EMPLOYEE RETENTION AS A STRATEGY FOR GAINING COMPETITIVE ADVANTAGE AMONG HOTELS IN NAIROBI

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DECLARATION

I declare that this project is my original work and has not been presented for an award of a degree in any other University.

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

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DEDICATION

This project is dedicated to my wife, Wanjiru wa Kinyanjui, and my daughters, Njoki Kinyanjui and Mumbi Kinyanjui. To my late parents, Njuguna and Njoki for their everlasting inspiration.

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I would like to thank the hotels and their staff who availed the information I so much needed by completing the questionnaires on time. Many thanks also go those hotel staff who requested to meet me to explain their inability to participate due to restrictions by company regulations.

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ABSTRACT

The last five years have witnessed a phenomenal growth in the number of hotels entering the Nairobi market. Seventeen hotels have opened in the last one and a half years, and currently eight more hotels are under construction with thirteen more hotel projects having been committed. Expansion of such a massive scale is likely to result in both intensified competition for customers and for recruitment and retention of employees. This study was anchored on the resource based theory and the human capital theory to develop employee retention as an organizational capability in hotels and other service intensive organizations, and empirically examined the relationship between retention and competitive advantage. Data was sought from human resource managers of 53 hotels in Nairobi. 34 of them filled the questionnaires giving a response rate of 64%. Data was analyzed using simple regression analysis. The results of the analysis revealed that the coefficient of correlation was 45%, coefficient of determination was 20% and the coefficient of the predictor variable (employee retention) was 46%.These results confirmed that employee retention had a high positive impact on the competitive advantage in the hotels. It was therefore concluded that employee retention has a strong positive contribution to competitive advantage in Nairobi hotels and by extension to other service intensive organizations. Following these findings, it was recommended that there was need for hotels to develop employee retention capabilities that have the effect of encouraging and motivating employees to stay with the organization for longer tenures as a strategy to enhance sustainable competitive advantage.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Kefela (2010) observed that wealth creation through the application of human knowledge and creativity is steadily outpacing wealth creation through extraction and processing of natural resources. Ten years earlier Prahalad and Hamel (1990) had opined that the real source of competitive advantage lies with management's ability to nurture human skills that enable individuals/firms to adapt quickly to changing opportunities. These observations are particularly relevant in the hotel industry where, as Mullins, (2001) (as cited by Maria, Madalina, Catalina and Diana, 2007) states, human resource capabilities are a major factor because people represent all aspects of activity, from creation and design to the development and delivery of services.

The competences which create competitive advantage in the service industry are the provision of better quality services and building customer loyalty (Chow, Lo, Sha, and Hong, 2006). Better quality services emanate from the ability of organizations to articulate differentiated skills and knowledge in their value creation processes; while building customer loyalty requires skills to interact with customers effectively and long-term employee-customer contact to mold the necessary faith and friendship in their relationships (Chow et al., 2006). These capabilities are built in the context of resource allocation which is embedded in idiosyncratic social structures of the firm (Schreyogg and Kliesch-Eberl, 2007), and develop from historical experiences and learning (Winter, 2000).

Kamoche (1996) plainly put it that human resource capabilities that generate competitive advantage are built through employee retention, while Dessler (1993) had opined that one source of competitive advantage is a committed workforce. Employees' longevity of tenure is therefore necessary for competitive advantage as it impacts on knowledge and learning resources of the firm which affect the quality of products or services of the organization (Harrison, 2009).

1.1.1 Employee Retention Strategy

Johnson (2000) defined employee retention as the ability of a firm to keep its valuable employees for longer than its competitors. In the context of this study, employee retention refers both to the strategic efforts that firms undertake to stabilize their workforce and in particular the outcome of such efforts. Employee retention requires the organization to put in place effective human resource management practices and policies that motivate employees to stay with the firm (Glen, 2006). In designing the necessary strategies, the firm's management needs to take a long-term view of the organization and emphasize on the attraction, development, motivation and retention of employees with skills and abilities that are relevant for the organization's success (Lado and Wilson, 1994).

Retention strategies involve the management of nonfiancial aspects of job satisfaction and building firm-specific skills so that employees are bound to the firm for creating a competitive advantage without allocating rent (Coff, 1999). According to Glen, (2006) employee retention and motivation can be achieved more elegantly and effectively by taking a holistic view of the business and its impact on employee engagement. He noted, “It is possible to retain key skills within highly cash-strapped, extremely lean organization, by focusing as a necesity, on the broader predictors of retention and motivation,” (Glen, 2006, p. 38). Bartlett and Ghoshal (2002) posit that it is the role of management to articulate company values that define a community to which individuals want to belong. They assert, “companys must reject the notion that loyalty among today’s employees is dead and accept the challenge of creating an environment that will attract and energise people so that they commit to the organization” (Bartlett and Ghoshal, 2002, p. 39-40).

Employee retention therefore is an organizational capability that reduces the costs of turnover while at the same time enabling employees to learn and develop firm specific tacit knowledge that helps to meet the needs and expectations of the customers which play a major role in creating competitive advantage (Ramlall, 2003). Further, it allows for the time lapse that is necessary for the day to day encounters between employees and customers to develop into a bond of trust that generates customer loyalty, another major source of competitive advantage (Chow et al., 2006).

1.1.2 Competitive Advantage

Porter (1985) describes competitive advantage as the ability of a firm to create value for its buyers that exceeds the firm's cost of the value creation process. He wrote, “Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price" (Porter, 1985, p.3). The process of value creation involves the implementation of a strategy that facilitates reduction of costs of value creating process, exploitation of market opportunities and neutralization of competitive threats in the competitive arena (Barney, 1991). According to Ghemawat and Rivkin (2006) competitive advantage is a firm's ability to create the willingness among buyers to pay much more than it costs to produce the product or service. Competitive advantage can therefore be said to be the ability of a firm to attract and serve relatively more customers than its competitors in the industry while at the same time achieving its strategic objectives (Newbert, 2008).

The value creation processes and the necessary capabilities for competitive advantage involves the full range of a firm's activities operating in harmony, and the contribution of a firm's workfoce to that end is their role of thinking, decision making, resource allocation and the actual carrying out of the value creating activities (Ulrich and Lake, 1991). Consequently the different levels of human skills and ingenuity in different firms, will affect those activities that generate the competitive advantage so that the end results are also differentiated. Therefore the competitive advantage created in a firm depends on the level of workforce skills and abilities that impact on efficiency and effectiveness, exploring for opportunities, and identifying and neutralizing threats (Lepak and snell, 2002).

The outcomes of value creation processes that yield competitive advantage are varied but a few seemingly obvious ones include making the highest product quality, providing superior customer service and providing customers with more value for their money (Thompson and Strickland, 2003). Thompson and Strickland (2003) define value for money as a combination of good quality, good service, and acceptable price. One of the manifestations of competitive advantage in a firm is superior performance than the competitors, which is brought by either low costs of value creation process that give the firm a larger slice of the value so created, or exploiting a market opportunity that gives the firm the chance to serve a high demand market with good margins (Ghemawat and Rivkin, 2006). Powell (2001) explains that superior performance is achieved from any one or a combination of; monopoly rents due to market barriers erected by unique capabilities, Recardian rents due to unique bundles of firm specific resources or rare dynamic capabilities that keep pace with dynamic market demands.

