PERCEIVED FACTORS AFFECTING EMPLOYEE RETENTION AT KENYA COMMERCIAL BANK LIMITED HEAD QUARTERS

ALICE KERUBO MANYURA

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DECLARATION

I declare that this research project is my original work and its content has never been presented to any other institution for the award of a degree.

Student

Signature………………………   Date……………………………

ALICE KERUBO MANYURA

D61/70591/2008

This Project has been carried out by the student under my supervision and has been submitted for examination to the university with my approval.

Supervisor

Signature…………………………..   Date…………………………

MR. DUNCAN OCHORO

DEDICATION

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

ACKNOWLEDGMENT

I take this opportunity to give thanks to the Almighty God for seeing me through the completion of this project.

For the development and production of this work I feel a deep sense of gratitude to my supervisor, Duncan Ochoro, for his guidance and supervision, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you.

My further appreciation also goes to all my friends and colleagues for their support throughout this demanding journey. I would wish to extend my gratitude to my employer and my colleagues at work for their unwavering support and encouragement.

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ABSTRACT

The retention of employees has been shown to be significant to the development and the accomplishment of the organization's goals and objectives especially in building competitive advantage over other organization in the phase of increased globalization. Today, changes in technology, global economics, trade agreements, and the like are directly affecting employee/employer relationships thus leading to high employee turnovers thereby affecting employee retention in an organization. Retention becomes one of the biggest issues for the Banking industry in Kenya because people are the one who generates profits and considered as the capital or asset of the organization. Few qualified employees have kept on moving from one bank to another in search of better employment terms. As such, human capital has turned out to be an important competitive tool in the banking sector which calls for proper management practices for these resources to ensure sustained bank competitive advantage.

The research adopted a descriptive research design. The target population of the study was 355 employees based at the Head office of KCB. The study applied proportionate stratified sampling technique to identify the sample size of the study. Primary data was collected using a semi-structured questionnaire. Descriptive statistics was used to summarize the quantitative data by use of percentages and frequencies. Content analysis was used for qualitative data.

The study found that compensation of staff, training and development, job characteristics and promotion are important in the organization since they greatly influence the organization performance. This study recommends this study should shed light on how to maintain and retain employee in an organization. Furthermore, the result of the study should help the regulatory, banks managements, and owner in forming their human resource related strategies. Employees of Kenya Commercial Bank should benefit from the study as it would enable them appreciate the factors affecting their retention and how the management should provide incentives to them through offering them a career ladder through which they might progress. The study should generate information that would be used by various HR consultants who have interest retention of workers in order to maintain smooth industrial relations. The findings of the study should also help other researchers who would want to carry out research on factors affecting employee retention in Kenya.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The retention of employees has been shown to be significant to the development and the accomplishment of the organization's goals and objectives especially in building competitive advantage over other organization in the phase of increased globalization. Today, changes in technology, global economics, trade agreements, and the like are directly affecting employee/employer relationships thus leading to high employee turnovers thereby affecting employee retention in an organization. According to Coff (1996), outstanding employees may leave an organization because they became dissatisfied, under paid or unmotivated and while trying to retain employees within the organization they may present other challenges as well. Cappelli (2000) indicates that several factors are considered important in a well-functioning of employee retention. The determinants that are considered to have a direct effect on employee retention include: career opportunities, work environment and work-life balance. Cole (2000) suggests that people stay at such companies where there is a sense of pride and will work to their fullest potential. The reasons to stay are work environment, rewards, growth and development and work-life balance.

In today's competitive scenario, as the awareness and technology plays a vital role in developing the competition more vigorous and intense. Retention becomes one of the biggest issues for the Banking industry in Kenya because people are the one who generates profits and considered as the capital or asset of the organization. The Kenyan banking sector has become so competitive following the aggressive entry of more banks as more Deposit Taking Microfinance are licensed into fully fledged commercial banks. The transformation of Equity Bank Limited, Family and K-Rep deposit taking microfinance institutions into full commercial banks has taken the competition to another level in the banking industry in Kenya. Few qualified employees have kept on moving from one bank to another in search of better employment terms. As such, human capital has turned out to be an important competitive tool in the banking sector which calls for proper management practices for these resources to ensure sustained bank competitive advantage.

The employees help create an organizational culture. For the Banking industry in Kenya the banking services offered in different commercial banks is more less the same which makes it difficult to compete on products basis. For the Banks to remain competitive, they need to create an organization culture where customers are always satisfied with the consistent quality services offered. For the commercial banks to offer consistent services, it is important that they recruit, train, develop and retain qualified personnel.

The costs of employee turnover can be very high. They include separation costs for example administrative time, recruitment and placement costs, training costs for the new employee, and leave alone the lost knowledge and potentially damaged customer relationships, which can result from regular employee turnover (Curtis, 2001). A multitude of factors explain why employees remain or leave an organization, but expressed intentions to stay has consistently been recognized as a reliable precursor to actual turnover and is reflective of employee commitment to the organization (Maertz & Campion, 1998; Griffeth, Hom, & Gaertner, 2000; Hom & Griffeth, 1995; Hom &

Kinicki, 2001). A good match between employee and organizational values is related to employee attraction, satisfaction, and turnover (Werbel and Gilliland, 1999).

