HUMAN RESOURCE PROCUREMENT AND RETENTION STRATEGIES USED BY COMMERCIAL BANKS IN NAIROBI

BY

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DECLARATION

This research project is my original work and has not been carried out in any other university.

Signed: .... Date: 08|11|09.

SAGWE G.R

D61/ P/ 8705/ 2005

The research project has been submitted for defence with my approval as the university supervisor

Signed: .... Date: 15|11|2009

PROF. PETER K'OBONYO

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Behind all the success and accomplishments and behind all the glory and greatness lie several people whose contribution in terms of support encouragement expectations, camaraderie, and constructive criticism can not go un- recognized.

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DEDICATION

To my daughter Bryanna who has endured and borne my absence since the start of this course.

To my dear wife, Beryl for her support, encouragement and patience.

To my late father, Sagwe may Almighty God rest Tata's soul in eternal peace.

To my widowed mum, Maria may God accord her peace, good health and long life to enable her get pleasure form the fruits of her hard work, and may God bless her plentifully.

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ABSTRACT

In modern era of resource constraints, organizations must efficiently manage their activities by procuring and retaining the best of their employees and avoiding the employment of excess human capital in their operations. The study aimed at establishing the human resource procurement retention strategies used by commercial banks in Nairobi.

This was a census study and the population consisted of 44 Commercial Banks in Kenya that have been inspected, assessed and classified as commercial banks by the Central Bank of Kenya. In order to identify the employee procurement and retention strategies used in the banking industry in Kenya, semi structured questionnaires were distributed among targeted population of employees currently employed by banks in Nairobi in order to get primary data. A content analysis and descriptive statistics were employed. The content analysis was used to analyze the respondents' views about the employee procurement and retention strategies.

From the study, the researcher found that the banks did the assessment of employees during recruitment with an aim of cultivating a high performance workforce at the companies.In addition, the study also found out that majority of the banks had established human resource procurement retention strategies in the recruitment of staff. The study established that the commercial banks used various human resource management initiatives to enhance employee retention in the companies. These included performance appraisal, promotion and conducive work environment.

From the findings, the study recommends that commercial banks use various employee procurement strategies in recruiting staff such as commissioning procurement agencies. This is essential as it leads to improved choice, advice and better employee management information. The study also recommends that commercial banks adopt various human resource management initiatives such as labour management participation programs in order to enhance employee retention in the firms.

CHAPTER ONE

INTRODUCTION

1.1 Background

Staffing acts as a key strategic opportunity to gain competitive advantage (Ployhart, 2006). Today an organization's success is directly linked to the talent it can recruit. Employee Procurement is critical not only for sustained competitive advantage but also for basic organizational survival (Taylor and Collins, 2000). Competition and the lack of availability of highly talented and skilled employees make Procurement and retention of talented employees a major priority for organizations (Flegley, 2006).

1.1.1 HR Procurement

Employer branding has become a key strategy to attract the right kind of employees as people want to work for great brands (Brewster et al., 2005). It avoids mismatches between employer and employees that lead to job changes. According to Knox and Freeman (2006) consumers are potential recruits and the employer brand is the augmentation of recruitment services provided by recruiters as they espouse the firm's attributes and values during the recruitment process. The employer brand image is the image associated with an organization uniquely in its role as an employer. Creating a positive employer image radiates to the community at large and attracts potential job applicants. Improving the external and internal communication, signals to the potential talent about the total employee experience there. The word of mouth publicity is one of the most effective way of employee procurement. Fortune's – Best Companies to Work For – survey suggests that developmentally oriented organizations are more likely to be seen as attractive employers (Fortune, 2005).

