THE INFLUENCE OF LOCUS OF CONTROL ON EMPLOYEE COMMITMENT AND LABOUR TURNOVER: A CASE STUDY OF JUBILEE INSURANCE COMPANY LIMITED

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DECLARATION

I declare that this research project for the award of degree of Master of Business Administration in the University of Nairobi has not been presented for a degree in any other University or an examination body.

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This project has been submitted with my approval as the university of Nairobi supervisor

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DEDICATION

This research project is dedicated to my family, and to my fellow students, you have been my greatest encouragers and supporters, you have stood by me throughout this programme and inspired me immensely.
ACKNOWLEDGEMENTS

First and foremost I thank the Almighty God, for granting me the strength, health and courage to complete this arduous task.

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To my classmates and friends without whose interest and co-operation I could not have produced this study. I wish to thank them for supporting this initiative and affording me their time and sharing their experiences.

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ABSTRACT

The current state of the economy characterized by information explosion, liberalization, globalization and intense competition from within and outside the country has led many organizations both in the private and public sector to become preoccupied on how to increase the added value of their employees. A need to encourage employees to remain in the organization and to increase productivity beyond that which is at a minimum accepted standard using scarce resources has become a necessity. The issue on labour turnover and employee commitment is critical and managers have to manage employees to minimize turnover since high turnover is not cost effective. The aim of the study was to investigate the influence of locus of control on employee commitment and labour turnover: a case study of Jubilee Insurance Company Limited. The specific objectives were to examine the influence of locus of control on employee commitment in Jubilee Insurance Company Limited in Kenya and to assess the influence of locus of control on labour turnover in Jubilee Insurance Company Limited in Kenya. The study utilized a descriptive survey. This design was considered appropriate for the type of objectives of this study as it enabled the researcher to describe the issues at stake as they exist without manipulation of variables which was the aim of the study. The target population of this research comprised of 400 managers of Jubilee Insurance Company Limited. The study collected primary data using questionnaires. The data collected was coded, quantified and analyzed quantitatively. Quantitative data was analyzed by the use of descriptive statistics namely percentages, means, standard deviations and frequencies. Regression analysis was used to establish the influence of locus of control on commitment and turnover. The study found that the aspect of locus of control that affect turnover is that most people are capable of doing their jobs well if they make the effort. The study also found that the rate of labour turnover had decreased for the last five years between year 2010 and 2014. The study concluded that internal locus of control increases the employee commitment and decreases labour turnover. At 5% level of significance and 95% level of confidence, internal and external locus of control were all significant measures on the employee commitment and labour turnover. The study recommended that organizations should look into their performance management and craft compensation packages that are considered competitive in order to retain its talented workers.
CHAPTER ONE

INTRODUCTION

1.1. Background of the study

In the rapidly changing business environment, which is marked by severe competition, organizations are discovering that the only way to grow or even survive is to create strategies, which give them an edge over their competitors. There is an increasing acceptance of the fact that while latest technology, better machines, innovative marketing and manufacturing process can all be replicated, organizations with a more committed and loyal workforce will be the winner. Organizations benefit from the employees who are committed, hence reducing labour turnover. Since labour turnover is costly, factors that increase commitment are of interest to organizational scholars for purposes of theory and practitioners who seek to apply theory to organizational contexts to increase the likelihood of organizational effectiveness (Arne", Fritz & Bell, 2009). Further, there is growing evidence that aspects of cognitive style are related to work attitudes (Luthans, Baack & Taylor, 1987). Of particular interest in previous studies are the relations between locus of control (LOC) and work attitudes such as job satisfaction and employee commitment and labour turnover.

The study is guided by social learning theory developed by Rotter (1966). The theory focuses on people's deep-seated instinctual motives which act as the determining factors on human behavior. People are motivated by physiologically-based impulses that press the individual to satisfy them. In this theory Rotter has chosen the empirical law of effect as his motivating factor. The law of effect states that people are motivated to seek out positive stimulation, or reinforcement, and to avoid unpleasant
stimulation. This research will be guided by this theory as it explains that people behave according to how their environment is and how they get adapted to it. The study will focus on the influence of locus of control on employee commitment and labour turnover in the insurance companies. Insurance companies are basically human intensive, and human resources act as an undoubted differentiator. Committed manpower and its retention act as a litmus test.

1.1.1. Locus of Control

Locus of control is embedded within the Rotter’s (1954) social learning theory of personality, which postulates that behavior is a function of expectancy and reinforcement value in a specific situation. In other words, a particular behavior is more likely to occur if it is associated with high reinforcement value and expectancy. Reinforcement value is the degree of preference for a particular reinforcement if various alternative reinforcements are available. Expectancy is the probability that the particular reinforcement will occur because of an individual’s behavior (Rotter, Chance, &Phares, 1972). The potential for a particular behavior to occur therefore is a function of the expected occurrence of reinforcement following the behavior (Harkins, 1998). The term locus of control simply refers to the extent to which one believes that events in one’s life are contingent on one’s own behavior. Locus of control has two dimensions, namely internal and external. Persons with internal expectancies for control of reinforcement believe that their own behavior determine the reinforcement they receive. These persons are called internals. A person with internal locus of control attributes change to himself and to his actions (Gustafson, 2002). They believe and act as if they control their own futures and see themselves as effective agents in determining the occurrence of reinforcing events in life.
In contrast, a person who believes in external control of reinforcements attributes their outcomes to chance, luck, fate, powerful others, and so on. These people are called externals. A person with external locus of control attributes changes to external sources, and believes that powerful forces such as fate, luck, chance, powerful others, social constraints, or instructions are important factors determining the occurrence of reinforcing events in his life (Spector, 1988). A person with external locus of control believes that reinforcement does not depend on his actions or behavior, but is “the result of luck, chance, fate, as under the control of powerful others or is unpredictable because of great complexity of forces” (Gustafson, 2002). The implication of this is that individuals with internal locus of control may likely change their behavior following reinforcements than those individuals with external locus of control. Rotter measured locus of control by the using the Internal/External (I-E) Scale on which high scores reflect external locus of control and low scores reflect internal locus of control (Phares, 1976).

The study of locus of control in organizations has been dominated by the use of Rotter’s (1966) Internal/External (I-E) Scale. For instance, Phares (1976) stated that the Internal-External Scale was a rough measure and advocated that researchers should develop domain-specific measures. However, different scholars because of the inability of the instrument to measure work related variables adequately have criticized this practice. Similarly, Spector (1988) described the relationship between the Internal/External scale and work related variables as being rather modest. Consequently, Spector (1988) developed the Work Locus of Control Scale (WLCS) that would be specifically concerned with the work domain. The scale was developed to measure generalized control beliefs in work settings.
1.1.2. Employee Commitment

Employee commitment is defined as an employee’s belief in and acceptance of the organization’s goals and values, a willingness to exert effort on behalf of the organization, and a desire to maintain membership in the organization (Mowday, Steers & Porter, 1979). In the recent research, the prevailing conceptual basis of employee commitment is the three Component Model of Commitment (Meyer & Allen, 1991). The three components of commitment suggested by Meyer and Allen (1991) are affective, normative and continuance commitment. Affective commitment refers to the employee’s emotional attachment to, identification with, and involvement in the organization. Affective commitment towards an organization might be influenced by the extent to which an organization is able to satisfy employees’ needs, meet their expectations and allow them to meet their goals (Meyer, Allen & Smith, 1993).