1.1.3 The Hotel Industry in Kenya

The Kenyan Hotels and Restaurants Act, Chapter 494 of 1983, defines a hotel as premises on which accommodation is supplied or available for supply, with or without food or other services in exchange for money. It continues to specify the following as included; Service flats, Service Apartments, Beach Cottages, Holiday Cottages, Game Lodges, Safari Camps, Bandas and Holiday Villas. According to the Oxford Advanced Learners Dictionary, 7th edition, a hotel is “a building where people stay, usually for a short time, paying for their rooms and meals” (Hornby, Wehmejer, McIntosh and Turnbull, 2005, p. 725). Kenya has a great variety of hotel accommodations ranging from youth hostels to five star luxury suites and from pitching tent in the wilderness to relaxing in a private beachside villa (Government of Kenya, Department of Tourism, 2013-2018

National Tourism Strategy Report). It is estimated that the country has 174 hotels that offer a wide range of accommodation options and every town in Kenya offers basic budget hotels and lodgings (2013-2018 National Tourism Strategy Report).

The hotel industry in Kenya has been experiencing growth both in the number of new hotels entering the industry and the number of visitors touring the country. Data from the Kenya National Bureau of Statistics show that tourist arrivals rose from, 1,146,200 visitors in the year 2003 to a peak of 1,822,900 visitors in the year 2011, and a decline in the subsequent two years to 1,519,600 in 2013 (Kenya Bureau of Statistics: Kenya Facts and Figures, 2014, 2011, 2007, and 2006). The decline witnessed in the last two consecutive years is explained as due to international terrorism and local political wrangles which leading hotel chains consider as unlikely to have long-term impact on the industry (Business Monitor International, Kenya tourism report 01/04/2014).

Political stability, improved democracy, falling inflation rates and decreasing levels of debt have in recent times been witnessed in most African nations (W Hospitality Group, 2013 Africa Pipeline Survey report). These developments have spurred economic growth which, coupled with new discoveries of natural resources in the Great Lakes region, continue to attract investors to the region (UNDP, 2014). The result is the rising numbers of tourists visiting the country which has in turn inspired growth in the hospitality sector with new hotel properties coming up, especially in the major cities (Business Daily, September, 16 th, 2012). Industry players project that in the next five to ten years, an additional 10000 – 15000 hotel rooms will be needed to accomodate the continuing rise in the number of tourists coming to Kenya (Daily Nation, September 10 th, 2013).

1.1.4 Hotels in Nairobi

As at June 13, 2003, there were twenty six classified hotels in Nairobi; seven five- star hotels, nine three- star, five two- star and five one- star (Government of Kenya, 2003). That is the last time hotels were officially rated by the Hotels and Restaurants Authority and gazetted in the Kenya Gazette no. 3976 of June, 13th, 2003. Since then, the rating of the new entrants is based on management's own perception of their hotel's appropriate star status. The classification of hotels is based on several factors affecting the overall quality of service so that the higher the star the higher the quality of service expectations (Kamau and Waudo, 2012).

The number of classifiable hotels has increased substantially since 2003, and in the last five years growth has been exponential and the momentum remains high. On their website as updated on 3rd June 2014, Bare-foot consultancy Ltd. have listed thirteen new hotels that were opened in 2013 alone and four more that have been opened in the first half of 2014. Further, the website lists eight hotels whose construction has commenced and thirteen hotels that are contemplated for construction in the near future.

Coming with this surge in the number of hotels entering the city is a substantial number of high-end hotels (Business Daily, October, 7th, 2012). Kenya Association of Hotelkeepers and Caterers has suggested that high- end hotels are those that have a four or five-star status (Business Daily, October, 7th, 2012). Booking.com, an online hotel booking portal owned and operated by Priceline, shows 111 hotel establishments in Nairobi classified as follows; nineteen 5-star hotels, eighteen 4-star hotels, thirty 3-star hotels, one 2-star hotel, four 1-star hotels and thirty nine hotels which are not rated.

For many years Nairobi hotels served as a stop-over for holiday travelers on-route to a safari or to the beach, but this has changed in the past decade with a steady growth in tourism spurred by conference, business and leisure visits (Business Daily, November 8th, 2012). Statistics from the Kenya Tourist Board show that business travel accounts for about 20 per cent of all arrivals in the country, second to leisure, which contributes 55 per cent (Business Daily, October 30th, 2011).

STR Global, a consultancy firm that covers the global hotel industry, observes that Nairobi's strategic advantage as the hub for east and central Africa has resulted to more people making a stop in the capital as they head to other destinations, and is a beneficiary of the increasing trade amongst African countries. This may explain the reported average compound annual growth rate of international arrivals in Nairobi of 4.3% in the period between the year 2000 and 2012. This growth rate incorporates a significant 33% decline in 2008, following political disturbances that engulfed the country in December 2007 after a disputed election (HVS London, 2013).

Nairobi enjoys substantial benefits many other African cities lack; it is a regional hub for the United Nations housing its Environmental Program headquarters, it is home to Kenya Airways, one of the major international African airlines (HVS London, 2013) and is one of the few cities in the world with a national park within its boundaries, making it a prime tourist destination. With these advantages, and a relatively stable economic and political outlook, Nairobi is set to become the beacon for economic growth in Africa.

1.2 Research Problem

Employee retention is the ability to retain employees that already have been hired (Akuoko and Ansong, 2012) and therefore it is a role of management to set up work environment that supports employee engagement and retention (Nelson and McCann, 2010). This role can be achieved more elegantly and effectively by focusing as a necesity, on the broader predictors of retention and motivation; without necessarily having to use cash incentives which in turn would have implications on value appropriation (Glen, 2006).

It has been stated that human capital contributes to a firm's competitive advantage through differentiated skills that improve on efficiency and effectiveness, explore opportunities and neutralize threats (Lopez-Cabrales, Vale and Herrero, 2006). However, employee retention creates competitive advantage to the extent that it helps build these skills from historical experiences and learning in the context of firm resources which are embedded in idiosyncratic social structures of the organization (Winter, 2000) and keeps the workforce whose contributions are unique and difficult for competitors to imitate (Guthrie, 2001).The most obvious problem with human assets is that they walk out the door each day and if they fail to return the next day, the firm loses value creating capabilities that were necessary for competitive advantage (Coff, 1999).

According to Harrison (2009), the resource area that is weakest in the industry in which a firm competes is the one that should be given the most managerial attention as it is this resource that will limit value creation activities of the firm. Consequently, firms endowed with that scarce resource are able to produce more economically and/or better satisfy customers' wants thereby achieving competitive advantage (Petraf, 1993). It follows that even general human assets can be a source of competitive advantage if they are rare and have no strategic substitiutes, so long as the firm can retain them over time (Coff, 1999)

The number of hotels in Nairobi is currently growing at a rate that is likely to outpace human resource training and development meant to foster the necessary skilled and experienced labour force. Although international terrorism and local political upheavals have impacted negatively on tourist arrivals in the last two consective years, leading hotel chains remain optimistic for Kenya, considering these events as unlikely to have long-term impact on the industry (Business Monitor International, Kenya tourism report 01/04/2014). A survey by W Hospitality Group, reveals that there are 40,000 hotel rooms planned for construction on the African continent between 2013 and 2017, reflecting the potential competition facing Nairobi as a destination of choice although 1,437 rooms are targeted there. With these developments, the impact on demand of skilled and experienced labour in the industry is real.

