarding organization are strongly concerned to their relationship with supervisor. If supervisor support, open communication and have good relationship with employees, the employee's turnover intentions are likely less and more engaged with organization. Leaders interact as a bond to perform application between expectations and stated goals. By harmonizing the rivaling demands supervisor support and manage the inside and outside work environment. If the relationship among workers and supervisors are exceeding and strong the workers will never seek to any other new employment opportunity rather than stay in the organization and vice versa. Employees leave the leaders not jobs so leader support is also essential in this regard (Ontario, 2004).

Employees who are valued and they feel esteemed will take active part in the organization goals, show productive behavior, workplace and increased job involvements, which decrease absenteeism and turnover intention rates. The effective leadership style can be revealed by formal and informal acknowledgment. In organizations employees responds to admire, support and encouragement, no matter the environment is profession or personal (Silbert, 2005). To ensure accurate performance appraisal management leader must discusses the progress with employees outside the time of formal evaluation process. They assist workers to find the right place in the firm, not only move in the hierarchy next position, (Freyermuth, 2007). Lack of support from management can sometimes serve as a reason for employee retention. Management can support employees by providing them recognition and appreciation. Employers can provide valuable feedback to employees and make them feel valued to the organization. Bratton & Gold, (2003) argued that feedback from supervisors helps employees to feel more responsible, confident and empowered. Top management can also support its employees in their personal crisis by providing personal loans during emergencies, childcare services, employee assistance programmes and counseling services. Employers can also support their employees by creating an environment of trust and inculcating the organizational values into employees. Thus, employers can support their employees in a number of ways by providing feedback, giving recognition and rewards, counseling them and providing emotional support, (Prince, 2005).

### **2.3.8 Organisation Culture**

The vision, mission and values are called culture. According to Friedman, (2006), failing to integrate the employee into the organizational culture is a frequent contributor to low retention rates as cited by Connie Chapman, (2000), Culture is a powerful way of controlling and managing employee behaviors than organizational rules. Attractive culture retain more employees as everybody knows, the reason that close to 80% of people leave an organization is because of conflict in the workplace (manager, peers, ethics) (Rosenberg, 2008). The organization must clarify its mission and value system. The proper understanding of cultural value results to create positive working feelings among employees. Culture should be attractive and supportive to all employees. A supportive environment always motivates employees.

Joan and Harris, (1999) stress the importance of organizational culture in employee retention and argue that, in order to recruit and retain new employees organizational culture is more important than the job itself. While recruiting, the culture must be a perfect fit for the employee and it must be presented to the employee as it is. Many employees tend to leave a company for misfit with the culture. She stresses that, the first step in employee retention is to make sure that the organization core values are clearly defined and integrated into the organization vision, goals and strategy and communicated over and over again. Sheridan, (1992) in his research observes that organizational culture was significantly related to performance and voluntary turnover. Results from several studies Kreitner & Kinicki, (1997) conclude that congruence between individual values and organizational values was significantly related with intention to quit. Strong culture

creates goal alignment, employee motivation and controls to improve organizational performance.

## **2.4 Organisational Performance Measures**

Common indicators of organisation success are higher productivity, profitability, quality and worker satisfaction, and lower turnover and absenteeism. Guest, (2006) talks about measure of worker well-being which refer to worker job satisfaction, mental and physical health and broad life satisfaction, work-life balance and level of stress. Cost reductions of supervision, and the ability for individuals to use new skills, are also indicators of success, Birdi et al.,(2008) Becker, Huselid & Ulrich, (2001) use measures including number and quality of cross-functional teams, number and type of special projects to develop skills of those with high potential ratio of backup talent, and range of performance appraisal ratings. Boxoal & Macky, (2009) note the need to measure the effect of increasing employee involvement on the extent to which work and workplace pleasure is intensified. Such measure motivates employee's productivity which ultimately brings about organisation good performance.

It is generally accepted that such organisation harness the power of human resource management practices to improve organisations performance and competitive advantage, Sung & Ashton (2005); Boxall 2003, Appelbaum et al. (2000). High performance organisation link people, strategy and performance to arrive at success Becker, Huselid & Ulrich (2001). Organisation Performance is better described by the Contribution of Skills to Business Performance model by Tamkin, (2005), which examined the relationship between human resource activities and business performance<sup>1</sup>. This model, called the 4A

model, was underpinned by academic evidence which examined the factors that affect organisational capability, and ultimately organisational activities, outputs and outcomes and hence drive improvements in performance. The reason so much attention has been paid to the issue of employee retention is because turnover has some significant effects on organisations, (DeMicco and Giridharan, 1987; (Dyke & Strick, 1990); (Cantrell & Saranakhsh, 1991); Denvir & McMahon, 1992).