Employees with a strong affective commitment continue employment with the organization because they want to do so. Continuance commitment refers to an awareness of the costs associated with leaving the organization (Meyer, Allen & Smith, 1993). If staying with the organization is based on the high costs associated with leaving, or on lacking occupational alternatives, workers continue membership in the organization because they need to do so (Rotter, 1966). Normative commitment refers to the feeling of obligation to remain with the organization. Employees with high level of normative commitment feel that they ought to remain with the organization. Of the three kinds of commitment, affective commitment has been found to lead to a number of favorable consequences, e.g., job satisfaction, reduced labour turnover intentions, organizational citizenship behaviors or enhanced job
performance (Meyer, Allen & Smith, 1993). Correlations with such positive work variables are weaker for normative commitment, or may even be negative, as in the case of continuance commitment (Meyer, Becker & Van Dick, 2006). Employees’ affective commitment to an organization has been associated with higher individual (Sinclair, Tucker, Cullen & Wright, 2005; Vandenberghe, Bentein & Stinglhamber, 2004) and organizational (Gong, Law, Chang & Xin, 2009) performance.

Affective commitment (AC) ties people through their emotional attachment, involvement, and identification with the organization, Continuance commitment (CC) depends on employees’ awareness of the costs of leaving the organization, Normative commitment (NC) rests on employees’ obligatory feelings towards coworkers or management (Gautam et al. 2005). Coleman, Irving & Cooper (1999) argues that externals are more likely to perceive that they have fewer employment alternatives than internals, which could, in turn, lead externals to develop continuance commitment to their organizations.

1.1.3. Labour turnover

Employees are an organization’s most valuable asset. Employee turnover is increasingly becoming a major concern for supervisors and researchers (Lambert, Hogan, & Barton, 2001) as the employment forecast has changed over the years for employers. Employee turnover, leaving employment voluntarily, often a byproduct of employee dissatisfaction, is extremely costly and organizations have attempted to reduce it through the implementation of various procedures. According to the US Department of Labor, it costs a company one-third of a new hire’s annual salary to replace an employee. Secretan (2001) examined an organization of over 10,000 employees and found that staff turnover was averaging 22%, an annual cost of losing
2,200 employees. He found that the overall financial cost was staggering and debilitating. Harkins (1998) also reported that turnover is devastating for organizations, typically resulting in lost business and lower profits.

Although a variety of management programs provide sound and useful strategies to combat turnover, successful implementation of such strategies may be impacted by the personal characteristics of supervisors. Buckingham and Coffman (1999) contended that the front line supervisor is the key to attracting and retaining talented employees. They asserted that if turnover is a concern, the organization should look foremost at the supervisor’s skills and practices. While many supervisors believe they are doing all they can to achieve employee satisfaction, their effectiveness may be impacted by personal characteristics such as locus of control (Rotter, 1966). Locus of control may be an underlying construct either aiding or hindering their effectiveness as supervisors and affecting employee satisfaction.

Labour turnover is the rate at which people leave an organization, sometimes known as ‘employee turnover, ‘wastage’ or ‘attrition’ (Hedwiga 2011). Marisoosay (2009) argued that in human resources context it refers to the relative rate at which an organization gain and losses its personnel. Kazi and Zedah, (2011) define labour turnover is the rotation of workers around the marketplace between firm, jobs and occupations and between the states of employment and unemployment. Employee deaths, Kazi and Zedah (2011) as examples of involuntary turnover have declared chaos in the country, in fulfillment of essential needs of life and health matters. On the other hand, voluntary turnover dependent on employee him/herself and can be experienced by an employee to realize individual achievement comparable to job. Marti et al (2009) name these controllable factors and mentioned satisfaction with
pay, nature of work and supervision, organizational commitment, distributive justice and procedural justice are examples of voluntary turnovers. Stovel and Bontis (2002) comments that involuntary turnover refers to the discharge of employees, whereas voluntary turnover take place when employees leave the job.

According to Jha (2014), labour turnover has always been a matter of concern for all type organizations. Huge degree of labour turnover may be detrimental to both the organization as well as the employees. Turnover has an impact over the organization’s costs relating to recruitment and selection, personnel process and induction, training of new personnel and above all, loss of knowledge gained by the employee while on job. Additionally, it results in understaffing which in turn lead to decreased effectiveness and productivity of the remaining staff. Turnover may have a negative impact on the employee as well. The individual may lose non-vested benefits and may be a victim of the “grass looks greener” phenomenon. Most often, turnover intention is consequential to actual quitting behavior (Bontis, 2002) Hence, it is imperative to understand the determinants of turnover intentions to arrest the outflow of key personnel and retain competitive edge.

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs must minimize employee’s turnover. Although, there is no standard framework for understanding the employees turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover Kevin et al. (2004). Therefore, there is need to develop a fuller understanding of the employee turnover, more especially, the sources- what determines employee turnover, effects and strategies that managers can put in place minimize turnover. With globalization,
which is heightening competition, organizations must continue to develop tangible products and provide services, which are based on strategies created by employees. These employees are extremely crucial to the organization since their value to the organization is essentially intangible and not easily replicated Meaghan et al. (2002). Therefore, managers must recognize that employees as major contributors to the efficient achievement of the organization’s success Abbasi et al. (2000). Managers should control employee turnover for the benefit of the organization success.

1.1.4. Jubilee Insurance Company Limited

From humble beginnings in 1937, Jubilee Insurance has spread its sphere of influence throughout the region to become the largest multi-line insurer in East Africa, handling both long-term and short-term insurance. Jubilee Insurance Company Limited (JICL), commonly referred to as Jubilee Insurance, is a leading multinational company in East Africa. The company maintains its headquarters in Nairobi, the capital of Kenya, with subsidiaries in Burundi, Mauritius, Tanzania, and Uganda. The company has plans to expand into another twelve African countries in the next three (3) years.

Today, Jubilee is the number one insurer in East Africa with over 450,000 clients, and over 320 employees. Jubilee Insurance is also the largest provider of medical insurance across East Africa that includes many of the region’s blue chip companies. Jubilee Insurance has a network of offices spanning Kenya, Uganda, Tanzania, Burundi and Mauritius. Jubilee is the only ISO certified insurance group listed on the three East Africa stock exchanges: The Nairobi Securities Exchange (NSE), Dar es Salaam Stock Exchange and Uganda Securities Exchange. Its regional offices are
highly rated on leadership, quality and risk management and have been awarded an A and A- in Kenya and Uganda, and an A+ in Tanzania.

Jubilee Insurance was incorporated as a Kenyan financial services provider with headquarters in the coastal city of Mombasa. The company prospered and over the years, opened offices in other East African cities and towns, including Nairobi, Dar-es-Salaam and Kampala. The company also opened branches in the Indian city of Bombay and Karachi, Pakistan, on the Indian Ocean islands of Mauritius and Zanzibar. Jubilee Insurance, through its holding company, Jubilee Holdings Limited, was listed on the Nairobi Stock Exchange (NSE) in 1973. It trades under the symbol JUBI. The company is also listed at the Karachi Stock Exchange under the symbol NJICL.

1.2. Research Problem

The Kenyan Insurance Industry has undergone numerous changes since the beginning of the year 2000. Many new entrants have joined the industry, seriously challenging the older insurance companies. Due to the increase in the number of players and competition, firms vie to outperform each other and new entrants poach staff from established companies like Jubilee insurance. Thus, committed and loyal workforce is imperative for viability and sustainable competitive advantage among the various firms in the industry. Many insurers are facing mounting skills shortages. Yet, investment in recruitment, training and career development often trails behind other financial sectors. There is need to encourage employees to remain in the organization and to increase productivity beyond that which is at a minimum accepted standard using scarce resources. Excessive employee turnover engenders far reaching
consequences and at the extreme may jeopardize efforts to attain the organizational objectives (Abbasi and Hollman 2000. The insurance sector is a bit more complex since its labour needs are vast and requires a large variety of specialists, from health professionals, financial professionals, engineering, and marketing, among others. Maintaining optimal levels of employee turnover among these employees is therefore not an easy task but demands competitive management and due diligence backed by clear guidelines and information which is not easily available currently.

Individuals’ decisions to acquire human capital, seek out new challenges, and work hard have all been linked to the extent to which they believe that what they do has consequences. As a result, firms and governments must carefully account for locus of control when designing incentive, initiatives, and policies to motivate workers’ behavior.