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1.1.2 HR Retention

While the lodging industry represents approximately one quarter of US service-sector workers, it also experiences some of the nation's highest employee turnover rates, representing one of the greatest ongoing challenges of the industry (Gustafson, 2002; Woods et al., 1998). The hospitality industry has reported annual turnover rates ranging from 32 percent to 300 percent (Cho et al., 2006; Fortino and Ninemeier, 1996; Woods and Macaulay, 1989). The cost associated with high employee turnover, which has been well documented in the hospitality literature (Hinkin and Tracey, 2000; Simons and Hinkin, 2001; Wildes, 2007a, b; Woods et al., 1998;), averages from $3,000 to $10,000 per hourly employee to over $50,000 for managers (Woods et al., 1998). Hinkin and Tracey (2000) determined that the most costly element of employee turnover, representing 60 percent, is that of lost productivity. Since employers replace seasoned employees with inexperienced personnel, the remaining employees' work schedules are disrupted as they pick up the slack for employees in training (Rowley and Purcell, 2001). As cited by Woods et al. (1998, p. 7), "unwanted turnover curtails company expansion possibilities as it eats away at profits".

Thus the awareness of the importance of employees staying with an organization is evident (Brayfield and Crockett, 1955; Cho et al., 2006). Scholars (Cho et al., 2006; Hinkin and Tracey, 2000) advocate that hospitality executives who understand the value of human capital and adopt organizational policies and management practices in pursuit of employee retention will outperform the competition. Indeed, tenured workforces not only reduce the separation, recruiting, selection and hiring costs associated with the churning of employees, but also become more productive over time, resulting in higher competitiveness and added profitability (Cho et al., 2006; Hinkin and Tracey, 2000). Effectively designed and well implemented employee retention programs that increase employee tenure more than pay for themselves through reduced turnover costs and increased productivity (Heskett et al. 1994; Simons and Hinkin, 2001). Moreover, financially successful hospitality firms (e.g. Starbucks and Southwest Airlines) have attributed their strong performance to their emphasis on employee retention and development (Hinkin and Tracey, 2000).

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). The initiatives outlined in the study-developed model were identified in prior works (Chew et al., 2005; Kim et al., 2005; US Department of Labor, 1993) and specifically derived from measures applied and utilized since 2004 by a consulting firm in South Florida.

Providing the employees with the knowledge and skills to do their job and further recognizing and rewarding the knowledge and hard work of the employees, providing a safe and stable work environment, giving them opportunity to be creative and entrepreneurial are important tasks done by a company to retain employees. By giving them an environment where they do not have to worry about job security, they get more time and energy to concentrate on the important aspect of the organization.

1.1.3 Commercial Banks in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members.(Kenya Bankers Association annual Report,2008)

There are forty-six banks in Kenya. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Six of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues

affecting member institutions. The commercial banks offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. (Dikken, L. S. & Hoeksema, L. H. 2001).

Most banks in Kenya use informal procurement methods using the employer's network of contacts. This network include the personal networks of the existing workforce as well as other employers, people working in the same business or employers in the vicinity. Online procurement using Third-party recruiters are also employed in the HR procurement process. Graduate management trainees and graduate clerk recruitment is also exercised often by most of the established banks. Banks in Kenya employ use of effective human resource management initiatives to enhance employee retention. Specifically, they use selective recruitment and training procedures, working environment, labor-management participation programs, and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit.

1.2 Statement of the Problem

In modern era of resource constraints, organizations must efficiently manage their activities by procuring and retaining the best their employees and avoiding the employment of excess inputs in their operations. Markets are increasingly recognizing human capital as a source of valuable resource for firms and shareholders (Cairncross, 2000) as talent is rare, valuable, difficult and hard to substitute and organizations that better attract, select and retain this talent outperform those that do not (Barney and Wright, 1998).

The war for human capital has focused on attracting "the best". Human resources play a significant role in reaching organization effectiveness and performance (Huselid, 1995). Talent has become the key differentiator for human capital management and for leveraging competitive advantage (Bhatnagar, 2007). With better talent acquisition, employee engagement improves and so does the productivity. Maximizing team engagement, motivation, and retention through due diligence in talent acquisition is vital in today's highly competitive environment. Only a talent

resourcing process that is well-defined and well-executed from start to finish yields consistent, compliant results – and is a competitive advantage in the war for talent (Ronn, 2007).