## **2.5 The Relationship of Employee Retention and Organizational Performance**

When a business loses employees, it loses skills, experience and “corporate memory”. The magnitude and nature of these losses is a critical management issue affecting productivity, profitability, and product and service quality. For employees, high turnover can negatively affect employment relationships, morale and workplace safety Bratton & Gold, (2003). Employee retention is vital in all organizations and therefore having in place employee retention strategies increases the chances of long term employees. By having employee retention strategies put in place in the companies policies and practices will enhance the company’s profitability as the productivity level will increase due to having satisfied employees who are happy to work in such an organization. An increment in employee retention bring about a reduction in recruitment thus saving the organization time and costs in recruitment and training. Company investors have a high regard for human capital and therefore organizations should ensure that their talented people are retained in the organization as they are a competitive advantage to the competitors Philips and Edwards, (2008). According to Galbreath, (2010), the ability of a firm to be able to retain their employees is a signal of success and shows that the organization is not only a

valued place of work but also that there is positive consequences for the firm's performance and productivity.

The world is an integrated marketplace where comparative advantage lies on the skills, education and technical competence of a company's workforce. Therefore, highly skilled and educated labour force increases labour productivity and creates an access to global opportunities thus attracting foreign capital. Organizations that have been successful in retaining staff ends up saving costs of training new recruits thus ending up with employees who have greater skills and knowledge of the organization's products/service and internal processes as they have been working there for a long period as a result enabling the company to be more productive and attract foreign capital and competition (Scullion & Collings, 2011).

Retention of key employees is important in that it fosters customer satisfaction, increases sales, promotes working relationships, improves employee-manager relationships and enables valuable succession planning. In such a system, organizational knowledge and learning is successfully preserved and advanced. Failing to retain key employees is costly for any business. Gordon & Meredith, (2001) further emphasizes that a company needs to invest in employee retention in order to be successful. In addition, creation and preservation of knowledge has become a key tool in accelerating competitiveness and enhancing organizational capabilities to respond to market changes. Engaging talented people in an organization facilitates achievement of the vision of their organizations that meet the organizational objectives who are innovative and can ensure global competitiveness. Retaining these experts should be marked by motivating them, and



allowing them to apply their knowledge. Utilizing them has become critical for firms as they seek to adapt to the volatile commercial atmosphere (Mutsuddi & Mutsuddi, 2007).

Coetzee, (2004) explains that managers should then realize that recruiting and developing talented staff is of paramount importance to the success of their business objectives. Consequently, it is important for managers to seek out employees with competencies and abilities that will contribute significantly to their teams. A collection of these gifted workers will build teams that can achieve great results since it is a well appreciated fact that talent is what ultimately drives business success and creates value. The resource-based theory, (Barney,1991), stresses the importance of the intangible resources and capabilities of the firm in the context of the competitive environment. In this way, the firms that devote their internal forces to exploit the opportunities of the environment and to neutralize threats while avoiding weak points are most likely to improve its performance than those that do not do the same and they are able to build a good reputation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology that will be used to carry out the study. The chapter describes the proposed research design, Population of the study, data collection instruments and how data will be analyzed, interpreted and presented.

#### **3.2 Research Design**

The research design to be adopted is a descriptive survey. A survey is an appropriate technique for generating original data from a large population which cannot not be directly observed. It is suitable because the population will consists of all employees of National Oil Corporation in different cadres. Descriptive surveys ensure complete description of the situation thus ensuring there is minimum bias during the collection of data and reduce errors when interpreting the collected data (Boyd, 1989).

#### **3.3 Population**

The Population of the study is made up of all Employees National Oil Corporation of Kenya. As of 2014, the number of employees is 210. Since the organization's population is small, the study will use census method hence it will consider all the 210 employees of the organisation. *Source:* Researcher.

#### **3.4 Data Collection**

The study used primary data which was collected using semi-structured questionnaire. The questionnaire was designed on a five- point Likert scale where 1 stands for strongly

disagree and 5 for strongly agree. The questionnaire was divided into two parts: Part A was asking for demographic details; Part B was focusing on how Employee Retention practices can enhance Organisational Performance.

### **3.5 Data Analysis**

Data obtained was analyzed using descriptive statistics comprising percentages, mean scores, and standard deviations. The results were presented using and tables.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the analysis, interpretation and discussion of the findings.

#### **4.2 Response Rate**

This contains response rate data from the survey. A total of 210 questionnaires were distributed to the respondents. Out of 210 questionnaires, 126 questionnaires were returned duly filled. However, 6 questionnaires were not fully filled thus they were left out of the analysis. This represented 57% response rate. According to Mugenda and Mugenda, (2003) a response rate of 50% and above is a good for statistical reporting.

#### **4.3 Demographic Characteristics of the Respondents**

This part sought data on the respondent's gender balance, age, years of service, academic qualifications, job title and branch they are based. This was meant to establish the suitability of the respondents to the study as these characteristics can influence the perception of the respondents on perceived relationship between employee retention practices and organizational performance at NOC.

##### **4.3.1 Gender Distribution of the Respondents**

Gender distribution at NOC was sought for the purpose of balancing on responses for the study as is shown in Table 4.1 below.

**Table 4.1 Gender**

<b>Gender</b>	<b>Percentage</b>
Female	56%
Male	44%
<b>Total</b>	

**Source: Author, 2014**

The findings in Table 4.1 on gender distribution among the respondents showed that 56% were female while 44% were male. Although females were more than male respondents, the difference is insignificant and therefore the study is not skewed towards any gender. This is good for the study as it will help to understand the opinion of both genders.