Locus of control in the workplace differentiates employees who believe they can exercise control over their work and their environment through their own actions—employees who are more or less self-reliant. The distinguishing difference in the belief of personal control between internals and externals, will affect performance levels. Studies support the direct impact of LOC on individual behaviors that impact job performance and satisfaction in the workplace. An understanding of one’s LOC could prove helpful as a variable for employee selection and alignment for specific positions. Coleman et al (1999), states that Locus of control is an important determinant of job satisfaction and job performance, with individuals with internal locus of control demonstrating higher levels of satisfaction, superior job performance and organizational commitment. Aube, Rousseau and Morin (2007) argues that locus of control has a moderating effect between perceived organizational support and

Results indicated that LOC has a relationship with these employee outcomes and that this relationship was mediated by human resource practices. Gachanja (2004) carried out a study on workers motivation and labour turnover among sales agents which was a case study of British American insurance company. The study examined the factors that motivate sales agents and investigated the relationship between motivation and labour turnover. The key findings of the study were lack of financial support to new agents, inadequate on the job training, lack of a good career policy, poor supervision of sales agents, dissatisfaction with remuneration methods and lack of involvement in decision-making. The researcher is not aware of a study which has focused on the influence of locus of control on employee commitment and labour turnover in the insurance companies in Kenya. The purpose of this study is to fill this gap. To achieve this objective the study will be guided by the following research question: what is the influence of locus of control on employee commitment and labour turnover in the insurance companies in Kenya?
1.3. Research Objectives

The research objective is to investigate the influence of locus of control on employee commitment and labour turnover: a case study of Jubilee Insurance Company Limited. More specific objectives will be;

i. To examine the influence of locus of control on employee commitment in Jubilee Insurance Company Limited in Kenya

ii. To assess the influence of locus of control on labour turnover in Jubilee Insurance Company Limited in Kenya

1.4. Value of the Study

The current study will be important to the insurance industry as the employers will have adequate information on what aspect of employee performance they need to put into consideration. This will also be able to know what aspect of locus of control each employee has. With all this, the insurance industry will be able to attract high level of personnel hence reducing turnover.

Increasingly, employee satisfaction and performance of employees has been the focus of many books, workshops, and theories. Determining that there is a relationship between locus of control employee satisfaction and labour turnover could be a great benefit to the body of knowledge. Such a relationship could lead to changes in the skills that should be included in management training programs, possibly incorporating techniques designed to change a person’s locus of control orientation. This could ultimately lead to increased employee satisfaction, decreased turnover, and increased profit or productivity.

The current research study may yield important information about the effect of locus of control on employee commitment and labour turnover. The study will help shed
insight as to how insurance companies can reduce the direct and indirect costs associated with labour turnover. Reduction in labour turnover could translate into increased client satisfaction, better use of financial resources in leadership development, reduced costs in recruiting and retraining, and overall improved morale. The results will help to highlight areas where the organization could be failing from the employees’ point of view.

The findings of the study will go along in providing the necessary information to the central organization of trade union (COTU) on the problems facing employees in different sectors and particularly in the insurance industry.
CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

A literature review discusses published information in a particular subject area, and sometimes information in a particular subject area within a certain time, (Schwegler, 2000). Therefore, this chapter will involve the systematic identification, location and analysis of documents containing information related to the influence of locus of control on employee commitment and labour turnover: a case study of Jubilee Insurance Company Limited.

2.2. Theoretical Foundation

This section reviews the theory available in relation to the topic under study. This is informed by the social learning theory. When Rotter developed his social learning theory, the dominant perspective in clinical psychology at the time was Freud's psychoanalysis, which focused on people's deep-seated instinctual motives as determining behavior. Individuals were seen as being naive to their unconscious impulses, and treatment required long-term analysis of childhood experience. Even learning approaches at the time were dominated by drive theory, which held that people are motivated by physiologically-based impulses that press the individual to satisfy them. In developing social learning theory, Rotter departed from instinct-based psychoanalysis and drive-based behaviorism (Schwegler, 2000).

Rotter that a psychological theory should have a psychological motivational principle. Rotter chose the empirical law of effect as his motivating factor. The law of effect states that people are motivated to seek out positive stimulation, or reinforcement, and to avoid unpleasant stimulation. Rotter combined behaviorism and the study of
personality, without relying on physiological instincts or drives as a motive force. The main idea in Julian Rotter's social learning theory is that personality represents an interaction of the individual with his or her environment (Allen & Meyer, 1991). One cannot speak of a personality, internal to the individual that is independent of the environment. Neither can one focus on behavior as being an automatic response to an objective set of environmental stimuli. Rather, to understand behavior, one must take both the individual that is his or her life history of learning and experiences) and the environment that is those stimuli that the person is aware of and responding to) into account. Rotter describes personality as a relatively stable set of potentials for responding to situations in a particular way (Rotter, 1966).

For many people, their only exposure to the ideas of Julian B. Rotter is his concept of generalized expectancies for control of reinforcement, more commonly known as locus of control. Locus of control refers to people's very general, cross-situational beliefs about what determines whether or not they get reinforced in life. People can be classified along a continuum from very internal to very external. People with a strong internal locus of control believe that the responsibility for whether or not they get reinforced ultimately lies with themselves. Internals believe that success or failure is due to their own efforts (Denvir and McMahon, 1992).

In contrast, externals believe that the supports in life are controlled by luck, chance, or powerful others. Therefore, they see little impact of their own efforts on the amount of reinforcement they receive. Rotter has written extensively on problems with people's interpretations of the locus of control concept. First, he has warned people that locus of control is not a typology. It represents a continuum, not an either/or proposition. Second, because locus of control is a generalized expectancy it will predict people's
behavior across situations. However, there may be some specific situations in which people who, for example, are generally external behave like internals (Harkins, 1998). That is because their learning history has shown them that they have control over the reinforcement they receive in certain situations, although overall they perceive little control over what happens to them. Again, one can see the importance of conceiving of personality as the interaction of the person and the environment. The theory focuses on the personality and its interaction with the environment. It further state that people behave according to how their environment is and how they get adapted to it. This theory is important as it explains how the employees are committed to the insurance industry depending on how the organization culture is. Hence for the insurance industry to retain its workers a conducive environment should exist.

2.3. Locus of Control and Employee Commitment

A number of studies have found significant correlations between locus of control (LOC) and employee commitment among them Luthans et al., 1987; Furnham et al., 1994; Kinicki & Vecchio, 1994; Coleman, Irving & Cooper, 1999. All of these studies reported that individuals with an internal locus of control are more likely to be committed to the organization than those with an external locus of control. Luthans et al. (1987) provided three potential explanations for the relationship between LOC and affective commitment. First, those with an internal LOC (internals) are likely to report higher levels of commitment because they perceive that they have control over their work environment. In order to maintain cognitive consistency, internals are likely to be committed to organizations that allow them to control that environment. Second, because internals are likely to perceive more alternatives than those with an external LOC (externals) and because choice is related to commitment, internals will feel more
committed to the organization that they decide to join. Third, because internals are more likely to take action when dissatisfied with a situation (particularly by leaving the organization), only committed internals are expected to remain with an organization.

Employee Commitment implies as an intention to persist in a course of action. Therefore, organizations often try to foster commitment in their employees to achieve stability and reduce costly turnover. It is commonly believed that committed employees will also work harder and be more likely to “go the extra mile” to achieve organizational objectives. Research has consistently demonstrated that commitment does indeed contribute to a reduction in turnover. Suliman and Iles (2000) divided fringe benefits into monetary and non-monetary benefits and increasing intrinsic and extrinsic fringe benefits that attract an employee’s attention may subsequently increase their performance and induce higher levels of employee commitment. When creating a commitment strategy, "it is difficult to deny that it is desirable for management to have defined strategic goals and values and it is equally desirable from management point of view for employees to behave in a way that support those strategies and values." Creating commitment includes communication, education, training programs and initiatives to increase involvement and ownership and the development of performance and reward management systems.