In addition, job satisfaction has a consistent and positive association to expressed intentions to stay and to employee perceived congruence with organizational values (Aryee, Luk, & Stone, 1998; Mitchell, Holtom, Lee, Sablynski, & Erez, 2001; Samantrai, 1992; Spector, 1997). Job satisfaction can be investigated as either an overall attitude toward the work experience or as multiple components. The components of job satisfaction include attitudes toward compensation, coworkers, and one's roles and tasks. For example, in the leisure-service profession, Yen and McKinney (2001) found job satisfaction among public park and recreation managers was positively related to perceived job characteristics such as satisfaction with compensation, benefits, raise satisfaction, and pay structure. Samantrai (1992) investigated social workers and found that poor relationships with the direct supervisor and inflexibility in their current job distinguished those who stayed from those who left. Aryee, Luk, and Stone (1998) investigated factors to explain retention among employed parents and found that employee's satisfaction with their direct supervisor was related to the expressed intentions to remain with the organization.

1.1.1 Concept of Perception

Perception has been defined as the process by which people translate sensory impressions into a coherent and unified view of the world around them. Perception plays a key role keeping employees hoping for a better tomorrow hence want to work with a given organization for long (Curtis, 2001).

According to Nelson and Quick (1997) social perception is the process of interpreting information about another person. In other words, one may be in possession of the same set of information that other people have on a particular situation, person or group but still arrive at different conclusions due to individual differences in the capacity to interpret the information that you all have. Rao and Narayan (1998: 329-330) emphasize that perception ranks among the important cognitive factors of human behavior or psychological mechanism that enable people to understand their environment.

In their own words, perception is the process whereby people select, organize, and interpret sensory stimulations into meaningful information about their work environment. They argue that perception is the single most important determinant of human behavior, stating further that "there can be no behavior without perception." Though focusing on managers in work settings, Rao and Narayan draw attention to the fact that since there are no specific strategies for understanding the perception of others, everyone appears to be left with his own inventiveness, innovative ability, sensitiveness and introspective skills to deal with perception.

1.1.2 Employee Retention

Zineldin (2000) defines retention as an obligation to continue to do business or exchange with a particular company on an ongoing basis. Retention is "customer liking, identification, commitment, trust, readiness to recommend, and repurchase intentions, with the first four being emotional-cognitive retention constructs, and the last two being behavioral intentions. According to Fitzenz (1990), retention is driven by several key factors, which ought to be managed congruently: organizational culture, strategy, pay and benefits philosophy, and career development systems. As Day (2000) argued, if companies cannot retain their employees, the economic results could be devastating for an organization. A substantial amount of value could potentially end up employed by a competitor, or become the competition.

For organizations, the high cost of recruitment and selection (Pfeffer, 1998), the lag and productivity loss during the assimilation period (Davies, 2001), the likely loss of business opportunity (McCallum, 1988; Walker, 2001), poor customer relationship (Clarke, 2001; Messmer, 2000), and hidden cost of loss productivity (Das, 2002) have subsequently highlighted the importance of retaining committed employees as an aspect of survival for organizations. Employers seek to treat employees as valued assets who can be a source of competitive advantage through their commitment, trust, adaptability and high quality skills and knowledge (Storey, 1992). This empowerment should increase the competitiveness of the business. Arthur (1994) concluded that by using commitment strategies, organizations had significantly higher performance and lower turnover, compared to those using control strategies.

Thus, to gain employees' career commitment to the organization and increase retention, the employer needs to identify which retention factors more influence to career commitment. Outstanding employees may leave an organization because they become dissatisfied, underpaid, unmotivated, the company not provide training and not give opportunity to get promotion (Coff, 1996), and while trying to retain employees within the organization they may present other challenges as well. They may demand higher wages, not comply with organization practices, and not interact well with their co workers or comply with their supervisor directions.

1.1.3 Kenya Commercial Bank

Kenya Commercial Bank is a listed company in the stock exchange with the board of directors at the apex in the decision making of the bank. The board is also accountable to the shareholders, in the performance of the bank. It has the widest branch network in the country and still in the process of opening braches countrywide and also across the region. The Bank has had a long history where it started its operation as a parastatal with the Government of Kenya as the majority shareholders (Ambira, 2011).

However with changes in the operating environment and the privatization of government parastatals, the Bank was listed at the Nairobi Securities Exchange where the public were given an opportunity to own part of the Bank. The Bank has the highest Capital Base although its profitability has been low. The operations efficiency at the bank has been wanting as the bank delayed in the upgrading of its internal systems which meant that customer service delivery was slow thus leading to high levels of customer dissatisfaction (FSDK, 2007).

Following privatization, the Bank embarked on job evaluation which recommended that some employees be relieved their duties as they were found to be incompetent and their replacement be done by recruiting qualified and experienced personnel to help the bank attain its objectives. This saw the Bank launch the graduate and management train recruitment programmes where qualified employees were recruited and trained (http://www.kcbbankgroup.com/ke/images/stories/files/organisationalprofile.pdf)

In addition, the Bank also sought the services of a recruiting agent who enabled the Bank access qualified personnel through head hunting. However, besides these efforts, the employee retention at the bank has been low as more and more employees switch to other institutions within the Country and the East African region (Geita, 2003)

1.2 Research Problem

Employee turnover is costly for both employers and workers. Employers find replacement cost and hidden organizational cost high while workers find monetary and psychological costs taxing (Mitchell, Holtom, and Lee, 2001). Fitz-enz (1997) stated that the average company loses approximately $1million with every 10 managerial and professional employees who leave the organization. Perception plays an important role in promoting employee-employer relationships. As mentioned previously, the combined direct and indirect costs associated with one employee ranges from a minimum of one year's pay and benefits to a maximum of two years' pay and benefits. Thus, there is significant economic impact when an organization loses any of its critical employees, especially given the knowledge that is lost with the employee's departure.