#### **4.3.2 Age of Respondents**

This is presented in Table 4.2. The intention here was to know the suitability of respondents to the study.

**Table 4.2: Age**

<b>Age</b>	<b>Percentage</b>
26 - 39	46%
40 – 55	28%
0 - 5	18%
56 +	8%
<b>Total</b>	

**Source: Author, 2014**

The study from Table 4.2 above it is clear that, 46% of the respondents were aged between 26-39 years, 28% of the respondents were aged between 40-55, 18% were aged 25 years, while those with 56 + years were 8%. Results shows that majority of the respondents were between 26 – 39 and 40 – 55 years.

### **4.3.3 Years of Employment at National Oil**

The respondents were requested to indicate the period under which they had worked at NOC. The information aimed at testing the work experience appropriateness of the respondents in answering the questionnaire on employee retention practice and relate to organizational performance at NOC. The findings are presented in Table 4.3.3 below.

**Table 4.3: Years of Employment at National Oil**

<b>Years</b>	<b>Percentage</b>
0-5	66%
5-10	25%
10 and above	9%
<b>Total</b>	

**Source: Author, 2014**

The findings in Table 4.3 above indicates that majority of respondents had worked at NOC for less than 5 years at 66% 25% had worked at NOC for between 5 to 10 years and 9% had worked at NOC for 10 years and above. This implies that the majority of the respondents had worked for less than five years explaining the high turnover at NOC.

#### 4.3.4 Highest Level of Education

The study also sought to establish the respondents' highest education level. This will help to gauge the employee's suitability in terms of knowledge into the study. Results are presented in Table 4.4 below:

**Table 4.4: Highest Level of Education**

<b>Level of Education</b>	<b>Percentage</b>
Undergraduate	52%
Master Degree Level	27%
Diploma Level	12%
Certificate Level	9%
<b>Total</b>	<b>100</b>

**Source: Author, 2014**

The findings in Table 4.4 above show that the majority of the respondents were undergraduates at 52%. 27% of the respondents had a Master Degree while 12% had Diplomas and 9% had Certificate Levels of education. No respondents had a secondary education. This shows that majority of the employees were Undergraduate which makes them suitable for the study as they understand the questionnaire.

#### 4.3.5 Job Title of the Respondents

This was to determine the position of respondents and their appropriateness to the study.

Table 4.5 below presents the outcome.

**Table 4.5 Job Title of the Respondents**

<b>Job Title</b>	<b>Percentage</b>
Management Level II	46%
Management Level I	26%
Technical Staff	14%
Senior Manager	7%
Administrative Assistant	3%
General Manager	2%
Support Staff	2%
<b>Total</b>	<b>100</b>

**Source: Author, 2014**

The findings presented in Table 4.5 shows that majority of the respondents were at Management Level II at 46%. Management Level 1 were 26%, Technical staff were 14%, Senior Manager were 7 % Administrative Assistants were 3% and General Managers were 2% and the Support Staff were 2%. The result indicate that majority of respondents were in management level II, I and other senior officers implying that they were in a position to determine which employee retention practice was not practiced to the required extent.

#### **4.4 Perceived Relationship between Employee Retention Practices and Organizational Performance**

This section reports on the perceived relationship between Employee Retention Practices and Organizational Performance at NOC. On a 5-point scale, 8 Employee Retention practices under investigation were, Recruitment& Selection, Training & Development,



Career Advancement, Compensation & reward, Effective Communication, Work environment & Socialization, Supervisor Support & Relationship and Organisation Culture. The respondents were asked to indicate the level of agreement using a Likert scale of 1-5 where 1 is not to any extent, 2 low extent, 3 is moderate extent, 4 large extent and 5 is to very large extent. To be able to interpret the score, mean score of < 1.5 implies not to any extent, 1.5 – 2.4 implies low extent, 2.5 – 3.4 implies moderate extent, 3.5 – 4.5 implies large extent and > 4.5 very large extent. A standard deviation of >1.5 means a significant variance showing non-consensus in the responses while <1 showing significance variance hence consensus in response.

#### **4.4.1 Recruitment and Selection Practices and Organisational Performance**

The respondents were asked to state their view of the recruitment and Selection practice on organisation performance at NOC. The results were as shown below on Table 4.6

**Table 4.6 Recruitment and Selection Practices and Organisational Performance**

<b>Recruitment and Selection Practices and Organisational Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
Hiring instruments at NOC ensure that the relevant job criteria are included in the tests and interviews at the design stage which lead to selecting candidates who match the demands of the job in terms of their skills, attitudes and behaviors.	3.8	.98257
NOC uses structured interviews to enhance reliability and validity of the interview. Those hired are therefore matched to key job criteria resulting to superior performance which helps organisation achieve its goals	3.1	.89819
<b>Average Mean</b>	<b>3.5</b>	

**Source: Author, 2014**

The findings as shown in Table 4.6 above indicates that the respondents agreed to large extent (Mean of 3.8, SD .98257) that relevant job criteria are included in the tests and interviews at the design stage leading to selecting candidates who match with the demand of the job. The respondents agreed moderately with use of structured interviews to enhance reliability and validity of the interview at NOC, (Mean of 3.1SD. 89819. On average, the respondents agreed to large extent (mean of 3.5) that the method employed by NOC on recruitment and selection is capable of bringing new reliable staff. The analysis above highlights that NOC has a moderate criteria for selecting candidates who match the demands of the job in terms of their skills, attitudes and behaviors. However, the use of interview instrument to enhance validity and reliability is not largely used at NOC.