Meyer and Allen (1991) stated that factors which significantly predict employee commitment among blue collar workers were promotion, satisfaction, job characteristics, extrinsic and intrinsic exchange, as well as extrinsic and intrinsic rewards which ultimately bring commitment. Lee (2005) referred to employee commitment as reflecting a person’s view to loyalty toward the organization and in-
progress processes by the members of an organization, concerning about organizational achievements. Employee commitment is determined by a number of factors like, personal factors (age, gender, internal and external control properties, and service period in the organization), organizational factors (designing the job and leadership style of a supervisor) and non-organizational factors (existence of a replacement), affecting on organizational commitment. Nowadays, organizational commitment is used along with organizational loyalty. On this basis, 3 components of organizational commitment are as follows: based on the accepted goals and values of the organization; the tendency of the person to being belonged to the organization; and tendency to attempting for the organization.

Omari et al. (2012) conducted a study to explore the effect of human resource practices on the relationship between LOC and employee outcomes namely job satisfaction, employee commitment, trust and organizational citizenship behaviors in Kenyan public corporations. Results indicated that LOC has a relationship with these employee outcomes and that this relationship was mediated by human resource practices. Chen and Silverthorne (2008) studied the impact of locus of control on job stress, job performance and job satisfaction in Taiwan. Their purpose was to examine the relationships between locus of control and the work-related behavioral measures of job stress, job satisfaction and job performance in Taiwan. Their findings indicated that one aspect of an accountants' personality, as measured by locus of control, plays an important role in predicting in the level of job satisfaction, stress and performance in CPA firms in Taiwan. Individuals with a higher internal locus of control are more likely to have lower levels of job stress and higher levels of job performance and satisfaction.
2.4. Locus of Control (LOC) and Labour turnover

Since the mid-1980s, studies have provided convincing evidence that personality is a clear factor affecting job satisfaction (Spector 1991). One personality trait found to demonstrate a significant relationship to job satisfaction is LOC (Spector, 1982). LOC is a cognitive variable that represents an individual’s generalized belief in his or her ability to control positive and negative reinforcements in life (Spector, 1982). In general, internals seem more satisfied with their jobs than. Cummins (1989) suggests that there is a positive relationship between internal LOC and job satisfaction, and this positive relationship occurs regardless of the level of stress.

Cheng (1994) found further support for the relationship between internal LOC and job satisfaction and proposed that internals are more likely than externals to be satisfied with opportunities for job autonomy and participation in decisions affecting their jobs. Internals tend to seek situations in which personal control is possible (Kabanoff & O’Brien, 1980; Kahle, 1980). If internals are not satisfied in their current job with the opportunities available to them to exert job influence, they will find other alternatives, because internals often perceive a greater number of available alternatives and tend to take action on their beliefs more frequently than externals do. Several mechanisms might account for the relation of LOC and job satisfaction. Spector (1982) hypothesized that the relation between these two variables might be mediated by job performance. He noted that internals tend to perform their jobs better than externals, and if job performance is associated with rewards, satisfaction with the job might result. Thus, internals have higher job satisfaction because they benefit from the rewards of their better job performance (Spector, 1991).
Salazar et al. (2002) conducted a study to investigate the relationship between LOC and job satisfaction among hotel managers. The convenience sample was comprised of corporate managers, hotel general managers and assistant general managers of a leading franchise hotel company. The findings revealed the negative correlation between external LOC and their overall job satisfaction. Patten (2005) examined the impact of LOC on internal auditor’s job performance and satisfaction. The study found that those internal auditors with more internal LOC appear to outperform those with more external LOC. The results reported that job satisfaction levels for respondents with internal LOC were not significantly different from respondents with more external LOC. However, internal auditors with an apparent conflict between LOC and perceived level of audit structure do report significantly lower levels of job satisfaction than those without such conflict.

Opkara (2002) in the study found that there are the certain factors that influence the level of job satisfaction of the employee. These are the compensation, promotion opportunities, the work itself, relationships with co-workers and the supervision. The pay was considered the dominant factor in measuring the job satisfaction of employee. Similarly a study conducted by the Frye (2004) found that compensation is the most critical factor for the organizations to magnetize the right workforce and retain them for the long period of time. In addition to that the compensation is positively correlated with the job satisfaction of a employee in the organization. Another study was also conducted that to found the effect of pay on the job satisfaction and it was concluded that there is positive relationship between job satisfaction and pay (Nguyen et al. 2003).
It was found that the lower level of compensation is the cause of employee turnover (Abassism & Hollman 2000). The study also concluded that improper recruitment, bad working conditions, less compensation has negative effect on the employee turnover (Milman 2002). Locke (1995) found the significant relationship of job satisfaction and turnover. Robbins et al. (2003) refer to the work itself as “the extent to which the job provides the individual with stimulating tasks, opportunities for learning and personal growth, and the chance to be responsible and accountable for results.” The work that related to the aptitude of employees is most fascinated for them.

In their study, Vijayashree and Vishalkumar (2011) studied locus of control and its impacts on Job Satisfaction in public sector organization. Their objective was to identify the type of Locus of control in Public Sector Unit (PSU) in Bangalore and to analyze the impact of different type of Locus of Control on job satisfaction of PSU employees. Their results showed that there was a positive correlation between internal locus of control and job satisfaction as well as between external (other) locus of control and job satisfaction and in case of External (Chance) locus of control and job satisfaction there exists partial positive correlation. Job satisfactions of employees were found high.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1. Introduction

This chapter provides a methodology that was used in the study. It gives an insight into the research design, target population, sample design, data collection methods, analysis of data and presentation.

3.2 Research Design

The research design adopted in this study was descriptive survey. Cohen and Marion (1994) states that, the design determines and reports events the way they are, and commonly involves attitudes, opinions and procedures. Since this study was mainly concerned with collecting data on views of the respondents on their experience, survey method was deemed suitable for achieving the research objectives. This design was considered appropriate for the type of objectives of this study as it enabled the researcher to describe the issues at stake as they exist without manipulation of variables which was the aim of the study.

3.3 Target Population

Population is the entire group of individuals, events and objects having common characteristics (Mugenda & Mugenda, 2003). According to Cooper and Schindler (2006) population is the total collection of elements about which a researcher wishes to make some inferences. The target population of this research comprised of 400 managers of Jubilee Insurance Company Limited.
Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level managers</td>
<td>67</td>
<td>16.7</td>
</tr>
<tr>
<td>Middle level managers</td>
<td>111</td>
<td>27.8</td>
</tr>
<tr>
<td>Low level</td>
<td>222</td>
<td>55.5</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: author 2015

3.4 Sample Size and Sampling Technique

From the possible 400 target population, stratified random sampling was employed to select managers from each category to obtain a total of 120 sample population. This is 30% of the total population. Kotler et al. (2001) argues that if well chosen, samples of about 30% of a population can often give good reliability findings. In addition, Mugenda and Mugenda (2003) states that in stratified sampling where population within each strata is known, a sample of 30% is adequate representation for data collection. The managers were deemed suitable for the study they have better knowledge and awareness on the issue at stake and would provide specific information from a management perspective. This is presented in table 3.2;

Table 3.2: Sample size

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample ration</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level managers</td>
<td>67</td>
<td>0.3</td>
<td>20</td>
</tr>
<tr>
<td>Middle level managers</td>
<td>111</td>
<td>0.3</td>
<td>33</td>
</tr>
<tr>
<td>Low level</td>
<td>222</td>
<td>0.3</td>
<td>67</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>0.3</td>
<td>120</td>
</tr>
</tbody>
</table>

Source: author 2015
3.5 Data Collection

The study collected primary data using questionnaires. The questionnaire was designed to collect quantitative data. The researcher prepared questionnaires which were presented to the respondents within the Jubilee Insurance Company Limited. The respondents were required to fill them as per instructions. The study used closed-ended questions which were based on likert scale. The questionnaires were administered using drop and pick method since the respondents were knowledgeable and were able to fill it without assistance. The researcher ensured all respondents confidentiality is kept by not disclosing their names and that of the insurance companies they work for.