Literature is rich in studies that examine the relationship between human resource management practices and firm performance and although there is a long list of human resource best practices that can impact independently or collectively on organizational performance (Vlachos, 2009), empirical studies on the effect of employee retention on competitive advantage are scant especially in the developing world (ALDamoe, Yazam, and Ahmid, 2011). The Nairobi hotel industry is no exception: Many studies on workforce stability have been undertaken, but one investigating the connection between workforce stability and competitive advantage is rare to come by.

Lepilale (2009) investigated the presence of employee retention practices in 5-star hotels in Nairobi and examined their effect of on employee turnover. The results showed that retention practices had insignificant effect on employee turnover. Kuria, Wanderi and Ondigi (2011) investigated the factors that influence labour turnover in three and five star-rated hotels in Nairobi and noted that only 6% of the respondents had been in the same hotel for more than 5 years, reflecting possible instability of workforce in the industry. Oracha (2012) studied the strategies adopted by Fairmont Hotels and Resorts to gain competitive advantage in Kenya. She observed that the hotel chain emphasized strategies other than human resources as a source of competitive advantage. Njoroge (2013) examined employee factors and perceived service quality in the hotel industry in Nairobi. She noted that motivation of employees greatly affected service quality.

Kimungu and Maringa (2010), studied the impact of employee turnover on customer service and competitiveness using a sample of Nairobi and Mombasa hotels. They found that high levels of employee turnover negatively impacted on the quality of service and consequently on the desired competitiveness of the hotel. They pointed out that Kenyan hotels are confronted with the possibility of waning competitiveness, a trend that is driven by a profile of deteriorating quality of hotel services occasioned by unskilled workforce. This study did not address competitive advantage directly but focused on service quality.

From the above discussion, there exists a research gap which this study seeks to fill by studying the relationship between employee retention and competitive advantage. This study therefore will address the following question: Is employee retention a source of competitive advantage among hotels in Nairobi?

1.3 Research Objective

The objective of this study was to determine the link between employee retention and competitive advantage in Nairobi hotels.

1.4 Value of the Study

The value of this research lies in illumination of the influence of employee retention on competitive advantage in Nairobi hotels especially to the practitioners. Kimungu and Maringa (2010) observed that some hotel management in Kenya is insensitive or completely unaware of the connection between worker attitudes and service quality. An empirical demonstration that employee retention has a positive impact on hotel competitiveness is likely to alleviate this deficiency and sensitize managers to implement retention strategies.

Further, an appreciation of the impact of employee retention strategies on firm level objectives may spur a general attitude in the industry so that stable workforce becomes the norm. This may translate to improved quality of services in the industry as a whole and impact on Nairobi's competitive position as a preferred tourist destination in Africa.

For academicians, the study will contribute to the existing knowledge bank of strategic management on human capital as a source of competitive advantage. Further, the results can be tested in other contexts as well as other industries.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on workforce stability and its contribution to organizational capabilities that build competitive advantages. The review lays the theoretical foundation of the study, and then explores the concept of employee retention, competitive advantage and the link between retention and competitive advantage.

2.2 Theoretical Foundation

This study is guided by the Resource Based Theory and the Human Capital Theory.

2.2.1 The Resource Based Theory

The Resource Based Theory of the firm holds that companies tailor make competitive strategies based on the resources at their disposal to create value respond to threats and/or exploit opportunities in the prevailing environment to gain competitive advantage (Barney, 1991). Daft (1983) describes firm resources to include all assets, capabilities, organizational processes, firm attributes, information, knowledge etc. that enable the firm to conceive of and implement strategies that improve on its efficiency and effectiveness. Barney (1991) categorized these firm resources into three categories that include physical capital resources, human capital resources, and organizational capital resources.

Physical capital resources are no longer critical as sources of competitive advantage because global capital markets have opened up the supply side and most companies are awash with capital (Bartlett and Ghoshal 2002). Organizational capital resources and management decision making models/techniques have also become readily duplicable, leaving human capital and their management as the major resource for competitive advantage in this era of dynamic and knowledge intensive economies (Luthans and Youssef, 2004). According to Barney (1991), whereas firms in the same industry might appear to be employing similar resources in their value creation process, they have inevitably different resource bundles that generate competitive advantage due to such factors as social complexity, causal ambiguity, unique historical paths and unique management capabilities.

2.2.2 The Human Capital Theory

Human capital is the stock of innate abilities, the knowledge and skills that people acquire and develop during their lifetime that improves the productivity of individuals in the process of value creation (Laroche, Mérette, and Ruggeri, 1999). The human capital theory holds that human capital is not only built or improved by formal schooling and/or training, but also on the job from the effects of the productive process itself, for many workers are known to increase their productivity by learning new skills and perfecting old ones while on the job (Becker, 1975).

Human capital gained through formal education or formal training is explicit knowledge which is easily imitable and the best it can provide is competitive parity rather than competitive advantage. However, skills and knowledge which are developed on the job in the unique firm-specific environment creates tacit human capital which is intangible (Luthans and Youssef, 2004). Being intangible, tacit human capital has low tradability and a higher stickiness, characteristics that create barriers to copying or replication and therefore competitive advantage derived from firm-specific tacit human capital is also sustainable.

2.3 The Concept of Strategy

According to Mintzberg, (1978), the most appropriate definition of strategy in management theory is that propounded by Chandler, 1962. He defined strategy as, "…the determination of the basic long term goals and objectives of an enterprise, and the adaption of courses of action and the allocation of resources necessary for carrying out these goals" (Chandler, 1962, p. 13). But despite acknowledging that this definition was the most appropriate, Mintzberg (1987) suggested that no single definition of strategy can fully describe the meaning of strategy as applied in strategic management. He wrote, "The field of strategic management cannot afford to rely on a single definition of strategy, indeed the word has long been used implicitly in different ways even if it has traditionally been defined formally in only one" (Mintzberg, 1987, p. 14), and went on to discuss strategy as a plan, a ploy, a pattern, a position, and a perspective, all of which are interrelated.

According to Mintzberg (1987), a strategy is a plan when it is a decision consciously made in advance as to the intended course of action to deal with a situation. It is a ploy when the intended aim of the course of action is to outwitting a rival or competitor. It is a pattern when the course of actions are not pre-decided but taken in response to the dynamics of the environment. It is a position when the intention is to match the organization with its environment, irrespective of whether such matching is predefined or found through wading and shifting in the environment. Strategy is a perspective because it is a concept which exists only in the minds of interested parties, an invention or imagination irrespective of whether it is conceived as intention of actions to be taken or inferred from actions that has already been taken (Mintzberg, 1987).

The primary goal of any enterprise is sustained superior performance which is often achieved through operational effectiveness and strategic positioning (Porter, 1996). Strategic positioning means performing value creating activities that are different from those performed by the competitors or performing the same activities but in a different way (Porter, 1996). In the context of this paper, strategy is the creation of a unique and valuable position by deliberately choosing a different set of activities to create unique value.