#### **4.4.2 Training and Development Practices and Organisational Performance**

The respondents were asked the extent to which training and development has enhanced organisational performance at NOC. The results are presented on Table 4.7 below.

**Table 4.7 Training and Development Practices and Organisational Performance**

<b>Training and Development Practices and Organisational Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
Knowledge acquired through continuous training has a direct influence on my work performance.	4.3	0.89617
Training needs assessment is carried out continuously within the organization to enhance performance	3.5	0.98257
NOC has a comprehensive policy on training which links training to performance.	2.1	0.89819
Training programme are evaluated to gauge their effectiveness in improving performance	2.1	1.89719
<b>Average Mean</b>	<b>2.6</b>	

**Source: Author, 2014**

In regard the findings in Table 4.7 as to whether knowledge acquired through training has helped improve performance, respondents agreed to large extent (Mean of 4.3, SD .89617). They also in agreement to large extent that continuous training assessment is carried out to enhance performance (Mean of 3.5, SD .98257). In regards to comprehensive training policy at NOC the response indicate a low extent (Mean of 2.1, .89819). On training evaluation to gauge effectiveness of training, the response is to low extent (Mean of 2.1, SD1.89719). On average respondents indicated (Mean of 2.6) agreed that training and development has a direct influence on employee’s work performance and that training need assessment was moderately carried out. From the above analysis, employees at NOC have acquired training and development which has helped them improve performance and training assessment to establish the skill gap is moderately carried out at NOC. However, the analysis established that there is no policy on Training and Development at NOC and that evaluation of training programme is not consistent to gauge the effectiveness of the training.

#### **4.4.3 Career Advancement Practices and Organisational Performance**

The respondents were asked to indicate their view on how career advancement practice enhances organisational Performance at NOC. The Table 4.8 below presents the results.

**Table 4.8 Career Advancement Practices and Organisational Performance**

<b>Career Advancement Practices and Organisational Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
NOC encourages employee participation in deciding the career path for better performance	2.7	0.8932
Supervisors and employee are responsible for individual career advancement to improve performance	2.6	0.79203

The organization has promotion opportunities for an employee's achievements to motivate employee for better performance	2.5	0.89174
NOC provides regular opportunities for career advancements to increase performance	2.4	0.89152
NOC provides opportunity to do creative and challenging work to enhance performance	2.0	1.2059
<b>Average Means</b>	<b>2.4</b>	

**Source: Author, 2014**

Results from the Table 4.8 above shows that the respondents moderately indicated that they were encouraged to participate in making decision on their career path(Mean of 2.7, SD .89324), they indicated that are responsible together with their supervisors for personal career advancement(Mean of 2.6, SD .79203) in addition respondents were moderate on promotion opportunity after they are through with career advancement programme(Mean of 2.5, SD.89174) However, they disagreed that there is regular provision for career advancement opportunities to improve performance (Mean of 2.4, .89152) as well as that there is an opportunity for employee to be initiative and do challenging job to enhance their skills(Mean of 2.0SD 1.2059).On average (Mean is 2.4) results on career advancement opportunities indicated low extent in practice of career advancement opportunities at NOC. From this analysis, employee encouragement to participate in deciding their career path is moderate, the responsibility of career advancement is not an obligation of individual staff and their supervisors and NOC does not always promote employees who complete their career advancement program and ultimately, employees are not equally offered opportunities for career advancement to increase performance.

#### 4.4.4 Compensation Practices and Organisational Performance

The respondents were asked to state if terms of payment practices help improve organisational Performance at NOC. Table 4.9 below presents the results.

**Table 4.9 Compensation Practices and Organisational Performance**

<b>Compensation Practices and Organisational Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
NOC provides a good pension scheme and other fringe benefits for its employees.	4.2	0.89274
My total reward is fair in comparison to that of other players in same sector	3.5	0.89152
High performing employees are rewarded to encourage others to hence productivity	2.4	1.8932
Employees are given positive recognition when they produce high quality work.	2.0	0.79203
<b>Average Means</b>	<b>3.0</b>	

**Source: Author, 2014**

The results from Table 4.9 above indicated that the respondents agreed to large extent that they are provided with good pension scheme and other fringe benefits (Mean of 4.2, SD .89174), they were also moderate to large extent that their pay is fair in comparison to competitors offer in same sector (Mean of 3.5, SD .89274). However results show at low extent that employees are rewarded for high performance to encourage others to be productive (Mean of 2.4, SD 1.89152) and that they are given positive recognition when they produce high quality work (Mean of 2.0, SD.79203). On average mean on compensation and reward show (Mean of 3.0) indicating that moderately that compensation offered by NOC is fair. In conclusion, the research results indicated in general that salary at NOC is fair even in comparison to the pay from the other firms in the same sector. However, NOC does not reward high performing employees neither does it give positive recognition to employee who produce high quality work.