A questionnaire is commonly used to obtain important information about the population. Each item in the questionnaire contributes to measuring a variable a variable to which it is linked. Several items are required to measure a variable. The questionnaire contained close ended questions to allow more information to be solicited from the respondents. The multiple choice questions comprised of questions based on liker scale. The questionnaire consisted of four sections. The first section addressed demographic information; the other three sections addressed the locus of control, employee commitment and labour turnover. The questionnaires were filled by managers in Jubilee Insurance Company Limited. Locus of control scales were adapted from scales developed by Rotter (1966), while the scales for commitment were adapted from Meyer, Allen, & Smith, (1993).

3.6 Data analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making
deductions and inferences (Kombo and Tromp, 2006). The data collected was coded, quantified and analyzed quantitatively. Quantitative data was analyzed by the use of descriptive statistics namely percentages, means, standard deviations and frequencies. The data was first processed by categorizing and discussing responses for each item according to the thematic analysis before editing and coding to permit quantitative analysis and reported through descriptive narrative of views, experiences and opinions of the respondents.

Descriptive statistics namely frequency distributions and percentages were used to analyze the coded responses. From these results, frequency distribution charts were drawn, emerging trends and patterns detected, conclusions and recommendations were made about those patterns. Regression analysis was used to establish the influence of locus of control on commitment and turnover.

3.6.1. Regression model

The model that was used in this study was particularly multiple regression model as employee commitment and labour turnover was assumed to depend on locus of control.

\[ Y_c = \beta_0 + \beta_1 L_i + \beta_2 L_e + \epsilon \] ……………equation (i)

Where:

- \( Y_c \): employee commitment
- \( \beta_0 \): constant term
- \( \beta_1 \) and \( \beta_2 \): regression coefficients
- \( L_i \): internal locus of control
- \( L_e \): external locus of control
- \( \epsilon \): Error term
\[ Y_t = \alpha_0 + \alpha_1 L_i + \alpha_2 L_e + \varepsilon \] \hspace{1cm} \text{equation (ii)}

Where:

- \( Y_t \) - labour turnover
- \( \alpha_0 \) - constant term
- \( \alpha_1 \) and \( \alpha_2 \) - regression coefficient
- \( L_i \) - internal locus of control
- \( L_e \) - external locus of control
- \( \varepsilon \) - Error term

### 3.8. Chapter summary

The chapter has addressed the methodology that was applied in conducting the study. It has addressed the research design, target population, sampling and sample size data collection methods, data analysis and presentation.
CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS OF RESULTS

4.1 Introduction

This chapter covers data presentation and analysis. The main objective of the study was to investigate the influence of locus of control on employee commitment and labor turnover.

4.2. Response Rate

A total of one hundred and twenty (120) questionnaires had been distributed to the Jubilee Insurance Company Limited, out of which 110 were completed and returned. This gave a response rate of 92%. According to Mugenda & Mugenda (2003), a response rate of 50% is adequate for a study, 60% is good and 70% and above is excellent. Thus, a response rate of 92% was fit and reliable for the study as shown in Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>110</td>
<td>92</td>
</tr>
<tr>
<td>Non-respondents</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Findings
4.3. Demographic Information of the Respondents

The demographic information of the respondents that was tested, included respondent’s gender, age bracket, level of education, and, duration of working in the company and terms of the employment.

4.3.1 Respondent’s Gender

The respondents were requested to indicate their gender. The findings were presented in the figure 4.1 below

Figure 4.1 Composition of Respondent’s Gender

Source: Research Findings

From the findings above 65% of the respondents were males while 35% were females. This depicts that majority of the respondents who took part in the study were males.

4.3.2 Distribution of the Respondent’s by Age bracket

The respondents were requested to indicate their age bracket. The findings were presented in the figure 4.2

Figure 4.2. Respondent’s Age bracket
Source: Research Findings

From the findings above majority (40%) of the respondents were aged between 31-40 years, 35% were between 20-30 years, 20% were between 41-50 years while 5% were 51 years and above. This depicts that majoty of the respondents who took part in the study were aged between 31-40 years.

4.3.3. Level of Education

Respondents were asked to indicate their level of education. Results are presented in Figure 4.3.
Figure 4.3. Level of Education

![Pie chart showing level of education distribution among respondents from Jubilee Insurance Company Limited.](image)

Source: Research Findings

From the findings most of the respondents from Jubilee insurance company had university level of education (45%), 30% had college level of education, 20% had postgraduate level while 5% had secondary level. This depicts that majority of the respondents from the Jubilee Company had university level of education. This implies that the workforce is learned.

4.3.4. Duration of Working in the company

The respondents were requested to indicate the duration they have worked in the Jubilee Insurance Company Limited. The findings were shown in figure 4.4

Figure 4.4. Length of service in the company

![Bar chart showing duration of employment in Jubilee Insurance Company Limited.](image)

Source: Research Findings

From the findings 75% of the respondents had worked in the company for a period between 11-20 years, 15% had worked for a period below 10 years while 10% had...
worked for a period of over 20 years. This depicts that majority of the respondents had worked in the company for a period between 11-20 years.

4.3.5. Terms of Employment

The respondents were requested to indicate the term of service between them and Jubilee Insurance Company. The findings were shown in figure 4.5 below.

Figure 4.5. Distribution of the Respondent’s by terms of Employment

![Pie chart showing terms of employment]

Source: Research Findings

From the findings presented in figure 4.5, 45% of the respondents indicated that they were permanently employed by Jubilee Insurance Company, 35% were employed on contract while 20% were employed on temporary basis. This depicts that majority of the respondents were permanently employed by Jubilee Insurance Company.

4.4. Extent of Employee Commitment

The respondents were requested to indicate the extent of commitment in relation to the feelings that they might have about the company. The findings were shown in the table 4.2 below.
### Table 4.2. Extent of Employee Commitment

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affective Commitment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would be very happy to spend the rest of my career with this organization</td>
<td>4.25</td>
<td>0.223</td>
</tr>
<tr>
<td>I really feel as if this organization's problems are my own</td>
<td>4.12</td>
<td>0.175</td>
</tr>
<tr>
<td>This organization has a great deal of personal meaning for me</td>
<td>4.09</td>
<td>0.345</td>
</tr>
<tr>
<td>I do not feel a strong sense of &quot;belonging&quot; to my organization</td>
<td>3.68</td>
<td>0.126</td>
</tr>
<tr>
<td><strong>Continuance Commitment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right now, staying with my organization is a matter of necessity as much as desire</td>
<td>3.74</td>
<td>0.226</td>
</tr>
<tr>
<td>It would be very hard for me to leave my organization right now, even if I wanted to</td>
<td>4.22</td>
<td>0.186</td>
</tr>
<tr>
<td>Too much of my life would be disrupted if I decided I wanted to leave my organization now</td>
<td>4.14</td>
<td>0.332</td>
</tr>
<tr>
<td>If I had not already put so much of myself into this organization, I might consider working elsewhere</td>
<td>4.18</td>
<td>0.176</td>
</tr>
<tr>
<td><strong>Normative Commitment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Even if it were to my advantage, I do not feel it would be right to leave my organization now</td>
<td>4.02</td>
<td>0.387</td>
</tr>
<tr>
<td>I would feel guilty if I left my organization now</td>
<td>3.99</td>
<td>0.112</td>
</tr>
<tr>
<td>This organization deserves my loyalty</td>
<td>3.89</td>
<td>0.316</td>
</tr>
<tr>
<td>I would not leave my organization right now because I have a sense of obligation to the people in it</td>
<td>3.76</td>
<td>0.202</td>
</tr>
<tr>
<td><strong>Aggregate</strong></td>
<td>4.01</td>
<td>0.234</td>
</tr>
</tbody>
</table>