Strategy formulation involves analysis of the external environment as well as the firm's resources before crafting strategies that best matches the organization's objectives with the market. Therefore to craft sound strategies calls for senior management's capabilities to have a clear foresight of the market and anticipate the behavior of both the environment and the competitors, as well as, a clear understanding of the economic performance potential of the firm's resources and skills. Consequently, crafting and implementation of strategies is a highly contextual concept and as such play a key role in differentiating firms for competitive advantage (Rumelt, 1998).

To cater for uncertainty, effective strategies do incorporate provisions for continuously monitoring the environment as a mechanism which can be used to adapt to unexpected future changes (Thomson and Strickland, 2003). In the process of creating competitive advantage, the firm undertakes hundreds of activities. Sound strategies line up these activities so that they complement one another in ways that create value. When such activities fit and reinforce one another, it becomes difficult to tell the strongest link in the chain of activities thereby creating a barrier to imitation (Porter, 1996). Therefore the competitive advantage that is created is also sustainable.

In large multidivisional corporations, strategies are hierarchically classified as corporate strategies, business strategies and functional strategies. Corporate strategies deal with investment and business priorities, improvement of combined performance and synergy among the business units, diversification decisions and other corporate issues. Guided by corporate level strategies, business level managers craft business strategies to enable the unit to compete effectively in its market. Business strategies deal with labour, technology, government policies and other local environmental issues. Functional managers craft functional strategies that optimize on efficiency, creativity and effectiveness in operations to reinforce business competitive strategies (Bratton, 2007).

Management strategies have also been categorized according to the patterns of their creation and their effectiveness in achieving intended goals. Mintzberg (1987) describes these categories as follows; Intended Strategies are decisions made in advance of actions, Unrealized Strategies are planned actions that become redundant in the competitive process, Deliberate Strategies are decisions made in advance and whose actions work to achieve the intended purpose, Emergent Strategies are unplanned decisions and actions taken in response to the whims of the environment to achieve the intended goals, and Realized Strategies are the combined deliberate and emergent strategies that the firm has implemented in the course of achieving its goals.

2.4 Employee Retention

Employee retention hinges primarily on job satisfaction (Sheehan-Smith, 2006) and is achieved by implementing human resource management practices and policies that aim at satisfying the employees' needs (Hong, Hao, Kumar, Ramendran and Kadiresan, 2012). The importance of keeping employees is illuminated by Drucker, 2001, (as cited by Nelson and McCann, 2010). He wrote, "knowledge is always embodied in people, carried by people, created by people, improved by people, applied by people, taught or passed on by people and used or misused by people" (Drucker, 2001, p. 287). The implication is that, in this era of wealth creation through the application of human knowledge and creativity, the role of management in keeping employees is critical (Nelson and McCann, 2010). This role is accomplished through development and implementation of the engaging, motivating and bonding culture necessary to attract and retain employees (Bartlett and Ghoshal, 2002)).

As observed by Kale (2006), crafting and implementing effective retention strategies requires the company to have the interests of employees at heart and in the process of reciprocating; employees become effective organization ambassadors. The mission statement of Southwest Airlines, a company found to have had the highest employee satisfaction index reads as follows, "We are committed to provide our employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, employees will be provided with the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest customer" (Kale, 2006, p.5).

Heskett, Jones, Loveman, Sasser, and Schlesinger (2001) suggested that the real cost of turnover lies in the loss of productivity and decreased customer satisfaction resulting from lost efficiency and lowered quality of products or services. This results from the fact that leaving employees walk away with specific firm-acquired skills and knowledge which may have taken years to build (Lochhead and Stephens, 2004). In addition, workforce instability can negatively affect the employment relationship and morale of the remaining workers leading to far reaching consequences including possible mass walk out (Lochhead and Stephens, 2004).

Some of the human resource management practices that have empirically shown to influence employees to stay include those practices that enhance employee skills, participation in decision making, and motivation (Batt, 2000). In the kenyan hospitality industry, Kuria et al. (2011). identified the following practices as motivating employees to stay; competitive pay, flexible working hours,effective communication, participative decision making, work/life balance, training and development and surppotive supervisor, among others.

Workforce stability can be measured by assessing the rate of employee turnover or the rate of employee retention. Huselid (1995) asssesed the level of employee turnover by a single questionare item to the management of the firm. It read, “What is your average annual rate of turnover” (Huselid, 1995, p. 651). Kilonzi (2008) measured retention rate by taking the inverse of the average of employee turnover rates for the preceding six years. Nelson and McCann (2010) measured employee retention by a single Likert scale item, “We do a good job of retaining knowledge creators, workers and teachers” (where 1 =I do not agree at all, 5=completely agree). Maluti, Warentho and Shiundu (2012) used the following Likert scale items to measure employee retention; Best employees quit, employees frequently quit, lay-off programs, women work longer, persuasion to stay longer, special programs to lure employees to stay, early retirement packages, utilization of early retirement packages ,work passed retirement age, employee bonding and stay due to training and development.

2.5 Competitive Advantage

According to Stoelhorst and Bridoux (2006) there lacks consensus as to the definition of competitive advantage, while Rumelt (2003) observes that a precise definition is elusive, the common theme found in literature being value creation. Awwad (2008) says the concept of competitive advantage is still controversial as it is discussed in literature using different variables, measures and scales. He continues to explain that the source of these variations is the different perspectives of the sources of competitive advantage.

Competitive advantage relates to the ability of an organization to develop or discover and implement superior competitive strategies in the business arena (Porter, 1985). Barney 1991, p.102) describes competitive advantage as follows, “a firm is said to have a competitive advantage when it is implementing a value creating strategy which is not simultaneously being implemented by any current or potential competitor". Ulrich and Lake (1991), have suggested that perceived customer value and uniqueness are two essential elements of competitive advantage. Otieno (2012) describes competitive advantage as the ability gained through unique attributes and /or resources to perform at a higher level than others in the same industry or market. She goes on to list these attributes and resources to include access to natural resources, access to highly trained and skilled human skills, new technologies, new product(service) or improvement of production processes.

According to Awwad (2008) creating competitive advantage involves determining those factors that will enhance a firm's competitive position in the market place. Wheelwright (1984) (as cited by Awwad, 2008) identifies low cost, quality, quick delivery and flexibility as capabilities that create competitive advantage. Passemard and Kleiner (2000) observed that competitive advantage is created through innovations which improve on efficiency, new technology, new demand, new market segment and changes in regulations (Awwad, 2008). Tushman and Nadler (1986) stress that Organizations gain competitive advantage by managing effectively for today while simultaneously creating innovation for tomorrow. Treacy and Wiersema (1993) view product leadership, operational excellence and customer intimacy as value disciplines for gaining competitive advantage

Huselid and Becker (2011) argue that competitive advantage is driven by workforce productivity,creativity and discreationary effort, which are in turn affected by the levels of employees skills and motivation. Ulrich and Lake (1991) contend that there are four capabilities that companies apply as a means to gain competitive advantage. These include financial capabilities, strategic capabilities, technological capabilities and organizational capacities. They continue to define organizational capability as a firm's ability to manage people to gain competitive advantage and stress that employees are a critical source of competitive advantage.