#### 4.4.5 Effective Communication Practices and Organisational Performance

The respondents were asked to state their view of the effective communication practice on organisational performance at NOC. Table 4.10 below presents the results.

**Table 4.10 Effective Communication Practices and Organisational Performance**

<b>Effective Communication Practices and Organisational Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
NOC keeps employees well informed on matters important to them to motivate them to increase performance	2.2	0.89153
Organizational structure encourages both vertical and horizontal Communication	2.1	0.89174
Decisions taken by the organisation concerning employee welfare are continuously communicated to the employees	2.0	0.79203
NOC has adopted an organizational structure that enables timely and speedy delivery of service to clients	2.0	1.8932
NOC encourages employee skill flexibility to improve performance	1.9	1.0962
<b>Average Mean</b>	<b>2.04</b>	

**Source: Author, 2014**

The findings of this study from Table 4.10 revealed the respondents' view is low extent (Mean of 2.2, SD .89153) that they are not kept well informed on matters important to them, that the organizational structure does not encourages vertical and horizontal communication. In addition, the respondents indicate low extent (Mean of 2,0 SD .79203) that decision taken by NOC concerning employee welfare are continuously communicated to the employees. Further, the respondents indicated a low extent (Mean of 2.0, 1.8932) that the organisation structure enables timely and speedy delivery of service to clients indicate low extent (Mean 2.0, SD 1.8932) and finally employees application of skill flexibility to improve performance, the respondents indicated a low extent of (Mean of 1.9, SD .1.0962). On average (Mean2.0) effective communication

model at NOC is comprehensively formulated. From the above investigation, effective communication is not practiced at NOC, to an extent that employee are not continuously informed on important matters to them, and that organisation structure does not encourage vertical as well as horizontal communication, decision concerning the employee welfare are not communicated continuously to them, the structure does not allows speedy delivery of quality service to the customers this was not consensus meaning the structure moderately allow speedy delivery of services it is further observed that NOC does not allow skill flexibility to employees in their working process also without consensus showing to some extent NOC allows skill flexibility to employee to improve performance.

#### **4.4.6 Work Environment and Socialization Practices and Organisational Performance**

The respondents were asked if work environment and socialization was conducive for best organisational performance. The table 4.11 below presents the results.

**Table 4.11 Work Environment and Socialization Practices and Organisational Performance**

<b>Work Environment and Socialization Practices and Organisational Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
Team work is highly valued in this organization to achieve high performance	1.9	1.8632
NOC provides employment security to its employees to encourage higher performance	1.8	0.8917
I feel that my personal values are a good fit with this organizational culture	1.2	0.79720
<b>Average Mean</b>	<b>1.28</b>	

**Source: Author, 2014**

The findings from the above Table 4.11, the study indicates the respondents reported low extent (Mean of 1.9, SD 1.8932) that teamwork is valued at NOC and that provision for employment security, is practiced to low extent (Mean of 1.8 SD, 18632), in addition, the respondents reported at low extent that their personal values are a good fit with those of the organisation. Further, the respondents report to lower extent that (Mean of 1.2, SD .79720. The above assessments reveal that, teamwork spirit is not customarily valued at NOC, that employment security is not provided at NOC and that employee's personal values are not a good fit with the NOC values.

#### **4.4.7 Supervisor Support and Relationship Practices and Organisational Performance**

The respondents were asked to state if supervisor support and relationship increases organisational performance at NOC. Table 4.12 below presents the results.

**Table 4.12 Supervisor Support and Relationship to enhance performance**

<b>Supervisor Support and Relationship to enhance performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
My Supervisor gives me clear job objectives and instructions and we ordinarily agree on work plan	3.0	1.79201
In the appraisal exercise, my Supervisor and I agree to aim higher always	3.0	0.89151
I receive open, honest and constructive feedback on my performance from my supervisor.	2.1	1.89322
<b>Average Mean</b>	<b>2.1</b>	

**Source: Author, 2014**

The findings shown in the Table 4.12 above reveals that respondents indicated that they moderately receive clear job objectives & instructions and work plan (Mean of 3.0, SD



1.79201), that there is an agreement between supervisor and employees during the appraisal to aim higher and that the respondents reported on moderate (Mean of 3.0, SD .89151). However, respondents indicated at low extent (Mean of 2.1, SD1.8932) that they receive constructive feedback from their supervisors. The analysis from the above investigation reveals that sometimes a few employees at NOC get clear job instruction while other do not and that employee and supervisors agree on work plan. However, at NOC, supervisors to some extent do not give their supervisors open, honest and constructive feedback on their performance.

#### **4.4.8 Organisation Culture Practices and Organisational Performance**

The respondents were asked to state if organisation culture practices helps boost organisational performance at NOC. Table 4.13 below presents the results.