**Source: Research Findings**

From the findings above the respondents agreed that the feelings that highly affect employee commitment were: they would be very happy to spend the rest of my career with this organization (mean=4.25), followed by it would be very hard for them to leave their organization right now, even if they wanted to (mean=4.22). If they had not already put so much of themselves into this organization, they might consider working elsewhere (mean=4.18), too much of their life would be disrupted if they decided they wanted to leave their organization now (mean=4.14), they really feel as if this organization's problems are their own (mean=4.12), this organization has a
great deal of personal meaning for them (mean=4.09), even if it were to their advantage, they do not feel it would be right to leave their organization now (mean=4.02). The respondents further agreed that the feelings that affect employee commitment include: they would feel guilty if they left their organization now (mean=3.99), this organization deserves their loyalty (mean=3.89), right now, staying with their organization is a matter of necessity as much as desire (mean=3.74), and they do not feel a strong sense of "belonging" to their organization (mean=3.68). Additionally the standard deviation figures are low indicating that the data points are spread out over a small range of values, meaning that there is low level of variability in the data. This depicts that the feeling that highly affect employee commitment is that they would be very happy to spend the rest of their career with the organization and that it would be very hard for them to leave the organization then, even if they wanted to. This shows that internal behavior acts as the motivator to get committed to a particular job.

4.5. Locus of Control

The respondents were requested to indicate whether they either agree or disagree with the various statements concerning the locus of control. The findings were as shown in the figure below.

**Table 4.3. Locus of Control**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A job is what you make of it</td>
<td>3.48</td>
<td>0.192</td>
</tr>
<tr>
<td>On most jobs, people can pretty much accomplish whatever they set out to accomplish</td>
<td>4.09</td>
<td>0.376</td>
</tr>
<tr>
<td>If you know what you want out of a job, you can find a job that gives it to you</td>
<td>4.12</td>
<td>0.331</td>
</tr>
<tr>
<td>Statement</td>
<td>Mean</td>
<td>Std. Dev.</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------</td>
<td>----------</td>
</tr>
<tr>
<td>If employees are unhappy with a decision made by their boss, they should do something about it</td>
<td>3.68</td>
<td>0.123</td>
</tr>
<tr>
<td>Getting the job you want is mostly a matter of luck</td>
<td>4.01</td>
<td>0.186</td>
</tr>
<tr>
<td>Making money is primarily a matter of good fortune</td>
<td>3.8</td>
<td>0.248</td>
</tr>
<tr>
<td>Most people are capable of doing their jobs well if they make the effort</td>
<td>4.14</td>
<td>0.342</td>
</tr>
<tr>
<td>In order to get a really good job, you need to have family members or friends in high places</td>
<td>3.66</td>
<td>0.221</td>
</tr>
<tr>
<td>Promotions are usually a matter of good fortune</td>
<td>3.42</td>
<td>0.198</td>
</tr>
<tr>
<td>When it comes to landing a really good job, who you know is more important than what you know</td>
<td>3.86</td>
<td>0.338</td>
</tr>
<tr>
<td>Promotions are given to employees who perform well on the job</td>
<td>4.04</td>
<td>0.335</td>
</tr>
<tr>
<td>To make a lot of money you have to know the right people</td>
<td>3.45</td>
<td>0.112</td>
</tr>
<tr>
<td>It takes a lot of luck to be an outstanding employee on most jobs</td>
<td>4.02</td>
<td>0.321</td>
</tr>
<tr>
<td>People who perform their jobs well generally get rewarded</td>
<td>3.75</td>
<td>0.256</td>
</tr>
<tr>
<td>Most employees have more influence on their supervisors than they think they do</td>
<td>3.56</td>
<td>0.222</td>
</tr>
<tr>
<td>The main difference between people who make a lot of money and people who make a little money is luck</td>
<td>4.06</td>
<td>0.129</td>
</tr>
<tr>
<td>Aggregate</td>
<td>3.82</td>
<td>0.246</td>
</tr>
</tbody>
</table>

**Source: Research Findings**

From the findings above the respondents agreed that most people are capable of doing their jobs well if they make the effort (mean=4.14), followed by if you know what you want out of a job, you can find a job that gives it to you (mean=4.12). On most jobs, people can pretty much accomplish whatever they set out to accomplish (mean=4.09), the main difference between people who make a lot of money and people who make a little money is luck (mean=4.06), promotions are given to employees who perform well on the job (mean=4.04), it takes a lot of luck to be an outstanding employee on most jobs (mean=4.02), getting the job you want is mostly a matter of luck (mean=4.01). the respondents further agreed that when it comes to
landing a really good job, who you know is more important than what you know (mean=3.86), making money is primarily a matter of good fortune (mean=3.80), people who perform their jobs well generally get rewarded (mean=3.75), if employees are unhappy with a decision made by their boss, they should do something about it (mean=3.68), in order to get a really good job, you need to have family members or friends in high places (mean=3.66), most employees have more influence on their supervisors than they think they do (mean=3.56). Finally the respondents moderately agreed that a job is what you make of it (mean=3.48), to make a lot of money you have to know the right people (mean=3.45), and that promotions are usually a matter of good fortune (mean=3.42). Additionally the standard deviation figures are low indicating that the data points are spread out over a small range of values, meaning that there is low level of variability in the data. This depicts that the aspect of locus of control that affect turnover is that most people are capable of doing their jobs well if they make the effort.

4.6. Labour Turnover

The respondents were requested to indicate the number of employees who have left the company in the last five years. The findings are shown in the table 4.4

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees who have left the firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>20</td>
</tr>
<tr>
<td>2011</td>
<td>25</td>
</tr>
<tr>
<td>2012</td>
<td>15</td>
</tr>
<tr>
<td>2013</td>
<td>18</td>
</tr>
<tr>
<td>2014</td>
<td>10</td>
</tr>
</tbody>
</table>
Source: Research Findings

From the findings above the respondents indicated that in year 2010 the employees who left the company were 20, in 2011 were 75, in 2012 they were 25, and in 2013 were 18 while in 2014 they were 10. This depicts that the rate of labour turnover had decreased for the last five years between year 2010 and 2014 implying that employees are satisfied with their jobs.

4.7. Regression Analysis

The researcher further conducted a multiple regression analysis in order to test the influence of locus of control on employee commitment: a case study of Jubilee Insurance Company Limited. Statistical package for social sciences (SPSS) was used to code, enter and compute the measurements of the multiple regressions for the study. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (employee commitment) that is explained by the independent variables (internal and external locus of control).

4.7.1 Locus of control and employee commitment

4.7.1.1 Model Summary

Table 4.5. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.857</td>
<td>0.734</td>
<td>0.689</td>
<td>0.5273</td>
</tr>
</tbody>
</table>

Source: Research Findings
The coefficient of determination (R Square) is used to test the goodness-of-fit of the model. That is, R Square measures the proportion or percentage of the total variation in the dependent variable explained by the independent variable. The value of R Square lies between 0 and 1 and if R Square value is 1 the there is a perfect fit while R Square value 0 indicates that there is no relationship between dependent and independent variables. The independent variables that were studied, explain only 73.4% of the employee commitment as represented by the $R^2$. This therefore means that other factors affecting employee commitment not studied in this research add up to 26.5%.
4.7.1.2 ANOVA Results

Table 4.6. ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2.534</td>
<td>5</td>
<td>1.267</td>
<td>9.475</td>
<td>.0179</td>
</tr>
<tr>
<td>Residual</td>
<td>9.307</td>
<td>115</td>
<td>2.327</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.465</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