In their empirical study, Molina et al. (2004) used the following variables to determine firm's level of competitiveness; market share, profits, returns, technological provision, financial management, quality of products-services, after sales services, manager's educational background, customer loyalty, supplier loyalty, location of establishment, employee commitment and loyalty, employee professional know-how and a firm's reputation.

2.6 Employee Retention and Competitive Advantage

Kamoche (1996) views employee retention as a qualitative concept that sustains human resource capabilities by keeping high performers as well as enabling low performers to better themselves. He goes on to elaborate that human resources refers to the stock of knowledge, skills and abilities possesed by employees, which the firm has built over time into an identifiable expertise. This expertise is the basis for a firm's competitive position in the market place (Kamoche, 1996) . Further, expertise built within a firm is firm-specific thereby creating a barrier against copying or duplication by other firms (Luthans and Youssef, 2004).

Luthans and Youssef (2004) further posit that building workforce expertise is derived from learning, experience and talent which require a tremendous investment in terms of time and effort on the part of the company, managers, and employees. While it calls for organizations to retain their employees long enough for the returns on this type of human capital investment to pay-off in terms of competitive advantage, the necesity for longevity of tenure is the building of employee skills and knowledge (Luthans and Youssef, 2004).

Reichheld (1993) argues that the link between employee retention and competitive advantage lies on the premise that employees become more familiar with the business, accumulate more tacit knowledge and develop relationships that build customer loyalty as they stay longer in the business. He suggests that familiarity with the business and accumulated service knowledge from experience gives long term employees the flair to serve customers better than the newer colleagues. Further, he affirms that as employees stay longer in the organization, their day to day dealings with customers builds that bond of trust and expectations which has a powerful effect on the organization’s customer loyalty.

Chow et al. (2006) concurs when they state that retaining employees allows for the accumulation of job-specific skills and proficiencies that are necessary for the provision of high quality services efficiently and effectively to the satisfaction of customers, which also has the effect of improving on customer loyalty. They contend that longevity on the job allows for the development of capabilities to create quality services and serve customers with enthusiasm while creating the friendly and warm atmosphere that is desired in the hotel industry. Further employees learn how to effectively interact with customers to build customer relationships that improve customer loyalty. Establishing relationships with customers not only builds customer loyalty but also enables employees and by extension the firm, to get ideas for improving the service delivery process (Chow et al., 2006).

In their proposition for the service-profit chain, Heskett et al. (1994) observed that a service firm's profit and growth are primarily grounded on customer loyalty. However, "Customers build trust with a company's employees, not its executives; when the employees leave, that bond is broken" (Reichheld, 1993, p. 68) and consequently customers hitherto loyal to the firm take their custom elsewhere or follow the employees. A study by Reichheld and Sasser (1990) (as cited by Heskett et al.) estimated that a 5% increase in customer loyalty results to profit increases of between 25% and 85%, demonstrating that building customer loyalty is one source of competitive advantage. It requires employees' capabilities to interact with customers effectively as well as longtime employee-customer contact to mold the necessary faith and friendship in the relationship (Chow et al., 2006).

Akuoko and Ansong (2012) sought to examine the role of employee retention on workers' performance as well as on organizational performance. It emerged that employee retention strategies contributed to the success of the organization driven by the impact of the resulting improved workers' commitment and performance. In his study to determine factors that most significantly influence employee's decision to stay, Ramlall (2003) noticed that supervisors were willing to invest to retain their critical employees rather than risk reducing productivity and profitability. This observation was in line with the proposition that retention of critical employees enabled a company gain a competitive advantage (Ramlall, 2003).

Studies by Abbasi and Hollman (2000) and Batt (2000) found that excessive employee turnover jeopardized efforts to attain organizational objectives. Kimungu and Maringa (2010) examined the impact of employee turnover on customer service and competitiveness using a sample of Nairobi and Mombasa hotels. They observed that high levels of employee turnover had a negative impact on the quality of service and consequently on the competitiveness of the hotel. Afaq et al. (2011) sought to establish the relationship between employees' formal training period and their performance in the hospitality sector. The study revealed that employees with more on the job experience performed better notwithstanding the formal training duration being the same.

These studies demonstrate that workforce stability has a positive contribution to organizational objectives and firm performance. However, they have not specifically addressed the effect of employee retention on neither competitive advantage nor the mediating factors that drive such contribution to better performance, a gap that is now the subject of this study.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the research methods that were used in this study. The following research activities are explained; research design, population of the study, sample design, data collection and data analysis.

3.2 Research Design

Descriptive research design was used because the research problem required cross-sectional data from hotels in Nairobi. The attributes under study were the extent of employee retention among Nairobi hotels and corresponding levels of competitive advantage. Cross-sectional surveys aim at establishing the frequency of a particular attribute in a defined population at a particular point in time. Cross-sectional studies are especially useful for generating hypothesis or clarifying hypotheses on the interaction of two or more attributes when more than one attribute are under study, (Teti, 2008).

3.3 Population of Study

The population of the study was the 111 hotel establishments in the Nairobi city as listed by Booking.com. It was made up of 19 five-star hotels, 18 four-star hotels, 30 three-star hotels, 1 two-star hotel, 4 one-star hotels and 39 hotels which were not rated.

3.4 Sample Design

The study was based on the 3-star, 4-star and 5-star hotels in Nairobi. There were 67 hotels in these categories. 30 were 3-star hotels, 18 were 4-star hotels and 19 were 5-star hotels. The sample was be made up of the 3-star hotels and above because due to their size and management structure they are likely to have an organized human resource management system with long term objectives. In addition they are likely to be similar in their asset-base and structure (Dief and Font, 2010).

3.5 Data Collection

Primary data was used in this research. The data was collected using a semi-structured questionnaire consisting of three parts. Part A captured the relevant general information pertaining to the hotel in question and personal information of the person completing the questionnaire. Part B captured information relating to employee retention in the organization while part C captured data relating to competitive advantage. The data was to be obtained from 67 officers responsible for human resource management in each of the 67 hotels. Both the drop and pick method of data collection and email were used.

3.6 Data Analysis

The data was analyzed using descriptive statistics to obtain frequency distribution, mean scores, and standard deviation of employee retention and competitive advantage. Simple linear regression analysis was used to establish the effect of employee retention on competitive advantage. Tables were used to present the findings.

CHAPTER FOUR

DATA ANALYSIS, RESULTS, AND DISCUSSIONS

4.1 Introduction

This chapter discusses the background information of the respondents and the hotel entities, data analysis and the results thereon. Descriptive statistics and inferential statistics are used for analysis. Tables are used to present the findings

4.2 Background Information

The study targeted a sample size of 67 hotels. Of these 14 hotels were deliberately left out on the ground that they have been in business for a period of less than 2 years. Out of the remaining 53 respondents, 34 respondents completed the questionnaires comprising of 64% response rate.

4.2.1 Respondent's Gender, Tenure and Level of Education.

The gender representation in the respondents is presented in table 1.

Table 1: Respondent's Gender

Gender	Frequency	Percentage
Male	14	41.2%
Female	20	58.8%
Total	34	100%

Source: Author (2014).