Kenya Commercial bank Limited has faced many challenges and high employee turnover following its conservative way of handling employees' issues. The Bank started was initially majorly owned by the government which meant that politics had to play a key role especially in employee recruitment and management. However, the Bank ownership has since been transferred to the public which has forced the Bank to rethink its survival strategies if it has to continue being profitable. Employees at the bank were initially low qualified but with many years of experience. However, with privatization, the Bank had to rethink on ways of attracting, developing and retaining qualified personnel. The Bank launched graduate and management trainee programmes to enable it attract qualified human capital. However, after attraction and developing the human capital, employees have continued to leave the Bank for other commercial banks and other organization within the Country and the whole East African region.

Several studies have been done on the subject of employee retention among organizations. Mungai (2008) noted that banks are among many organizations that do not consider the impact of employee retention as a strategy in managing competition and are likely to become victims of industry competition. Njoroge (2007) did a survey of factors that influence employee retention in manufacturing firms in Nairobi. Njoroge (2007) established that employee retention in the manufacturing industry was influenced by the reward, working environment, career development opportunities and employee motivation. By knowing the effect of employee retention as a strategic response to the competitive business environment, it enables an organization to strategize on how to meet the objectives of the organization because employees are an important resource in an organization. Lepilale (2009) did a study on the relationship between employee retention management practices and voluntary labour turnover in five star hotels in Nairobi and found out that employee retention management practices employed by the hotels had a great impact on the employee turnover rates in those hotels. From the above discussion, it is evident that Kenya Commercial Bank specific literature on factors affecting employee retention is scarce and limited if any. This study therefore sought to provide organization specific literature considering the fact that every organization is unique in its own way. This study therefore sought to fill this research gap by examining factors affecting employee retention at Kenya Commercial Bank Limited. In doing this, the study sought to answer one question: What are the factors affecting employee retention at Kenya Commercial bank Limited?

1.3 Research Objective

To establish the perceived factors affecting employee retention at Kenya Commercial Bank Limited headquarters

1.4 Value of the Study

This study is expected to contribute to the existence literature relating to banks retention factors influencing employee commitment would shed light on how to maintain and retain employee in an organization. Furthermore, the result of the study might help the regulatory, banks managements, and owner in forming their human resource related strategies.

Employees of Kenya Commercial Bank will benefit because the study will enable them appreciate the factors affecting their retention and how the management could provide incentives to them through offering them a career ladder through which they might progress.

The study should generate information that would be used by various HR consultants who have interest in retention of workers in order to maintain smooth industrial relations.

The findings of the study will also help other researchers who want to carry out research on factors affecting employee retention in Kenya or elsewhere.

CHAPTER TWO: LITERATURE REVIEW

2.1 Employee Retention

Employee retention issues are emerging as the most critical workforce management challenges of the immediate future. Since the mid-1990s, scholarly research investigations have been focusing not only on determining why employees leave organizations but also concentrating on those factors positively influencing employees to stay (Hoisch, 2001), as well as the benefits associated with retaining tenured workers (Ramlall, 2004). Effectively designed and well implemented employee retention programs that increase employee tenure more than pay for themselves through reduced turnover costs leads to increased productivity (Simons and Hinkin, 2001).

Fostering employee commitment can have a great impact on decreasing turnover rates. Bishop (1997) found that commitment has a positive effect on productivity, turnover and employees willingness to help co-workers because increased employee commitment improves team performance and productivity and decrease absenteeism, turnover, and intention to quit by employees. However, companies can take action to ensure that these increasing trends are minimized within their own individual organizational cultures. Therefore, strong retention strategy must be implemented in an organization if the organization is to promote employee retention.

Byrnes (2002) notes that there are five essential steps for a company to develop an effective retention strategy: a corporate values system must be defined based upon the organization's values and vision where the values guide the company and identify those employees desiring to move in the same direction; trust must be established within all parts of the business because security comes from trust and trust comes from honesty and communication; assess employee priorities through surveying from time to time to allow an organization to structure effective reward programs, thus increasing employee satisfaction; fourth, Byrnes recommends doing industry homework to enables companies understand competitors compensation and benefit programs so that organizations can keep pace with the industry remuneration packages. A clearer understanding of what is expected by employees within the industry provides the company the opportunity to increase satisfaction. Finally, the creation of a compensation and benefit package, supportive of company values and employee needs, is essential.

2.2 Factors Affecting Employee Retention

Retention factors are utilized as an important topic for managers, organizations, and organizational researchers (Abbasi and Hollman, 2000; Arkin, 1997; Muchinsky, 1997; Sightler and Adams, 1999). Consistently, retention of talented employees can be a source of advantage for an organization. But there are challenges in attempting to retain these employees (Barney, 1991; Wernerfelt, 1984; Pettman, 1975). Meanwhile, from the review of these retention factors from 1995 to 2004, were used to identify the critical factors in high technology employees' retention (McNee, 1998; Dockel, 2004). Compensation, job characteristics, training and development opportunities, supervisor support, and promotion were identified as the top five retention factors. This period was specifically chosen because the demand for high technology employees skyrocketed, turnover increased, job hopping became the norm and the shortage of qualified candidates existed. Companies try to keep these valuable employees with their cutting edge knowledge and skills, but the demand for high technology employees with skills has increased substantially, e.g. for ten positions only eight candidates with the required skills qualify (McNee, 1998; Murphy, 2000). To add to this, competitors use aggressive recruitment tactics to try and woo away these valuable employees. Because of this shortage, it has become critical to retain high technology company most valuable technical employees.

On the other hand, Dockel (2004) has identified top five of retention factors including: compensation, job characteristic (skill variety and job autonomy), training and development, supervisor support and promotion. Overall, the justification to select five factors widely utilized by most companies to motivate their employees, it seems reasonable to identify them as a means of examining the effect on career commitment (Turbin and Rosse, 2006).