Fueling the retention challenge are factors that have traditionally been characteristic of the industry and that have contributed to the perception that it is a less than ideal place to work (Christensen Hughes, 2008). Contributing factors include management's traditional focus on minimizing labour costs (Christensen Hughes, 2008), the emotional labour requirements of many service industry jobs (Lashley, 2002); the lack of job security associated with sales fluctuations and seasonality (Twinning-Ward and Baum, 1998); the lack of opportunity for promotion from within (Riley, 1996); the low-status nature of hospitality work (Guerrier, 1999) and poor working conditions in general (e.g. unsocial working hours, health and safety concerns, harassment, poor work-life balance).

Thus the awareness of the importance of employee procurement and retention strategies with an organization is evident (Brayfield and Crockett, 1955; Cho et al., 2006). Scholars (Cho et al., 2006; Hinkin and Tracey, 2000) advocate that executives who understand the value of human capital and adopt organizational policies and management practices in pursuit of employee procurement and retention will outperform the competition. These studies focused on a different context and concept from what the current study seeks to cover. Employee procurement and retention strategies in commercial banking systems have not been studied. Nevertheless, previous studies have not paid enough attention on talent management practices at commercial banks and the link for this to succession planning. The purpose of this problem research is therefore to fill the existing gap by finding strategies used by the Kenyan commercial banks to procure and retain their staff. The previous studies also failed to capture the challenges of employee procurement and retention. Given the importance of these processes, this study also seeks to fill the gap in knowledge by seeking solution to the challenges by focusing on commercial banking institutions in Nairobi.

1.3 The Research objective

The objective of the study was to establish HR procurement retention strategies used by commercial banks in Nairobi.

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1.4 Importance of the Study

The study will be invaluable to the commercial banks management in that it will provide an insight into the various approaches towards employee procurement and retention strategies. The study will also be useful to the government in policymaking regarding employee procurement and retention at commercial banks in Nairobi. Finally, to the academicians the study will also provide a useful basis upon which further studies on employee procurement and retention could be conducted.

CHAPTER TWO

LITERATURE REVIEW

2.1 Human Resource Procurement

The investments in human capital have been drawn on human capital theories which examine under which condition such investments are profitable. The concept of human capital theory as specified by Romer (1990) defines it as the amount of total stock of human capital that an organization, country or economy has. Fitz-enz (2000) defines human capital as the traits one brings to the job: intelligence, fulfilling work energy, a generally positive attitude, reliability and commitment. The economy with a larger stock of human capital will experience a faster rate of growth. Thus, Human Capital Theory concentrates on the direct economic effects of human capital investments in particular.

Staffing is defined as the process of attracting, selecting, and retaining competent individuals to achieve organizational goals (Ployhart, 2006). This has been also reflected in extant SHRM literature. For example, researchers like Dewar and Werbel (1979) have adopted a universalistic perspective and have argued for a best practice approach to SHRM (Huselid, 1993). While advocators of the contingency approach (Schuler and Jackson, 1987) believe that in order to be successful, the organization's HR policies must be consistent with the other aspects of the organization. Baird and Meshoulam (1988) suggest that HR practices must fit the organization's stage of development (external fit) which implies informal, more flexible styles of HRM amongst start-up firms and more formal and professionalized systems as the firms mature and increase the number and range of employees. Internal fit ensures that individual HR policies are designed to fit in and support each other. "Best-fit model" suggests that HR strategy becomes more effective when it is designed to fit certain critical contingencies in the firm's specific context. According to the configurational approach, the HR system of the organization must develop a horizontal (internal consistency of the organization's HR policies or practices) as well

as a vertical fit (congruence of the HR system with other organizational characteristics) (Wright and McMahan, 1992).

Johnson (2001) states that if people are culturally aligned to the business, hire them before someone else does – even if the firm does not have a job for them. A proactive approach helps. Michaels et al. (2001) propose the development and communication of the employee value proposition (EVP) to attract and retain talented employees. In cultivating a high performance workforce, both assessment of employees to ensure the best match to the job and the company as well as assimilating them to ensure successful integration into the workplace, the culture of the organization and specific roles and responsibilities are equally important (Morgan, 2004).