**Table 4.13 Organisation Culture Practices and Organisational Performance**

<b>Organisation Culture Practices and Organisational Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>
I am proud to tell others that I am part of this organization	4.1	0.8915
I am willing to work harder to help my organization be successful.	3.5	1.0962
My organization’s core values, goals, strategy and vision are clear to me	3.0	1.7920
NOC corporate culture supports my work performance.	1.9	0.8265
<b>Average Mean</b>	<b>3.1</b>	

**Source: Author, 2014**

Findings from the above Table 4.13 reveals that the respondents agreed to a large extent that they are proud of their organisation and they can tell others about it (Mean of 4.1, SD 8915), at moderate that they are willing to put more effort in order to help their organisation succeed (Mean of 3.5, SD 1.0962) and that they were aware of

organisation's core values, goals, strategy and vision, (Mean of 3.0, SD 1.7920). However, the respondents indicated at low extent (Mean of 1.9, SD .8265) that Corporate culture support employees work performance. From the above analysis employees at NOC are proud of their organisation and can tell others about their organisation, they are moderately aware of their organisation core values, goals, strategy and vision and that employees are willing to put more effort to help organisation improve its performance. However, the corporate culture at NOC does not support their work performance.

#### **4.5 Discussion of the Findings**

The study had the objective of establishing the perceived relationship between employee Retention practices and organizational performance at National Oil Corporation of Kenya which according to the research problem has been found to be related to organisational performance. This is because the findings of the study show that 80% of Employees Retention Practices are moderately practiced at NOC. This is in line with Herzberg two factor theories who contend that employees will stay in their work place so long as their needs are satisfied and are motivated that they will be committed to their work hence increased performance in the organisation. This is as shown below:

NOC has some moderate criteria for Recruitment and Selection including hiring tools and structured interview. This is in line with Berney & Wright,(1988) who assert that the strategic significance of recruitment & selection emphasis on the need to attract and retain high quality staff to gain competitive advantage. Training and Career development is important but the study found that at NOC, training is offered moderately. This is not in line with Accenture, (2001) who asserts that training, skill and career development are

the key factors of attraction and retention. NOC need to come up detailed training and career development policy which should be uniformly applied to all employees. Compensation plays significant role in attracting and retaining good employees, especially those employees who gives outstanding performance or unique skill which is indispensable to the organization because company invest heavy amount on their training and orientation. This is in line with Lawler, (1990) who emphasizes that high compensation package, helps organizations to create culture of excellence. NOC need to do a survey within and without the industry to benchmark on the pay package to standardize their offer in line of what their co-players are offering.

Effective communications improve employee identification with their agency and build openness and trust culture. This is in line with Smith & Rupp, (2004) who contend that effective communication is where employee are free to discuss and voice their opinions in projects, as it results to increased performance as the best solutions are offered and applied. The study shows NOC working environment is not conducive also. Work environment is considered one of the most important factors in employee's retention, this is in line with Galbreath, (2010) who contends that having a working environment that is fair is essential in order to reduce the rate of employee turnover and improve performance. At NOC's Head office, spacing is sequenced making the working environment not conducive but plans are underway to move the HQ to a building NOC has build to host their organisation. Leadership style is considered an affective factor in employee retention this is in line with (Ontario, 2004) who asserts that if the relationship among workers and supervisors is strong, the workers will never seek any other new employment opportunity rather they will stay in the organization and vice versa,

employees leave the leaders not jobs so leader support is also essential. Culture is a powerful way of controlling and managing employee behaviors than organizational rules, this is in line with Joan and Harris, (1999) who contend that in order to recruit and retain new employees organizational culture is more important than the job itself.

## **CHAPTER FIVE**

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

#### **5.1. Introduction**

This chapter presents the Summary of findings of the research generated from data analysis. The conclusion is drawn in line with the objective of the study. It then gives recommendation and finally gives suggestions for further studies.

#### **5.2 Summary of the Findings**

The objective of the study was to establish the perceived relationship between Employee Retention Practices and organizational performance at NOC. The respondents were employee of National Oil Corporation of Kenya. On the demographic characteristics of the respondents, the research revealed that although female were more than male, the difference was not significant and therefore the study was not skewed toward any gender. It was established that majority of respondents were Middle Level Managers, supervisors and senior managers implying that they understand the relationship of employee retention practices and organisation performance and that they are in a position to tell to what extent has NOC implemented these practices to improve the organisation performance. The study also established that majority of the respondents has worked at NOC for less than 5 years. It is perceived that majority of employees are not settled meaning their fate to stay or leave the organisation is still hanging. The education levels of the respondents showed that majority were undergraduates meaning they had the requisite academic credentials to understand the employee retention practices that organisation need to offer

to employees to ensure commitment and ultimately achieve good performance. This also implies that the respondents had the capacity to give quality response for the purpose of the study.

On the employee retention practices, the study highlights that NOC has a moderate criteria for selecting candidates who match the demands of the job in terms of their skills, attitudes and behaviors. However, the use of structured interview instrument to enhance validity and reliability is not largely used at NOC. The study about training and development concludes that employees at NOC have acquired training and development which has helped them improve performance and training assessment to establish the skill gap is moderately carried out at NOC. However, the analysis established that there is no policy on Training and Development at NOC and that evaluation of training programme is not consistence to gauge the effectiveness of the training.