2.2.1 Compensation

Rewards are any objects stimuli or events that increase the probability and intensity of behavioral actions leading to a such objects (learning, also called positive reinforcement), generate approach and consummatory behavior and constitute outcomes of economic decision-making, and induce subjective feelings of pleasure and hedonic. Rewards are of crucial importance for individual and support such elementary processes as drinking, eating and reproduction. Largely similar behavioral processes are engaged for higher order rewards such as money, novelty and cognitive and social rewards. The basic reward objects are polysensory and do not engage specialized reward receptors, and the brain extracts the reward information from visual, auditory, somatosensory, olfactory and other sensory information. The identification of higher order rewards depends on additional cognitive processes. Thus rewards are not defined by the physics and chemistry of their inputs but by the behavioral reactions they induce (Schultz, 2007).

Furthermore, primarily rewards include cash compensation, benefits, and other non cash forms and the work experience. Strategic reward plans go beyond cash to include training and educational opportunities, job redesign, flexible work schedules, stock options and recognition awards such as merchandise and travel. Non cash rewards, such as on-site day care, fitness centers, dry-cleaning services and automatic teller machines, add convenience to employees' daily lives and engender higher loyalty (Deci, 1971). Work at- home and job-sharing arrangements enable employees to better balance work and family responsibilities and afford employers the necessary flexibility to respond to business needs. The total reward system is defined here to include base salary, variable pay, direct compensation, perquisites, benefits, performance management, training, career development, coaching and other employee-related policies. Combinations of variable pay, recognition and celebration and benefits are essential to providing a total reward package (Milne, 2007).

Currently, many organizations are implementing or planning to implement, reward and/or recognition programs believing that these will help bring about the desired cultural change (Milne, 2007). In some organizations, large amounts of money are being invested in these types of activities and some managers are required specifically to set aside a certain amount from their budgets for this purpose. This rationale is based on the assumption that these types of incentives will encourage employee loyalty, foster teamwork and ultimately facilitate the development of the desired culture that encourages and supports knowledge sharing (Deci, 1971). According to Kanter (1987), many organizations rewards are differentiated on the basis of status (rather than contribution) and, often, the only way an individual can increase his or her pay is to get promoted. This usually motivates them to ‘‘look out for themselves’’ rather than improve their overall contribution.

Meanwhile, money is still the primary incentive used to lure information technology professionals. However, most experts agree that money is not the long term answer for hiring, and especially for keeping, skilled high technology employees (Leinfuss, 1998). According to Higginbotham (1997) high salaries are not essential, but “good” and “fair” salaries showed a strong correlation with intention to stay, indicating that as long as the compensation is competitive, financial rewards are not the primary factor in retention; Kochanski and Ledford (2001) support this statement, which indicated that the actual level of pay is less important than feelings about pay raises and the process used to administer them. Employees want to understand how the pay system works, and want to know how they can earn pay increases. Once the pay level has been reached other things become important, the intangibles, e.g. career, supervisor support, work and family balance (Tomlinson, 2002).

Employee benefits and benefits in kind (fringe benefits, perquisites, and perks) are various non-wage compensations provided to employees in addition to their normal wages or salaries (Farris, 2000). Where an employee exchanges (cash) wages for some other form of benefit, this is generally referred to as a 'salary sacrifice' arrangement. In most countries, most kinds of employee benefits are taxable to at least some degree. For example: housing, group insurance (health, dental, and life), disability income protection, retirement benefit.

Relatively, the purpose of the benefits is to increase the economic security of employees. The term perks or perks is often used colloquially to refer to those benefits of a more discretionary nature (Farris, 2000). Often, perks are given to employees who are doing notably well and/or have seniority. Common perks are company cars, hotel stays, free refreshments, leisure activities on work time (golf, etc.), stationery, allowances for lunch, and when multiple choices exist first choice of such things as job assignments and vacation scheduling. They may also be given first chance at job promotions when vacancies exist.

Furthermore, Pfeffer (1998) argued that rewards system such as a higher salary base, gain sharing, bonuses and employee stock options, act as incentives for employees to be committed and motivated to achieve organizational goals. In a study of 250 employees of a manufacturing operation, Oliver (1990) found a positive correlation ($r=.56$, $p>.01$) between work rewards and commitment. Buchko (1993) suggest that benefit practices can be associated with turnover. He found that in organization in which benefits were a higher percentage of total labor costs and those organizations whose benefits packages were described to be of higher quality, tended to report lower rates of employee attrition. Buchko suggests that this may be because employees are satisfied with the benefits they received or might be because the rewards and benefits received are binding investments that would induce career commitment. These results imply that size and types of benefits provided for by organization play a significant role in reducing employee turnover.

2.2.2 Training and Development

Training is provided to workers in order to improve performance and productivity. Lawrie (1990) defined training as changes in skills related to one’s job. Training was also described as short-term learning related to an individual's present job (Nadler and Nadler, 1990). Rothwell and Sredl (2000) associated job training with learning interventions that develop skills, knowledge, and attitudes to match current or future job requirements. Job training is a broad term implying all forms of training related to one's job. It can be categorized into many types, such as on-the-job training (OJT), off-job training, vestibule training, cross training, and planned and unplanned training (Rothwell and Sredl, 2000). Meanwhile, Lawrie (1990) argued that the usage of knowledge, skills, work experience, good health, and the ability to labor are all important assets to sustaining lives and boosting learning for human beings. Although investments that cultivate these assets can exist in many forms, all forms of activities and the potential to improve people's capability and incur greater returns are considered investments in human capital.

Participation in job training, such as prior education attainment, recurring education, and acquisition of any form of job training, is probably the most important human capital investment over the life cycle. Human capital theory has long been recognized as an underlying theory that is useful in describing social and individual economic development over the life cycle. According to Becker (1993), training and education are the most important investments in human capital, in which increased skills and knowledge of individuals are positively associated with productivity that brings greater earnings.