The probability value (p-value) of a statistical hypothesis test is the probability of getting a value of the test statistic as extreme as or more extreme than that observed by chance alone, if the null hypothesis $H_0$ is true. The p-value is compared with the actual significance level of the test and, if it is smaller, the result is significant. The smaller it is, the more convincing is the rejection of the null hypothesis. The significance value is 0.0179 which is less than 0.05 thus the model is statistically significant in predicting the relationship between (internal locus of control and external locus of control) and on employee commitment and labour turnover: a case study of Jubilee Insurance Company Limited. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 9.475), this shows that the overall model was significant.
4.7.1.3 Coefficient of Determination

Table 4.7. Coefficient of determination

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.147</td>
<td>0.2235</td>
<td>5.132</td>
</tr>
<tr>
<td></td>
<td>Internal locus of control</td>
<td>0.752</td>
<td>0.1625</td>
<td>0.152</td>
</tr>
<tr>
<td></td>
<td>External locus of control</td>
<td>0.439</td>
<td>0.1032</td>
<td>0.054</td>
</tr>
</tbody>
</table>

Source: Research Findings

Multiple regression analysis was conducted as to investigate influence of locus of control on employee commitment. The equation can be presented as

\( Y_c = \beta_0 + \beta_1 L_i + \beta_2 L_e + \varepsilon \) becomes:

\[ Y = 1.147 + 0.752L_i + 0.439L_e + \varepsilon \]

Where:

- \( Y_c \) - employee commitment
- \( \beta_0 \) - constant term
- \( \beta_1 \) and \( \beta_2 \) - regression coefficients
- \( L_i \) - internal locus of control
- \( L_e \) - external locus of control
- \( \varepsilon \) - Error term
According to the regression equation established, taking all factors into account (external and internal locus of control) constant at zero, employee commitment rating would be 1.147. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in internal locus of control will lead to a 0.752 increase in employee commitment; a unit increase in external locus of control will lead to a 0.439 increase in employee commitment. This infers that internal locus of control contribute most to the employee commitment. At 5% level of significance and 95% level of confidence, internal and external locus of control were all significant.

4.7.2 Locus of control and labor turnover

The researcher further conducted a multiple regression analysis in order to test the influence of locus of control on labour turnover: a case study of Jubilee Insurance Company Limited. Statistical package for social sciences (SPSS) was used to code, enter and compute the measurements of the multiple regressions for the study. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (labour turnover) that is explained by the independent variables (internal and external locus of control).
4.7.2.1 Model Summary

Table 4.8. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.797</td>
<td>0.635</td>
<td>0.592</td>
<td>0.043</td>
</tr>
</tbody>
</table>

Source: Research Findings

The independent variables that were studied, explain only 63.5% of labour turnover as represented by the $R^2$.

4.7.2.2 ANOVA Results

Table 4.9. ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2.534</td>
<td>8</td>
<td>1.267</td>
<td>9.475</td>
<td>.0031</td>
</tr>
<tr>
<td>Residual</td>
<td>9.307</td>
<td>112</td>
<td>2.327</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11.841</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

The probability value (p-value) of a statistical hypothesis test is the probability of getting a value of the test statistic as extreme as or more extreme than that observed by chance alone, if the null hypothesis $H_0$ is true. The p-value is compared with the actual significance level of the test and, if it is smaller, the result is significant. The
smaller it is the more convincing is the rejection of the null hypothesis. The significance value is 0.0031 which is less than 0.05 thus the model is statistically significant in predicting the relationship between (internal locus of control and external locus of control) and on labour turnover. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 9.475), this shows that the overall model was significant.

4.7.2.3 Coefficient of Determination

Table 4.10. Coefficient of determination

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-1.127</td>
<td>0.2235</td>
<td>-5.043</td>
</tr>
<tr>
<td></td>
<td>Internal locus of control</td>
<td>-0.587</td>
<td>0.1546</td>
<td>0.145</td>
</tr>
<tr>
<td></td>
<td>External locus of control</td>
<td>-0.652</td>
<td>0.1937</td>
<td>0.098</td>
</tr>
</tbody>
</table>

Source: Research Findings

Multiple regression analysis was conducted as to investigate influence of locus of control on labour turnover. The equation can be presented as

\[(Y_t = \alpha_0 + \alpha_1 L_i + \alpha_2 L_e + \varepsilon)\]

becomes:

\[Y = -1.127 - 0.5870 L_i - 0.652 L_e + \varepsilon\]

Where:

\[Y_t\] labour turnover
According to the regression equation established, taking all factors into account (external and internal locus of control) constant at zero, labour turnover rating would be -1.127. The data findings analyzed also shows that taking all other independent variables at zero, a unit change in internal locus of control will lead to a 0.587 decrease in labour turnover; a unit change in external locus of control will lead to a 0.652 decrease in labour turnover. This infers that internal locus of control contribute most to decrease in labour turnover. At 5% level of significance and 95% level of confidence, internal and external locus of control were all significant.

4.8. Discussion of Findings

4.8.1 Locus of control and employee commitment

The study found that that the feeling that highly affects employee commitment is that they would be very happy to spend the rest of their career with this organization and that it would be very hard for them to leave their organization right now, even if they wanted to. This shows that internal behavior acts as the motivator to get committed to a particular job. This agrees with a study done by Luthans et al. (1987) who provided three potential explanations for the relationship between LOC and affective commitment. First, those with an internal LOC (internals) are likely to report higher levels of commitment because they perceive that they have control over their work
environment. In order to maintain cognitive consistency, internals are likely to be committed to organizations that allow them to control that environment. Second, because internals are likely to perceive more alternatives than those with an external LOC (externals) and because choice is related to commitment, internals will feel more committed to the organization that they decide to join. Third, because internals are more likely to take action when dissatisfied with a situation (particularly by leaving the organization), only committed internals are expected to remain with an organization.

4.8.2 Locus of control and labor turnover

The study also found that the aspect of locus of control that affect turnover is that most people are capable of doing their jobs well if they make the effort. This tends to agree with Spector (1982) who hypothesized that the relation between locus of control and job satisfaction might be mediated by job performance. He noted that internals tend to perform their jobs better than externals, and if job performance is associated with rewards, satisfaction with the job might result. Thus, internals have higher job satisfaction because they benefit from the rewards of their better job performance. Omari et al. (2012) also supports the findings with a study to explore the effect of human resource practices on the relationship between LOC and employee outcomes namely job satisfaction, employee commitment, trust and organizational citizenship behaviors in Kenyan public corporations. Results indicated that LOC has a relationship with these employee outcomes and that this relationship was mediated by human resource practices.

The study also found that the rate of labour turnover had decreased for the last five years between year 2010 and 2014. This indicates that employees have become
committed to the organization and the employees tend to have more internal locus of control. This agrees with study done by Patten (2005) who found that those internal auditors with more internal LOC appear to outperform those with more external LOC. The results reported that job satisfaction levels for respondents with internal LOC were not significantly different from respondents with more external LOC. However, internal auditors with an apparent conflict between LOC and perceived level of audit structure do report significantly lower levels of job satisfaction than those without such conflict.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations on the influence of locus of control on employee commitment and labour turnover: a case study of Jubilee Insurance Company Limited.

5.2. Summary

The study acquired a reliable response rate from Jubilee Insurance Company Limited. A look at the study demographics shows a situation where gender, age bracket, level of education, and, duration of working in the company and terms of the employment within the firm differed indicating that the study did not target specific groupings in the study and showing randomness of the data collected, thus highlighting the reliability of the study outcomes. The study found that most of the respondents who took part in the study were aged between 31-40 years and they had university level of education. The study also found that majority of the respondents had worked in the company for a period between 11-20 years and they were permanently employed by Jubilee Insurance Company.

According to the regression equation established, taking all factors into account (external and internal locus of control) constant at zero, employee commitment rating would be 1.147. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in internal locus of control will lead to a 0.752 increase in employee commitment; a unit increase in external locus of control will lead to a 0.439 increase in employee commitment.
The study further found that the feeling that highly affect employee commitment is that they would be very happy to spend the rest of their career with this organization and that it would be very hard for them to leave their organization right now, even if they wanted to. This shows that internal behavior acts as the motivator to get committed to a particular job. The study also established that the aspect of locus of control that affect turnover is that most people are capable of doing their jobs well if they make the effort. The study also found that the rate of labour turnover had decreased for the last five years between year 2010 and 2014.