Analysis on Career advancement, the study found that employee are moderately encouraged to participate in deciding their career path, the responsibility of career advancement is not an obligation of individual staff and their supervisors and NOC does not always promote employees who complete their career advancement program and ultimately and that employees are not equally offered opportunities for career advancement to increase performance.

This research finding shows that in general NOC offers a fairly moderate salary in comparison to players in the same sector. However, NOC does not reward high performing employees neither does it give positive recognition to employee who produce high quality work. Results of the findings indicate that on top of the salary and fridge

benefits that employee at NOC get, they will appreciate Flexi time work system, annual increment and bonus on yearly basis, car loan with lower interest rate, responsibility allowance, mortgage at a lower interest rate and transport for their children in that order of importance from their employer.

The study found that communication practiced at NOC is not effective, to an extent that employee are not continuously informed on important matters to them, and that organisation structure does not encourage vertical as well as horizontal communication, decision concerning the employee welfare are not communicated continuously to them, the structure does not allow speedy delivery of quality service to the customers this was not consensus meaning the structure moderately allow speedy delivery of services it is further observed that NOC does not allow skill flexibility to employees in their working process also without consensus showing to some extent NOC allows skill flexibility to employee to improve performance.

From the study's findings it is revealed that, teamwork spirit is not customarily valued at NOC, no employment security is provided at NOC and that employee's personal values are not a good fit with the NOC values. The study also established that sometimes a few employees at NOC get clear job instruction while other do not and that employee and supervisors agree on work plan. However, the results indicate that at NOC, most supervisors do not give their supervisors open, honest and constructive feedback on their performance.

From the study at NOC employees are proud of their organisation and can tell others about their organisation, they are moderately aware of their organisation core values,

goals, strategy and vision and that employees are willing to put more effort to help organisation improve its performance. However, the corporate culture at NOC does not support their work performance.

### **5.3 Conclusions**

From the findings, the study concludes that Recruitment and Selection of staff, Training and Development, Career advancement, compensation of staff, effective communication, conducive working environment, supervisor support and relationship and organisation culture are important in the organization since they greatly influence the organization performance. The Implementation of these practices is important to an organisation. Use of a comprehensive hiring tool and a well-structured interview helps bring in new staff with the right skills attitude and behavior for better productivity. Continuous improvement of employee skills through training is important for organization's performance this helped by carrying out continuous training need assessment to identify the skill and knowledge gap to help identify the right training. Career advancement is also important to help employee to strategically position themselves for promotions. It also helps in HR planning in an organisation. Compensation and reward is equally important as it is the main reason employees will put more effort in their work keeping them glued to a particular organisation. It is therefore, prudent that organisation consider equity in the operation into the offer that they extend to the employees.

Communication between managers and employees is crucial to improve performance and proper structure should be formulated to enable breakthrough in the communication be it between customers and employee or between employee and managers. Conducive work



environment helps employee work properly without disturbance hence increased productivity. Supervisors should support their subordinates to enhance a free relationship which boost communication hence high productivity among employees. Organisation culture should try to guide the employee commitment into their work. Employee input is very important into organisation performance and thus they need to be motivated continuously to stay committed into their work for increased productivity and ultimately improve organisational performance.

#### **5.4 Recommendations**

Based on the findings and discussion on the perceived relationship between Employee Retention Practices and organisational performance at NOC, the researcher recommends that NOC should formulate detailed written HR policy on Employee Retention Practices that ensure lively and conducive working environment in National Oil to promote employee retention. This will not only motivate employee but will help increased productivity in an organisation. This research has established that supervisor-employee relationship mostly affect employee productivity at NOC. A training need analysis need to be carried out particularly on Managers to establish the gap in the relationship. In terms of compensation and reward NOC should carry out a survey within the energy sector to establish what they offer their employee and try to match with their offer to their employees. This will assist in retaining professional employees who are being poached by those firms.

Academically, this study has important implication for studies aimed to understand why employee turnover is on the increase lately. By highlighting significant employee

retention practices, this study hopes to expand on such a focus. To the other government parastatals, the study provide insight into reasons for high employee turnover and poor performance, Organizations today constantly wrestle with revolutionary trends; accelerating product and technological changes, global competition, deregulation, demographic changes, and at the same time, they must strive to implement trends towards a service and information age society. Society has now become knowledge-based where clearly human capital is considered a key resource and indispensable to the survival of businesses. In the new paradigm companies recognize that an important element in business management practices is the need to successfully motivate and retain high talent employees who survive organizational restructuring, downsizing, consolidation, reorganizing or re-engineering initiatives.

## **5.5 Recommendations for Further Research**

The study recommends that a similar study to be done on perceived relationship between employee retention practices and organizational performance in other no performing parastatals in Kenya. This would allow for generalization of study findings on perceived relationship between employee retention practices and organizational performance.