Investment in training was also found to result in increases in wages (Lengermann, 1999). Considering women's "traditional female" role as well as their labor market behaviors, investments in training and education of women may vary with different magnitude of incentive to them (Ehrenberg and Smith, 2000). The major difference in making human capital investments between males and females has been in the length of work life compared to the ability to recoup the costs of the investments (Ehrenberg and Smith, 2000). To better understand the nature of training and education for women, theoretical and empirical studies about the acquisition of women's job training and education are reviewed in the following sections. Since 1999, employees with key information technology skills have become increasingly hard to find. Many companies have realized that proactive strategies are required for building and maintaining a high technology company's knowledge reservoir (Cataldo et al., 2000). Training that focus on continuous learning, retraining and retaining knowledge can decrease the time it takes to move the workforce form intermediate to expert competence, by bridging its technical skills gap. Current skills sets are providing to be inadequate to meet the rapidly changing, fast paced world of technical and business needs. A top priority is keeping skills fresh, and staying current with emerging technologies (Gable, 1999).

2.2.3 Job Characteristics

Stone and Porter (1975) argued that job characteristics is objective attributes about job, as environment, skills for jobs, safety, feedback, new information, interpersonal, compensation, autonomy, and challenge. Hackman and Oldham (1976) pointed that there are five dimensions to job characteristics, such as skill variety, task identity, task significance, job autonomy, and feedback. In contrast, job autonomy and skill variety are mostly considered as having a beneficial effect on career commitment since they provide individuals with opportunities to change their career (Daniels and Guppy, 1994). Thus, high technology employees want to do interesting work that challenges them and uses their skills and talents. Repetitive, narrow work experience with little individual discretion repels high technology employees (Kochanski and Ledford, 2001).

Lately, research has shown that the design of high technology professionals' work content influences the stability of the technical work force (Amabile, 1996). When high technology professionals view their tasks as challenging with opportunities for learning and information exchange they are also less likely to leave. According to Amabile (1996) and Glynn (1996), high technology professionals, for example, engineers, appeared to be more involved, more satisfied with their jobs, and more committed to the organization than non-technical employees did. High technology professionals view their tasks as challenging with opportunities for learning and information exchange they are also less likely to leave. Job characteristics, such as variety and autonomy, are well-established determinants of career commitment (Mottaz, 1988), and are known to be particularly important to management information systems employees (Cougar and Zawaski, 1980).

Job autonomy relates to increased feelings of personal responsibility. It is defined as "the degree to which the job provides substantial freedom, independence and discretion to the individual to schedule work and determine the producers used in carrying it out" (Hackman and Oldham, 1980). Discretion in the job has typically been discussed in terms of job autonomy, which reflects the extent to which a job allows the freedom, independence, and discretion to schedule work, make decisions, and select the methods used to perform tasks (Hackman and Oldham, 1975). Increased job autonomy will allow individuals greater flexibility in how they define their role because they will have greater discretion in deciding how to perform the work (Fried, Hollenbeck, Slowik, Tiegs, and Ben-David, 1999; Troyer, Mueller, and Osinsky, 2000).

Consistently, according to Hackman and Oldham (1980), individuals tend to believe that their work outcomes depend substantially on their own efforts, initiatives, and decisions when job autonomy is given. As job autonomy increases, workers are more likely to feel responsible for their jobs, and consequently "they are more willing to accept personal accountability for the outcomes of their work" (Hackman and Oldham, 1980). In addition, job autonomy may increase career commitment in practice by letting individuals design their work processes that fit their needs/schedules. For instance, Batt and Valcour (2003) suggest that job autonomy in decision making translates into the employee's ability to control decisions, such as when, and how to integrate work and family responsibility.

Empirically, high technology professionals have a reasonable degree of autonomy in their application of that knowledge. Although high technology professionals rarely decide on the organizational policy to which their expertise contributes, there is a reasonable degree of autonomy in the process of performing their work (Bailyn and Lynch, 1983). When job autonomy is high, workers will view their work outcomes in terms of their own efforts, initiatives and decision, rather than instruction of the supervisor or procedure (Marx, 1996). Relatively, according to Dubie (2000) high technology employees enjoy the autonomy they in their current jobs. This relates to the elusive factor that high technology employees are looking for i.e. empowerment. Agarwal and Ferrat (1999) established that successful information technology organizations are devoting resources toward empowering information technology professionals to take responsibility for their work and decision-making. Based on the above discussion the degree of freedom and independence enjoyed by employees and their participation in planning and organizing their work has an influence on career commitment (Bailyn and Lynch, 1983). According to Marsh and Mannari (1977) the higher level of autonomy that the individual possesses, correlates negatively with turnover.

2.2.4 Promotion

A promotion is the advancement of an employee's rank or position in an organizational hierarchy system (Steger, 2003). Promotion may be an employee's reward for good performance i.e. positive appraisal. Before a company promotes an employee to a particular position it ensures that the person is able to handle the added responsibilities by screening the employee with interviews and tests and giving them training or on-the job experience. A promotion can involve advancement in terms of designation, salary and benefits, and in some organizations the type of job activities may change a great deal (Kanouga, 2001). The opposite of a promotion is a demotion.