Gender representation among respondents was fairly distributed considering that 14 were male and 20 were female. This translated to 42.2% male respondents and 58.8% female respondents.

Table 2 displays the period for which respondents had been working in their respective organizations. The data collected indicate that no respondent had worked in their respective organizations for more than 10 years. 7 respondents, which translate to 21.6%, had worked for 6 to 10 years. 25 respondents or 73.5% had been working in their respective organizations for periods ranging between 1 year and 5 years and 2 respondents (5.9%) had worked for less than 1 year.

Table 2: Respondent's Tenure in the Organization.

Tenure	Frequency	Percentage
Less than 1 year	2	5.9%
Between 1 and 5 years	25	73.5%
6 years to 10 years	7	21.6%
Above 10 years	0	0%
Total	34	100%

Source: Author (2014).

Therefore 98% of the respondents had stayed long enough in their current employers to be able to provide accurate information on their respective firms.

As shown on table 3, all respondents had attained post-secondary level of education. The majority of the respondents comprising of 61.8% had a bachelor's degree as their highest level of education. This was followed by post graduate degree holders representing 20.6% and 17.6% of the respondents held diploma level of education.

Table 3: Respondent's Level of Education

Level of Education	Frequency	percentage
Diploma	6	17.6%
Bachelor's Degree	21	61.8%
Post Graduate degree	7	20.6%
Total	34	100

Source: Author (2014).

This shows that the respondents had adequate capacity to effectively participate in this research project.

4.2.2 Hotel Star Rating and Period in Business Operations

Table 4 shows that, four 5-star hotels, thirteen 4-stars and seventeen 3-stars participated

Table 4: Hotel's Star Rating

Star Rating	Frequency	percentage
3- star	17	50%
4-star	13	38.2%
5-star	4	11.8%
Total	24	100%

Source: Author (2014).

in the study. The star rating was self-declared on the questionnaire. The result indicate that 50% of the hotels that participated in the study are 3-star hotels and 50% comprise of the 4 and 5-star hotels.

The study further needed to establish the time period in which participating hotels had been in operation and the result is as tabulated in table 5.

Table 5: Hotel's Period in Business Operations

	Frequency	Percentage
2 to 5 years	7	20.6%
6 to 10 years	8	23.5%
More than 10 years	19	55.9%
Total	34	100%

Source: Author (2014).

7 hotels or 20.6% had been in operation for 2 to 5 years. 8 hotels or 23.5% had been in business for 6 to 10 years and 19 hotels or 55.9 % had been in business for more than 10 years. Therefore about 80% of the hotels that participated in this research have been in operation for periods exceeding 5 years. This implies that the hotels that participated in the study have been in operation long enough to provide the information sought in the study.

4.3 Data Reliability Test

Data reliability test was carried out for both employees retention and competitive advantage using the Cronbach's alpha. Cronbach's alpha measures internal consistency of the items that are used to measure a construct. It is the extent to which all questions in the questionnaire contribute positively towards measuring the same construct (Gwet, 2012). The results of the test are presented in Table 6.

Table 6: Cronbach's Alpha for the Research Constructs

Construct	α- value
Employee retention	0.89
Competitive advantage	0.63

Source: Author (2014).

According to Hair et al. (2003) the acceptable minimum limit of alpha is 0.60. Table 6 shows Cronbach's alpha coefficient of the employee retention variable as 0.89 and that of competitive advantage as 0.63. Therefore both constructs satisfied the requirements of the test. Hence the variables having shown good internal consistency, a simple regression analysis was conducted to find the link between the two variables.

4.4 Descriptive Statistics

Descriptive statistics of the variables employee retention and competitive advantage are presented on table 7. These statistics include the mean, standard deviation, asymmetry and kurtosis of the variables. A mean score of 3.40 and standard deviation of 0.62 on a 5-score Likert scale shows that the participating hotels managed to retain their employees to a reasonably great extent. Similarly a mean score of 3.90 and standard deviation of 0.63 indicates that the hotels are enjoying a competitive position to a relatively great extent. These findings indicate that employee retention is associated with competitive advantage as shown by the values of the respective means and standard deviations.

Table 7: Sample Means, Standard Deviations, Asymmetry and **Kurtosis**

Construct	Mean	Std. dev.	Asymmetry	Kurtosis
Employee retention	3.40	0.62	-0.16	-1.2
Competitive advantage	3.90	0.63	-0.58	0.32

Source: Author (2014).

Further, the variables, employee retention and competitive advantage were normally distributed among the sampled hotels. This is indicated by the Kurtosis values in both cases of -1.2 and 0.32 respectively which lies within the acceptable range of -3 to +3, and skewness of -0.16 and -0.58 which values are also within the acceptable range of -1 and +1.

4.5 Simple Linear Regression Analysis

The research question in this research aims at investigating the extent to which competitive advantage is a function of employee retention. The simple linear regression model as shown below was used.

$C=\beta o+\beta 1R+\epsilon$, where

C= competitive advantage as determined by the regression analysis,

βo = constant or intercept

$\beta 1$= the regression coefficient

R= Employee retention

ϵ = Error term

Regression analysis using Microsoft Excel 2010 gave results as shown in tables 8, 9 and 10 set out bellow.

The regression statistics set out in table 8 shows that the coefficient of correlation between employee retention and competitive advantage was 0.448.

Table 8: Regression Results: Statistics for the Coefficient of Correlation and Coefficient of Determination

Multiple R	0.448179
R Square	0.200865
Adjusted R Square	0.175892
Standard Error	0.571815
Observations	34

Source: Author (2014).

The coefficient of correlation indicates the extent of linear relationship between the two variables. Therefore the results show a moderate linear relationship at 44.8% between employee retention and competitive advantage.

The regression statistics further show a coefficient of determination (R Square) value of 0.201. The coefficient of determination measures how well the sampler regression line (the line of best fit) fits the data. It explains the extent to which the variability in the dependent variable is accounted for by the variations in the independent variable.

Therefore 20.1% of variations in competitive advantage among the hotels were accounted for by corresponding variations in employee retention. The rest of the variations (79.9%) were accounted for by some other unexplained factors contained in the constant, βo, or some error.

The results of analysis of variances are presented on table 9 below. The analysis of variances aims at obtaining the statistic F, which is a test for statistical significance of the regression equation as a whole.

Table 9: Regression Results: Analysis of Variances (ANOVA)

	df	SS	MS	F	Significance F
Regression	1	2.62992	2.629927	8.043273	0.007856
Residual	32	10.46311	0.326972		
Total	33	13.09304			

Source: Author (2014).

The regression model is said to be suitable and acceptable for the analysis when the obtained F-value is greater than the F-value shown on the tables based on the degrees of freedom involved and the desired degree of confidence. As shown in table 9, the analysis of variance obtained F-value of 8.043273 with 33 degrees of freedom and over 99% confidence. The F-value from the tables at 99% confidence with 33 degrees of freedom is 7.47. The model was therefore reliable and sufficient for the analysis.