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## APPENDICES

### APPENDIX I: NATIONAL OIL ANALYSIS OF STAFF TURNOVER

FY	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Exits	Staff Establishment	Turnover (%)
2010-2011	4	7	7	6	24	147	16.30%
2011-2012	5	6	4	7	22	145	15.17%
2012-2013	7	4	5	3	19	172	11%
2013-2014	3	8	4	6	21	177	11.8%

## **APPENDIX II: QUESTIONNAIRE**

This questionnaire is for academic research purposes only. The survey will assist in finding out how Employee Retention Practices can enhance Organizational Performance at National Oil Corporation of Kenya. Your response will be highly appreciated and kept confidential.

**Please give answers in the spaces provided and tick where appropriate:**

### **Part A: Demographic Details. Please tick where appropriate**

1. Gender:       Male                       Female
  
2. Age:      <25 years                      26 – 39                      40 – 55                      56 - 60                      >60
  
3. Length of service to the organization:      < 5 years      5-10 years      >10 years
  
4. Academic Qualifications       Master Degree Level       Undergraduate Level  
 Diploma Level                       Certificate Level
  
5. Job Title \_\_\_\_\_
  
6. Name of your Branch: \_\_\_\_\_

### **Part B: Perceived Relationship between Employee Retention Practices and Organisational performance**

In order to obtain your views on perceived relationship between Employee Retention Practices and Organisational performance at NOC, Please rate the following on a Scale of **1 to 5** where

**1 = Very Large Extent**

**2 = Large Extent**

**3 = Moderate Extent**

**4 = Low Extent**

**5 = No Extent**

No.	Statement	Rating				
<b>Recruitment and Selection.</b>						
1.	NOC uses structured interviews to enhance reliability and validity of the interview. Those hired are therefore matched to key job criteria resulting to superior performance which helps organisation achieve its goals	1	2	3	4	5
2.	Hiring instruments at NOC ensure that the relevant job criteria are included in the tests and interviews at the design stage which lead to selecting candidates who match the demands of the job in terms of their skills, attitudes and behaviours.	1	2	3	4	5
<b>Training and Development</b>						
1	NOC has a comprehensive policy on training which links training to performance.	1	2	3	4	5
2	Training needs assessment is carried out continuously within the organization to enhance performance	1	2	3	4	5
3	Training programmes are evaluated to gauge their effectiveness in improving performance	1	2	3	4	5
4	Knowledge acquired through continuous training has a direct influence on my work performance.	1	2	3	4	5
<b>Career Advancement Opportunities</b>						
1	NOC provides regular opportunities for career advancements to increase performance	1	2	3	4	5
2	Supervisors and employee are responsible for individual career advancement to improve performance	1	2	3	4	5
3	The organization has promotion opportunities for an employee's achievements to motivate employee for better performance	1	2	3	4	5

4	NOC encourages employee participation in deciding the career path for better performance	1	2	3	4	5
5	NOC provides opportunity to do creative and challenging work to enhance performance	1	2	3	4	5
<b>Compensation and Reward</b>						
1	My total reward is fair in comparison to that of other players in same sector	1	2	3	4	5
2	Employees are given positive recognition when they produce high quality work.	1	2	3	4	5
3	NOC provides a good pension scheme and other fringe benefits for its employees.	1	2	3	4	5
<b>Communication</b>						
1	NOC keeps employees well informed on matters important to them to motivate them to increase performance	1	2	3	4	5
2	Decisions taken by the organisation concerning employee welfare are continuously communicated to the employees	1	2	3	4	5
3	Organizational structure encourages both vertical and horizontal Communication	1	2	3	4	5
4	NOC has adopted an organizational structure that enables timely and speedy delivery of service to clients	1	2	3	4	5
5	NOC encourages employee skill flexibility to improve performance	1	2	3	4	5
<b>Work Environment and Socialization</b>						
1	I feel that my personal values are a good fit with this organizational culture	1	2	3	4	5
2	Team work is highly valued in this organization to achieve high performance	1	2	3	4	5
3	NOC provides an appropriate working environment conducive for work performance	1	2	3	4	5
5	NOC corporate culture supports my work performance.	1	2	3	4	5
6	NOC provides employment security to its employees to encourage higher performance	1	2	3	4	5
<b>Supervisor Support and Relationship</b>						

1	My Supervisor gives me clear job objectives and instructions	1	2	3	4	5
2	My Supervisor encourages me to come up with new ideas	1	2	3	4	5
3	I receive open, honest and constructive feedback on my performance from my supervisor.	1	2	3	4	5
4	My Supervisor and I agree on work plan and review it regularly	1	2	3	4	5
5	In the appraisal exercise, my Supervisor and I agree to aim higher always	1	2	3	4	5
<b>Organisation Culture</b>						
1	My organization's core values, goals and strategy are clear to me	1	2	3	4	5
2	I am satisfied with my current employer compared to other organisation within the industry	1	2	3	4	5
3	I am willing to put in a great effort in order to help this organization be successful.	1	2	3	4	5
5	I am proud to tell others that I am part of this organization	1	2	3	4	5

**Please specify;**

**9.** Why would you choose an alternative employer?

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**10.** Suggest ways supervisor/employee relationship can improve organization performance?

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11. In your opinion, do you think training has helped improve your performance since you joined NOC?

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12. Have you ever been sponsored for further studies or personal development program?  
What kind of sponsorship please specify

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**Thank you for the time you have taken to fill this questionnaire.**