Empirically, promotion in a business organization is a practice for recognizing and rewarding employees' effort and contribution to the group. It is usually symbolized with a change of job and title (Kanouga, 2001). It can be attached with an increase in pay, power, and responsibility. Or, it can also include an increase in freedom or independence, or a decrease in danger or discomfort. It may mean less inconvenience in terms of hours or location for some employees. Based on the above discussion, employees often feel satisfied with these incentives and stimulated to perform better in the new job. They are motivated to increase their knowledge or skill and to gear for higher levels of productivity. With better jobs, employees may decline any opportunities at other companies. Hence, promotions can increase employees' loyalty to the company and reduce turnover at lower levels.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The research adopted a descriptive research design. According to Donald and Pamela (1998), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was selected because the respondents were required to describe the situation the way it had been at Kenya Commercial bank limited. This saved the researcher time as the respondents summarized the information on the subject.

3.2 Population of Study

This study targeted all cadres of staff at KCB Headquarters in Nairobi, Kenya. As at 31st December 2011, there were 355 employees at the head office based at KENCOM House in Nairobi. The study concentrated on the head office as it was the location where all employees' policies were developed and decentralized. The target population of this study was 355 employees based at the Head office distributed as shown in the table 3.1 below.

Table 3.1: Target Population of the Study

Population group	**Target population**	**Population %**
Counter tellers	35	10%
Customer care reps	31	9%
Human Resource Officers	33	9%
Graduate Clarks	32	9%
Information Technology Specialists	39	11%
Secretaries	34	10%
Security Officers	46	13%
Marketers	37	10%
Auditors	35	10%
Messengers	33	9%
Total	**355**	100%

Source: (KCB, Human Resource Register, 2012)

3.3 Sample Design

The study applied proportionate stratified sampling technique to identify the sample size of the study. The research used proportionate stratified random sampling because it enabled generalization of a larger population with a margin of error that was statistically determinable and also gave employees equal opportunity to participate (Mugenda and Mugenda 2003). The stratification was based on the various departments represented at the Head office. According to Mugenda and Mugenda (2003), a sample of 30% is adequate for the generalization of the findings to the whole population if the sample size in more than 30 elements. Based on these, the study sampled 30% of the population proportionately from each employee cadre. The sample size was as follows:

Table 3.2 Sample Size

Population group	**Target population**	**Sample Size (30%)**
Counter tellers	35	11
Customer care reps	31	9
Human Resource Officers	33	10
Graduate Clarks	32	10
Information Technology Specialists	39	12
Secretaries	34	10
Security Officers	46	14
Marketers	37	11
Auditors	35	11
Messengers	33	10
Total	**355**	107

3.4 Data Collection

Primary data was used in this study. Primary data was collected using a semi-structured questionnaire. The researcher administered a questionnaire to each member of the sample population. The questionnaire had both open and close-ended questions. The open-ended questions provide additional information that was not captured in the close-ended questions. This was done in order to enhance its validity and accuracy of data to be collected for the study.

3.5 Data Analysis

Before processing the responses, the completed questionnaires were inspected, edited for completeness and consistency. The data was then coded and entered into a processing system to enable the responses to be grouped into various categories. Descriptive analyses were important since they provided the foundation upon which correlational and experimental studies emerge; they also provided clues regarding the issues that were focused on leading to further studies (Mugenda & Mugenda, 2003).

Qualitative data was analyzed using content analysis. The analyzed findings were then be presented inform of frequency tables, pie charts and bar charts since they are user friendly and gives a graphical representation of the different responses given by the respondents. As data collected was mainly qualitative, descriptive statistics was used to summarize the data by use of percentages and frequencies. The study used both descriptive techniques like frequencies and measures of central tendency like mean and standard deviation for the quantitative data. Content analysis was used for qualitative data.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS

4.1 Response Rate

The study targeted a sample of 107 employees of KCB at the head office based at KENCOM House in Nairobi. Out of 107 respondents, 76 respondents filled in and returned the questionnaire by giving a response of 71%. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires. This response rate was excellent and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Demographic Information

The study sought to establish the age of the respondents. According to the findings, 30% of the respondents were in the age of 26-34 years followed closely by those aged between 35-44 years at 28% and then 18% for those aged between 45-54 years while 13% and 11% were aged above 55 years and below 25 years respectively. On the sex of the respondents, the study established that 53% of the respondents were male while their female counterparts were 47%. This indicates the Bank had employed more male than female employees

From the findings, most (43%) of the respondents had bachelor's degrees, 30% had masters degrees, 16% had diplomas while 11% had secondary certificates. This shows that the Bank employees more graduates holding their first degree. This is the entry point for the employees joining the Bank.

4.3 Compensation

The findings revealed that majority of the respondents agreed that compensation of staff influenced organization performance at 92% whereas 8% disagreed that compensation of staff influenced organization performance. The respondents cited that compensation affected organization performance to a greater extent, 17% indicated it had average effect on organization performance whereas 7% said it affected performance to lower extent.

From the results, 50% of the respondents described the influence of compensation on performance as important, 36% said it was very important, 12% indicated that it was less important while 3% said it was not important.

The findings showed that compensation could improve organization performance through monetary incentive such as bonuses, stock options, insurances, paid leave, commission, retirement plans, overtime policy, educational reimbursement, travel expenses, childcare and subsidized utilities etc and using tangible non-monetary incentives like gift certificates, plaques/trophies, apparels, cameras and watches. These findings are in agreement with Pfeffer (1998) who argued that rewards system such as a higher salary base, gain sharing, bonuses and employee stock options, act as incentives for employees to be committed and motivated to achieve organizational goals and performance, given that 92% of respondents agreed that compensation affect performance.

4.4 Training and Development

From the findings, 74% agreed that training had helped them improve their performance while 26% indicated that training had not assisted them improve their performance as illustrated in figure 4.5 below. These findings are in agreement with Becker (1993), who stated that training and education are the most important investments in human capital, in which increased skills and knowledge of individuals are positively associated with productivity that brings greater earnings, given that 74% agreed that training had helped them improve their performance

The study also required the respondents to indicate whether the training offered them the opportunity to identify any potential they had for further development. The findings revealed that 68% of the respondents said yes while 32% said no.