The "war for talent" has focused on acquiring and assimilating "the best". Human resources play a significant role in reaching organization effectiveness and performance (Huselid, 1995). Talent has become the key differentiator for human capital management and for leveraging competitive advantage (Bhatnagar, 004). With better talent procurement, employee engagement improves and so does the productivity. Maximizing team engagement, motivation, and retention through due diligence in talent acquisition is vital in today's highly competitive environment. Only a talent resourcing process, that is well-defined and well-executed from start to finish yields consistent, compliant results – and is a competitive advantage in the war for talent (Ronn, 2007).

Procurement and selection are topics that have been put on economic research agendas relatively recently. The general equilibrium approach, which dominated economic theory and theories about the labour market for so long, did incorporate adjustments in labour demand (for example, by offering higher wages, employers were able to attract more staff), mostly using comparative statics. General equilibrium theory did not address the adjustment process from one state of equilibrium to another (Hansen, 1970). Questions such as where the newly employed staff came from and/or how the procurement of employees took place, are addressed only when the adjustment process itself forms part of the analysis. It was not until an element of uncertainty was introduced into labour market analyses around 1970, that procurement and selection issues were given explicit attention (see for an overview and critique Barber, 1998; Breaugh and Starke, 2000), as part of a growing literature on search theory (Phelps, 1970).

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2.2 Human Resource procurement Strategies

Procurement activities and channels may be classified in various ways (Marsden and Campbell, 1990). One type of classification focuses on the distinction between active and passive procurement . In the case of passive procurement , the organisation waits until an applicant gets in touch with them, such as unsolicited applications. Today, many organisations have websites that contain information for people seeking jobs. In the case of active procurement, employers actually go in search of potential candidates. They may do so by commissioning procurement agencies to find candidates, or by searching in databases on the internet where job seekers have posted their curricula vitae. They may also, for example, approach training and education institutes or university professors to get in touch with new graduates or students who have almost completed their studies.

Another classification is based on the distinction between formal and informal procurement. A type of formal procurement is posting a job advertisement in a newspaper or magazine. Formal procurement methods involve the use of some intermediary between the employer and the potential employee. An example of informal procurement is using the employer's network of contacts (Boxman, 1992). This network could include the personal networks of the existing workforce as well as other employers, people working in the same business or employers in the vicinity. In addition, Marsden and Campbell (1990, p. 60) point to the fact that current employees can act as "preliminary screeners". as they pass on information on job openings to particular members of their network and leave other members uninformed. Like the active/passive criterion, the formal/informal criterion is a sliding scale. Organisations often combine various procurement methods.

Changing procurement and selection strategies require capitalizing on technology. Cappelli (2001) states that with the presence of online procurement (e-recruitment) in the internet through powerful search engines, the labor market has become a true market, uncontrolled by individual companies, and unconstrained geographically with thousands of résumés being posted daily by job seekers to online hiring sites. Using internet for procurement has the advantage of faster cycle time, cheaper, and more convenient for both the employers and the job seekers. It is

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providing a radical change to recruiting process. The change allows the company, employment information to be displayed on the sites for 24 hours a day, seven days a week, until the advertisement expires. It is easily accessible and provides direct interaction with the company by the interested job seekers (Braunschweig, 2000).

Dixon (2000), pointed out that generally, e-recruiters come in two varieties: corporate recruiters and third-party recruiters. Third-party recruiters do not restrict types of jobs posted by the employers or select specific job seekers résumés. They function as a center for all sorts of employment. More specialized in employment are the smaller niche recruiters. But the major ones are the executive recruiters, high-tech recruiters, and medical recruiters.

Corporate recruiters include procurement features in their web sites that allow job seekers to apply jobs directly, without going through a "third-party". The annual survey of the Global 500 companies conducted by iLogos Research, a division of Recruitsoft, shows that these corporations are increasingly utilising their web sites for procuring (Recruitsoft & iLogos Research, 2000). Famous e-recruiter like Monster.com claims that 480 of the Fortune 500 companies are using its services (Hoover's Inc., 2002).

2.3 Employee Retention Strategies

2.3.1 Acculturation and Socialization

All employees are investment. Some bring a good return and others are less worthwhile. Either way their departure means that the opportunity to obtain any return in future is forfeit (Hakett, 1996).