Table 10 shows regression coefficient βo=2.35 and β1=0.46 in the regression model C=βo+β1R+϶. The coefficient β1 gives a measure of the contribution of the independent variable (employee retention) to the dependent variable (competitive advantage), while the coefficient βo shows the contribution of factors other than the independent variable. It follows that the relationship between employee retention and competitive advantage can be expressed as a linear function C=2.35+0.46R. This indicates that 46% of employee retention accounts for competitive advantage in the hotel

Table 10: Regression Results: Coefficients of the Regression Model

	Coefficients	Standard Error	t- Stat	P-value	Lower 95%	Upper 95%
Intercept	2.35	0.555	4.23	0.000181	1.22	3.48
Employee Retention	0.46	0.161	2.84	0.008	0.128	0.782

Source: Author (2014).

Table 10 also presents the results of the t-test on the resulting values of βo and β1respectively. The t-test for Bo=2.35 gave a t-value of 4.23 and a p-value of 0.000181. This result has shown that the probability that the research findings could obtain the resulting βo value purely by a random chance was 0.018%. Conversely, the probability that the βo value obtained is attributed to the research variables was more than 99%. Likewise, the t-test for B1=0.46 gave a t-value of 2.84 and a p-value of 0.008.

This reveals that the possibility of obtaining the value of β1=0.46 by a pure random chance was 0. 8%, meaning that the probability that β1 was attributed to the relationship of employee retention and competitive advantage was 99.2%. This provides evidence that there is indeed a positive relationship between employee retention and competitive advantage.

4.6 Discussions

As shown in table 8, the regression analysis reveals that the coefficient of correlation was 0.448. This is evidence that employee retention and competitive advantage have a linear relationship to the extent of 44.8%. Further, the coefficient of determination (R Squared) was 0.201.The coefficient of determination indicates the extent to which the variations in the dependent variable are accounted for by the variations in the independent variable. This result means that 20.1% of the total variance in the competitive advantage construct was accounted for by the variations in the employee retention construct.

The F- statistic as shown in table 9 was 8.03 when F- value from tables was 7.47 at 1% significance level. This result means that the overall significance of the model used in this study was statistically significant, indicating that it was adequately suitable for the purpose.

In table 10, empirical results of linear regression analysis gives regression coefficients as $\beta o=2.35$ and $\beta 1=0.46$, both at a significance level of less than 1%. The resulting function that describes the link between the two variables based on the regression coefficients was $C=2.35+0.46R$. This indicates that 46% of employee retention accounts for competitive advantage of the hotel.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings of the study and makes conclusions based on the results. The implications from the findings, prior studies, policy recommendations, limitations of the study and areas for further research are presented.

5.2 Summary of the Findings

Examination of background information revealed that all respondents in this study had post-secondary school qualifications with 80% of them holding graduate or post graduate qualifications. This demonstrated that the respondents were competent enough to provide credible information necessary for this study.

Descriptive statistics and inferential statistics were analyzed and assessed in this study. The descriptive statistics analyzed included the mean, standard deviation, kurtosis and asymmetry to ascertain the pattern of distribution of employee retention and competitive advantage among the sampled hotels. Both variables were found to be normally distributed meaning that there was a high chance that the sample was a good representative of the population.

Inferential analysis assessed in this study were the coefficient of correlation, the coefficient of determination and the regression coefficients βo and $\beta 1$ where βo is the constant and $\beta 1$ the coefficient of the predictor variable. The coefficient of correlation

(0.448) indicated that there was a positive and strong relationship between employee retention and competitive advantage while the coefficient of determination (0.201) indicated that 20.1% of variations in competitive advantage were accounted for by employee retention.

For the coefficient of the predictor variable, 0.46 indicated that 46% of employee retention contributed to the hotel's competitive advantage. The t-test gave a t-value of 2.84 and a p-value of 0.0008. This result rejected the hypothesis that $\beta 1=0$ and accepted the alternative hypothesis that $\beta 1 \neq 0$. There is therefore credible statistical evidence that employee retention contributed to competitive advantage within 99% confidence limit. This study therefore finds a positive link between employee retention and competitive advantage with a significant magnitude of correlation.

The findings of this study are consistent with prior work of various authors although most of their work was based on employee turnover and firm performance. In his study on the impact of high performance work practices (HPWP) on corporate financial performance, Huselid (1995) found that a significant proportion (74%) of the impact on financial performance was attributed to lower employee turnover and increased productivity.

The results of the study are also consistent with the findings of Batt (2000) which are especially relevant to the hotel industry where people represent all aspects of activity, from creation and design to the development and delivery of services. Her empirical study established that employee turnover was particularly detrimental in business set ups where human capital was valuable in serving high value added customers and where customer loyalty required employees to develop personal relationships. She also found that employee turnover was detrimental in firms where jobs required firm specific skills that could not be purchased but internally built. The findings are also consistent with ALDamoe et al. (2011) who found employee retention to have a positive influence on organizational performance.

5.3 Conclusions

The finding of this study leads to the conclusion that employee retention has a strong positive contribution to competitive advantage in Nairobi hotels and by extension to other service intensive organizations. This finding serves to inform the practitioners the role of effective employee retention capability as a source of sustainable competitive advantage. Competitive advantage gained from long serving employees is most likely sustainable due to the inherent firm specificity.

Further, the study has corroborated the proposition that employee retention mitigates many challenges associated with turnover. It saves costs of recruiting and training new staff, it saves production time that would have been lost during the process of acquiring and training new staff, it retains tacit knowledge and skills that may have taken years to build, and enhances the reputation of the hotel. The net effect of these benefits is enhanced competitive advantage.

The study has also empirically demonstrated that employee retention as an organizational capability creates competitive advantage in service intensive organizations. This is a contribution to the existing strategic management literature as it exemplifies the importance of the role played by management capabilities in building competitive advantage.

5.4 Policy Recommendation

The conclusions of this study have articulated the importance of employee retention in hotels in Nairobi. To enhance or sustain competitive advantage, hotel managers must develop employee retention capabilities that encourage and motivate employees to stay with the organization for longer tenures, especially in this era when the sector is facing exponential growth which will invariably lead to scarcity of experienced human resources. Building retention capabilities need not have any implication on rent appropriation because as Glen (2006) observed, employee retention can be achieved more elegantly and effectively by focusing on the broader predictors of retention and motivation, without necessarily having to use cash incentives.

Further, directing resources to building employee retention capability would not only result to an economic payoff from the associated competitive advantage but would at the same time mean greater employment security for employees which is justified from a public policy perspective.

5.5 Limitations of the Study

One of the limitations in this study was the assignment of equal weightage to the bed capacity of the hotels that were sampled for the study. Hotel size in terms of bed capacity may create diversity in competing hotel entities despite the star rating being the same. Another limitation is the suspect bias of perceptual data as used in this study as opposed to factual data which is verifiable. According to Guthrie (2001) perceptual data is susceptible to bias especially when taken from a single respondent at the same time.

The sample size of 34 hotels which was used in this study was almost the minimum (30) acceptable for statistical analysis. This may hinder the generalization of the findings of this study. The findings of a study based on a large sample size are generally more convincing than the findings of a study based on a small sample. One reason for this is that an error in a large sample would have little effect on the results compared to the impact such an error would have on a small sample.