On sponsoring the employees for further studies or personal development program, the findings indicated that 54% of the respondents had been sponsored for further studies or personal development program whereas 46% had not been sponsored for further studies or personal development program. 54% of the respondents said they were not aware of any career development projections while 46% of the respondents indicated that they were aware career development projections for them.

On the level of awareness of any training and development projections for them, 55% of the respondents were aware of training and development projections for them while 45% were not aware of any training and development projections for them. On whether the respondents had ever sponsored themselves for further studies to acquire new skills, knowledge and abilities, 59% of the respondents indicated that they had sponsored themselves for further studies to acquire new skills, knowledge and abilities while 41% had not sponsored themselves for further studies.

4.5 Job Characteristics

From the findings, most (78%) of the respondents agreed that job characteristics of staff influenced organization performance while 22% felt that job characteristics of staff didn't influence organization performance. On the extent to which job characteristics affected organization performance, the findings indicated that majority (71%) of the respondents felt that job characteristics affected organization performance to a greater extent, 21% cited average whereas 8% indicated to a lower extent. In addition, the respondents describe the influence of job characteristics on organization performance. 53% indicated that it was important, 36% said it was very important, 9% and 3% indicated that it's less important and not important respectively. According to Amabile (1996) and Glynn (1996), high technology professionals, for example, engineers, appeared to be more involved, more satisfied with their jobs, and more committed to the organization than non-technical employees did. Therefore these findings agree with them given that 78% of respondents agreed that job characteristics of staff influenced organization performance to a greater extent.

4.6 Promotion

The study findings revealed that most (91%) of the respondents agreed that promotion of staff influenced organization performance while 9% disagreed. 79% of the respondents noted that promotion affected organization performance to a greater extent, 17% indicated average while 4% cited to a lower extent.

The study further required the respondents to describe the influence of promotion on organization performance. According to the findings, 59% of the respondents described the influence as important, 36% indicated as very important while 4% and 1% described it as less important and not important respectively. As discussed earlier in the review, employees often feel satisfied with these incentives and stimulated to perform better in the new job. They are motivated to increase their knowledge or skill and to gear for higher levels of productivity. With better jobs, employees may decline any opportunities at other companies. Hence, promotions can increase employees' loyalty to the company and reduce turnover at lower levels.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Findings

On compensation, the study established that compensation of staff influenced organization performance to a greater extent; 50% of the respondents described the influence of compensation on performance as important. Pfeffer (1998) argued that rewards system such as a higher salary base, gain sharing, bonuses and employee stock options, act as incentives for employees to be committed and motivated to achieve organizational goals. In a study of 250 employees of a manufacturing operation, Oliver (1990) found a positive correlation ($r=.56$, $p>.01$) between work rewards and commitment. Buchko (1993) suggest that benefit practices can be associated with turnover. He found that in organization in which benefits were a higher percentage of total labor costs and those organizations whose benefits packages were described to be of higher quality, tended to report lower rates of employee attrition. Buchko suggests that this may be because employees are satisfied with the benefits they received or might be because the rewards and benefits received are binding investments that would induce career commitment. These results imply that size and types of benefits provided for by organization play a significant role in reducing employee turnover.

On training and development, 74% of the respondents agreed that training had helped them improve their performance since they joined the bank. 68% of the respondents were in agreement that the training offered them the opportunity to identify any potential they had for further development. 54% of the respondents had been sponsored for further studies or personal development program while another 54% of the respondents said they were not aware of any career development projections. In addition, 55% of the respondents were aware of training and development projections for them while 59% of the respondents indicated that they had sponsored themselves for further studies to acquire new skills, knowledge and abilities. Rothwell and Sredl (2000) associated job training with learning interventions that develop skills, knowledge, and attitudes to match current or future job requirements. Job training is a broad term implying all forms of training related to one's job. According to Becker (1993), training and education are the most important investments in human capital, in which increased skills and knowledge of individuals are positively associated with productivity that brings greater earnings. It can be categorized into many types, such as on-the-job training (OJT), off-job training, vestibule training, cross training, and planned and unplanned training (Rothwell and Sredl, 2000).

On job characteristics, most (78%) of the respondents agreed that job characteristics of staff influenced organization performance to a greater extent while 53% indicated that the influence of job characteristics on organization performance was important. Hackman and Oldham (1976) pointed that there are five dimensions to job characteristics, such as skill variety, task identity, task significance, job autonomy, and feedback. In contrast, job autonomy and skill variety are mostly considered as having a beneficial effect on career commitment since they provide individuals with opportunities to change their career (Daniels and Guppy, 1994). Increased job autonomy will allow individuals greater flexibility in how they define their role because they will have greater discretion in deciding how to perform the work (Troyer, Mueller and Osinsky, 2000). In addition, job autonomy may increase career commitment in practice by letting individuals design their work processes that fit their needs/schedules. For instance, Batt and Valcour (2003) suggest that job autonomy in decision making translates into the employee’s ability to control decisions, such as when, and how to integrate work and family responsibility. According to Dubie (2000) high technology employees enjoy the autonomy they in their current jobs. This relates to the elusive factor that high technology employees are looking for i.e. empowerment. Agarwal and Ferrat (1999) established that successful information technology organizations are devoting resources toward empowering information technology professionals to take responsibility for their work and decision-making. Based on the above discussion the degree of freedom and independence enjoyed by employees and their participation in planning and organizing their work has an influence on career commitment (Bailyn and Lynch, 1983).