According to the regression equation established, taking all factors into account (external and internal locus of control) constant at zero, labour turnover rating would be -1.127. The data findings analyzed also shows that taking all other independent variables at zero, a unit change in internal locus of control will lead to a 0.587 decrease in labour turnover; a unit change in external locus of control will lead to a 0.652 decrease in labour turnover. This infers that internal locus of control contribute most to decrease in labour turnover. At 5% level of significance and 95% level of confidence, internal and external locus of control were all significant.

5.3. Conclusions

The study concluded that that the feeling that highly affects employee commitment is that they would be very happy to spend the rest of their career with this organization and that it would be very hard for them to leave their organization right now, even if they wanted to. This shows that internal behavior acts as the motivator to get committed to a particular job.

The study also concluded that the aspect of locus of control that affect turnover is that most people are capable of doing their jobs well if they make the effort. The study
also found that the rate of labour turnover had decreased for the last five years between year 2010 and 2014. Finally the study concluded that internal locus of control increases employee commitment and decreases labour turnover. At 5% level of significance and 95% level of confidence, internal and external locus of control were all significant.

5.4. Recommendations for policy, practice and theory

From the study findings the following recommendations were made:

The study recommends that the management of organizations specifically insurance companies should ensure there are clear job descriptions for their employees

The management of organizations should train its supervisors and managers on promoting work life balance without affecting the operations

The organizations should look into their performance management and craft compensation packages that are considered competitive in order to retain its talented workers.

Human resource managers for insurance companies should put in place the optimal requirements that meet the employee’s needs. This would benefit firms in enhancing their employee retention so as to improve productivity.

Management of companies should review their organizational structure to ensure the optimal number of supervisors is allocated manageable numbers and the degree of supervision is regulated, hence allowing the employees have a single source of command, which would enhance their input, retention and their productivity

Managers should seek alternative strategies of approaching turnover in their companies.
5.5 Limitations of the study

Most respondents were not willing to provide data related to their employee commitment and labor turnover and the confidential information of the firm. Some respondents also gave false information responses to the questions asked. It was very hard to convince them of the intention of my research in a bid to collect information from them based on the sensitivity of the sector. However, with the assistance of friends working in the sector and with the introduction letter from the university the researcher was given the opportunity to undertake the research.

Some of the respondents did not co-operate and attempted to ignore the questionnaires. The researcher however, minimized non-response cases by taking and collecting summary questionnaires by hand from each respondent.

5.6 Suggestions for Further Research Studies

From the study, the researcher recommends further research in the area of influence of locus of control on employee commitment and labour turnover in other sectors in order to test the validity of the results. Further researcher studies should be done on the influence other factors like Salary and rewards have on labour turnover in organizations in Kenya.
REFERENCES


Gustafson (2002).*Organizational Commitment, job satisfaction, and turnover among psychiatric Technicians"*, j. Appl. Psychol. 59: 603-609

IRA Report, (2012). A survey of strategic role of ICT among insurance companies in Kenya,


Executive Summary, SBO Research November 2010


Stovel, M. & Bontis, N. (2002). Voluntarily turnover; knowledge management friend or foe, Canada


APPENDIX I. QUESTIONNAIRE FOR THE INFLUENCE OF LOCUS OF CONTROL ON EMPLOYEE COMMITMENT AND LABOUR TURNOVER: A CASE STUDY OF JUBILEE INSURANCE COMPANY LIMITED

This questionnaire aims at collecting information and data for academic use by the researcher. Your kind participation will go a long way in providing useful information required to complete this research. The information provided will be treated in confidence. You need not indicate your name. Please answer the questions precisely and objectively; the information will be treated confidentially.

PART A: Background Information

Please tick (√) or fill the gaps as appropriate

1. Gender

   Male [ ]    Female [ ]

2. Indicate your age bracket

   20-30 yrs. [ ]
   31-40 yrs. [ ]
   41-50 yrs. [ ]
   51 and above [ ]

3. State your highest level of education

   Secondary level [ ]
   College [ ]
   University [ ]
   Postgraduate [ ]

4. How long have you worked in the Jubilee Insurance Company Limited?

   Below 10 years [ ]
11 – 20 years [ ]
Over 20 years [ ]

5. What are the terms of your employment?
  Permanent [ ]  
  Contract [ ]  
  Temporary [ ]  
  Any other [ ]

PART B: EMPLOYEE COMMITMENT

6. Listed below is a series of statements that represent feelings that individuals might have about the company or organization for which they work. With respect to your own feelings about the particular organization for which you are now working, please indicate the degree of your agreement or disagreement with each statement by circling a number from 1 to 7 using the scale below.

  1 = strongly disagree
  2 = disagree
  3 = slightly disagree
  4 = undecided
  5 = slightly agree
  6 = agree
  7 = strongly agree

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment Scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would be very happy to spend the rest of my career with</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
this organization

<table>
<thead>
<tr>
<th>I really feel as if this organization’s problems are my own.</th>
</tr>
</thead>
<tbody>
<tr>
<td>This organization has a great deal of personal meaning for me</td>
</tr>
<tr>
<td>I do not feel a strong sense of &quot;belonging&quot; to my organization</td>
</tr>
</tbody>
</table>

**Continuance Commitment Scale**

<table>
<thead>
<tr>
<th>Right now, staying with my organization is a matter of necessity as much as desire.</th>
</tr>
</thead>
<tbody>
<tr>
<td>It would be very hard for me to leave my organization right now, even if I wanted to.</td>
</tr>
<tr>
<td>Too much of my life would be disrupted if I decided I wanted to leave my organization now.</td>
</tr>
<tr>
<td>If I had not already put so much of myself into this organization, I might consider working elsewhere.</td>
</tr>
</tbody>
</table>

**Normative Commitment Scale**

<table>
<thead>
<tr>
<th>Even if it were to my advantage, I do not feel it would be right to leave my organization now.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would feel guilty if I left my organization now.</td>
</tr>
<tr>
<td>This organization deserves my loyalty.</td>
</tr>
<tr>
<td>I would not leave my organization right now because I have a sense of obligation to the people in it</td>
</tr>
</tbody>
</table>

**Note:** Scores on these items should be reflected (i.e., 1 = 7, 2 = 6, 3 = 5, 4 = 4, 5 = 3, 6 = 2, 7 = 1) before computing scale scores.
PART C: LOCUS OF CONTROL

7. The following questions concern your beliefs about jobs in general. They do not refer only to your present job. Indicate whether you either disagree or agree with the statement.

<table>
<thead>
<tr>
<th>Work Locus of Control Scale</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1. A job is what you make of it.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. On most jobs, people can pretty much accomplish whatever they set out to accomplish</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. If you know what you want out of a job, you can find a job that gives it to you</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. If employees are unhappy with a decision made by their boss, they should do something about it</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Getting the job you want is mostly a matter of luck</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Making money is primarily a matter of good fortune</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Most people are capable of doing their jobs well if they make the effort</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. In order to get a really good job, you need to have family members or friends in high places</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Promotions are usually a matter of good fortune</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10. When it comes to landing a really good job, who you know is more important than what you know

11. Promotions are given to employees who perform well on the job

12. To make a lot of money you have to know the right people

13. It takes a lot of luck to be an outstanding employee on most jobs

14. People who perform their jobs well generally get rewarded

15. Most employees have more influence on their supervisors than they think they do

16. The main difference between people who make a lot of money and people who make a little money is luck

**PART 11: LABOUR TURNOVER**

1. State the number of employees who have quitted the organization for the last 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees who have left the firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
</tr>
</tbody>
</table>

-THE END-

THANK YOU