5.6 Suggestions for Further Research

Longitudinal studies carried out using secondary data that is verifiable would be useful to examine consistency with the findings of this study. This would require the use of predictors of past competitive advantage and past employee tenures to shed more light on this subject.

There would be need to carry out studies based on hotels of the same star rating and defined bed capacity ranges that reduce capacity diversity. Such a study would narrow the dependence of competitive advantage closer to human capital capabilities.

Furthermore, a similar study on hotels and safari camps located in game parks outside the cities in the country would be interesting because their customers are mainly safari travelers as opposed to business and conference tourists common in hotels in towns. A study covering the whole country's hotel industry would be of interest to consolidate the findings in the industry.

In addition, studies need to be carried out to establish whether there is any relationship between employee retention and competitive advantage in other sectors of the Kenyan economy. This would especially be relevant to other industries where human capital is a significant input for their value creation process.

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APPENDICES

APPENDIX 1

Letter of introduction

Kinyanjui N. Njuguna

School of business

University of Nairobi

P.O. Box 30197

Nairobi.

Dear Sir/ Madam

RE: Research on the relationship between employee retention and competitive advantage

I am a student of the University of Nairobi currently carrying out a Research project for partial fulfillment of the Master of Business Administration Degree (MBA). The target group of this study is managers responsible for human resources of hotel businesses.

Your help in completing the enclosed questionnaires herein is highly appreciated. The identity of neither the respondent nor the business is not required and all answers will be treated anonymously and with strict confidence.

Kindly contribute in enhancing our knowledge in business management issues by filling the questionnaire as accurately as possible. The research is carried out purely for academic purposes and is not for any commercial purposes.

Thank you.

YOURS Faithfully

Kinyanjui N. Njuguna

MBA student

University of Nairobi.

APPENDIX 2

QUESTIONNAIRE

This questionnaire is intended to collect information from hotel officials responsible for human resources management. The questionnaire has 3 sections, section A is intended to collect general information regarding the respondent and the organization; section B enquires information on employee retention and section C on competitive advantage.

Please complete the questionnaire as accurately as possible. You are not required to write your name or the name of your hotel.

<u>Section A.</u>

Background information.

Please mark with letter 'X' and fill answers as appropriate.

What is your gender? Male ( ) Female ( )

1. What is your academic qualification?

   i. KCSE…………………………………………..( )
   ii. "O" level………………………………………( )
   iii. "A" level………………………………………( )
   iv. Certificate…………………………………… ( )
   v. Diploma……………………………………… ( )
   vi. Bachelor's Degree…………………………… ( )
   vii. Post Graduate Degree…………………………( )
   viii. Other______________________________(specify).

2. Which year did your company commence business? (…………….)

3. What star rating would you classify your hotel? (…………….)

4. How long have you worked in the organization?
   i. Less than 1 year……………………………………. ( )
   ii. 1 – 5 years…………………………………………..( )
   iii. 6 – 10 years……………………………………….. ( )
   iv. Over 10 years……………………………………… ( )

Section B.

Employee retention strategy

Indicate by marking with the letter 'X' (or any other mark) appropriately on the scale, the extent to which each of the statements presented below are true with respect to your organization , where

1=Not at all, 2=little extent 3=Moderate extent, 4=Great extent and 5=very great extent

Q. NO.	Statement	1	2	3	4	5
1	We have special programs that lure employees to stay					
2	We have early retirement packages in place					
3	No employee is allowed to work past mandatory retirement age					
4	In my organization training and development programs tether employees.					
5	My organization has policies and practices that bond employees					
6	In this organization women work longer tenures					
7	My organization extends contracts for needed employees					
8	We do a good job of retaining our valuable employees					

Adapted from: Maluti L. V., Warentho, T. O., & Shiundu, J. O. (2012). Impact of employee commitment on retention in state financial corporations in kenya. *International Journal of Business And Publicmanagement*, 2(2) 30-38.

SECTION C.

Competitive Advantage

Indicate by placing the letter 'X' (or any other mark) appropriately on the scale, the extent to which each of the statements presented below are true with respect to your organization, where

1=Not at all, 2=little extent 3=Moderate extent, 4=Great extent and 5=very great extent.

This organization enjoys competitive advantage that is generated by:

	1	2	3	4	5
1. Large market share					
2. Huge profitability					
3. Enhanced and strong customer loyalty					
4. Huge returns on investment					
5. Strong technological capability					
6. Strong financial capability					
7. High quality of products and services					
8. After sales services					
9. Management's educational background					
10. Employees' professional know-how					
11. Location of the establishment					
12. Employee commitment and loyalty					
13. Suppliers' loyalty					
14. The company's reputation					

Adapted from: Otieno, L. F. (2012). Perceptions of Co-operative Insurance Group Managers towards Strategic Alliances and Competitive Advantage. *Unpublished MBA Project*, University of Nairobi.

APPENDIX 3

LIST OF 3-STAR, 4-STAR OR 5-STAR HOTELS IN NAIROBI.

5-STAR HOTELS

1. Windsor Golf Hotel
2. Villa Rosa Kempinski
3. The Panari Hotel
4. The Tribe Hotel
5. The Boma Nairobi
6. Sarova Stanley, Nairobi
7. Sankara Nairobi
8. Palacina Residence & Suites
9. Nairobi Serena Hotel
10. Nairobi Safari Club
11. Safari park hotel
12. Laico Regency Hotel
13. Intercontinental Nairobi
14. Hilton, Nairobi
15. Gem Suites
16. Fairmont The Norfolk
17. Dusitd2 Nairobi
18. Fairview Hotel
19. Hemingsway Nairobi

4-STAR HOTELS

20. Wasini All Suite Hotel
21. Southern Sun Mayfair Nairobi
22. Nanchang Hotel Nairobi
23. Nairobi Upperhill Hotel
24. Meltonia Luxury Suites
25. Long View Suites Hotel
26. Kiota Place Guest House
27. Jacaranda Hotel Nairobi
28. Hotel La Mada
29. Eka Hotel Nairobi
30. Crown Plaza Nairobi
31. Cloud Hotel & Suites
32. Nomad Palace Hotel
33. Ole-Sereni Hotel
34. Pride Inn Lantana
35. The Heron Portico
36. House of Waine
37. Best Western Premier Nairobi

3-STAR HOTELS

38. Westhouse-A One Degree South Hotel
39. Bounty hotel
40. Sentrim Boulevard
41. Sarova Panafric Hotel
42. Marble Arch Hotel
43. Kivi Milimani Hotel
44. Sentrim 680 Hotel
45. The Strand Hotel
46. West Breeze Hotel
47. The Oakwood Hotel
48. The Headquarters Inn
49. The Clarion Hotel
50. Sunrise Hotel
51. Summerdale Inn
52. Silver Springs Hotel
53. Sandton Palace Hotel
54. Red Court Hotel
55. Nairobi Airport Hotel
56. Mvuli House
57. Meridian Hotel
58. Hotel Emerald
59. Hotel Central Park
60. HillPark Hotel
61. Hadassah Hotel
62. Fahari Gardens Hotel
63. Dream place B&B
64. County Park Hotel
65. Century Gardens
66. Arboretum Park B&B
67. 67Airport Hotel Nairobi