On promotion, most (91%) of the respondents agreed that promotion of staff influenced organization performance to a greater extent. Further, 59% of the respondents described the influence of promotion on organization performance as important. A promotion can involve advancement in terms of designation, salary and benefits, and in some organizations the type of job activities may change a great deal (Kanouga, 2001). According to Kanouga (2001) promotion in a business organization is a practice for recognizing and rewarding employees’ effort and contribution to the group. It is usually symbolized with a change of job and title; it can be attached with an increase in pay, power, and responsibility or, an increase in freedom or independence, or a decrease in danger or discomfort. It may mean less inconvenience in terms of hours or location for some employees hence, promotions can increase employees' loyalty to the company and reduce turnover at lower levels.

5.2 Conclusions

From the findings, the study concludes that compensation of staff, training and development, job characteristics and promotion are important in the organization since they greatly influence the organization performance. Promotions increases employees' loyalty to the company and reduce turnover at lower levels. Employees are sponsored by banks for further studies or personal development program while other employees sponsor themselves for further studies to acquire new skills, knowledge and abilities. The training offers employees the opportunity to identify any potential they have for further development.

5.3 Recommendations

From the findings and conclusions, the study recommends organizations should compensate their staff, train and develop, and promotion in order to improve employee performance and retain them in the company. Strategic reward plans should go beyond cash to include training and educational opportunities, job redesign, flexible work schedules, stock options and recognition awards such as merchandise and travel in order to retain employees. Non cash rewards, such as on-site day care, fitness centers, dry-cleaning services and automatic teller machines, should be employed since they add convenience to employees' daily lives and engender higher loyalty

Training that focus on continuous learning, retraining and retaining knowledge can should be applies as they decrease the time it takes to move the workforce form intermediate to expert competence, by bridging its technical skills gap. Job autonomy and skill variety are mostly considered as having a beneficial effect on career commitment since they provide individuals with opportunities to change their career

5.4 Limitations of the Study

The respondents were reluctant in giving information fearing that the information asked would be used to intimidate them or paint a negative image about them or the company. The researcher handled this problem by carrying an introduction letter from the University and assured the respondents that the information they gave would be treated with confidentiality and was used purely for academic purposes.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on perceived factors affecting employee retention at Kenya Commercial Bank Limited. The researcher, however, minimized these by conducting the survey at the institution's headquarter since it was where strategies are made and rolled out to other office that operate on the blue print.

5.5 Area for Further Research

The study recommends that a similar study to be done on perceived factors affecting employee retention at all commercial banks in Kenya for the purposes of benchmarking. This would allow for generalization of study findings on perceived factors affecting employee retention in banks.

5.6 Implications on Policy, Theory and Practice

This study should contribute to the existence literature relating to banks retention factors influencing employee commitment and shed light on how to maintain and retain employee in an organization. Furthermore, the result of the study should help the regulatory, banks managements, and owner in forming their human resource related strategies.

Employees of Kenya Commercial Bank should benefit from the study as it would enable them appreciate the factors affecting their retention and how the management should provide incentives to them through offering them a career ladder through which they might progress.

The study should generate information that would be used by various HR consultants who have interest retention of workers in order to maintain smooth industrial relations. The findings of the study should also help other researchers who would want to carry out research on factors affecting employee retention in Kenya.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Section A: Demography Characteristic

Tick or write answers in full where applicable.

1. Age?

   Below 25 years [ ]　　26 -34 years [ ]　　35-44 years [ ]

   45-54 years [ ]　　above 55 years [ ]

2. Gender?

   Male [ ]　　Female [ ]

3. What is the highest level of education?

   Secondary [ ]　　Diploma [ ]

   Bachelors Degree [ ]　　Masters Degree [ ]

Section B: Compensation

4. Does compensation of staff influence organization performance?

   Yes [ ]　　No [ ]

5. To what extent does compensation affect on organization performance?

   (a) To a greater extent [ ]

   (b) Average [ ]

   (c) To a lower extent [ ]

6. Describe the influence of compensation in on organization performance?

   (a) Very important [ ]

   (b) Important [ ]

(c) Less important [ ]

(d) Not important [ ]

7. Suggest ways compensation can improve organization performance?

…………………………………………………………………………………………………

……………………………………………………………………………………………….

Section C: Training & Development

8. In your opinion, do you think training has helped improve your performance since you joined the bank?

   Yes [ ] No [ ]

9. Has training offered you the opportunity to identify any potential you have for further development?

   Yes [ ] No [ ]

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

    Yes [ ] No [ ]

11. Are you aware of any career development projections for you?

    Yes [ ] No [ ]

12. Are you aware of any training and development projections for you?

    Yes [ ] No [ ]

13. Have you ever self sponsored yourself for further studies to acquire new skills, knowledge and abilities?

    Yes [ ] No [ ]

Section D: Job Characteristics

14. Do job characteristics of staff influence organization performance?

(a) Yes [ ]

(b) No [ ]

15. To what extent does job characteristics affect on organization performance?

(a) To a greater extent [ ]

(b) Average [ ]

(c) To a lower extent [ ]

16. Describe the influence of job characteristics in on organization performance?

(a) Very important [ ]

(b) Important [ ]

(c) Less important [ ]

(d) Not important [ ]

17. Suggest ways job characteristics can improve organization performance?

…………………………………………………………………………………….

Section E: Promotion

18. Does promotion of staff influence organization performance?

(a) Yes [ ]

(b) No [ ]

19. To what extent does promotion affect on organization performance?

(a) To a greater extent [ ]

(b) Average [ ]

(c) To a lower extent [ ]

20. Describe the influence of promotion in on organization performance?

(a) Very important [ ]

(b) Important [ ]

(c) Less important [ ]

(d) Not important [ ]

21. Suggest ways promotion can improve organization performance?

…………………………………………………………………………………….

END