The first few weeks in your new environment are generally very difficult. And it is during the first three or four months of employment that the highest proportion of resignation occurs. Therefore the first few months of employment can be the most critical in determining whether a new recruit will stay with you. The reception he is given on his first day and the help and guidance he receives while he is settling in may very important.

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2.3.2 Organizational Mission, Goals and Direction

Empirical evidence suggests that the establishment of well defined organizational goals and objectives influence employee retention. Kim et al. (2005) in their study on corporate orientation found that organizational direction and support had a significant impact on employee job satisfaction and overall commitment. Findings from Susskind et al.'s (2000) research also suggest that perceived organizational support strongly influences job satisfaction and employees' commitment to their organizations.

A study by the US Department of Labor (1993) on high performance work practices revealed that involving employees in decision-making, goals and the direction of an organization through participation in teams will help produce job satisfaction and reduce turnover. Several scholars found that other work practices, such as total quality management, result in productivity gains and have a positive impact on motivation and commitment to the organization (Huselid, 1995; MacDuffie, 1995; Osterman, 1994; Pfeffer, 1994). Cho et al. (2006) reported that organizations which incorporate such high-performance work practices are more likely to experience lower turnover rates for non-managerial employees.

2.3.3 Corporate culture and communication

According to Becker and Huselid (1999), culture creates competitiveness since it changes employee behavior by making them act consistently with the firm's desired corporate culture, thereby influencing employee retention. Other researchers who investigated the relationship between organizational culture and employee turnover and retention uncovered similar findings (Chew et al., 2005; Cho et al., 2006; Cutcher-Gershenfeld, 1991; Huselid, 1995; Kallenberg and Moody, 1994; Milman, 2003; Milman and Ricci, 2004; Pfeffer, 1994; Shaw et al., 1998). For example, a study by Milman and Ricci (2004) revealed that among the most powerful indicators to predict hourly employee retention in the lodging industry were positive experiences with the company's policies and with the company's humane approach to employees.

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2.3.4 Work environment and job design

Results of empirical studies of lodging properties in Central Florida confirmed that hourly employees' retention was predicted by self-fulfillment and working conditions, even over monetary rewards (Milman, 2002, 2003; Milman and Ricci, 2004). These studies found that employees who had a positive experience with regards to working hours, sense of fulfillment with their jobs and higher level of job satisfaction are more likely to stay with their current employer. In a study of restaurant food servers, Wildes (2007a, b) noted that although monetary rewards can be a top motivator for employee retention, having a fun working environment and flexible hours were also important motivators.

Other studies posit that retention practices such as job enrichment, workspace characteristics and socialization can reduce turnover and its effects (Boles et al., 1995; Pizam and Ellis, 1999). Walsh and Taylor (2007) study found that although it was important to obtain a good salary and benefits package, whether employees remain with the organization primarily depends on the degree to which their employers respond to their professional growth. They noted: "those employees most committed to performing challenging work are the ones most likely to remain with their companies" (Walsh and Taylor, 2007, p. 147).

2.3.5 Hires and promotions

Numerous other studies examine the impact of hiring and promotion practices on retention (Becker and Huselid, 1999; Cho et al., 2006; Huselid, 1995; MacDuffie, 1995; Milman, 2003; Milman and Ricci, 2004; Pfeffer, 1994; Shaw et al., 1998; US Department of Labor, 1993). Pfeffer (1994) made a case that firms wishing to succeed in today's global environment must make adequate HR investments and build employees who possess better skills and capabilities than their competitors.

According to Huselid (1995) and Becker and Huselid (1999), selective hiring procedures are necessary to ensure effective retention of the most qualified employees while lowering employee turnover in the long term. One tool that can assist with ensuring proper screening of candidates is

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pre-employment tests. Cho et al. (2006) theorize that the practice of pre-employment testing and the result of candidates passing such skill-based tests can heighten new hires' sense of organizational commitment. However, their research also found that once employees are on-board and seek upward mobility, promotions can actually increase turnover rates of non-managerial employees if not practiced appropriately. For example, in instances in which inadequate employee training and development exist, employees can become frustrated and stressed by assuming greater responsibility for which they are ill equipped. Thus employer policies and practices regarding employee promotions and work designs are among the top reasons why people join, stay or leave an organization (Cafaro, 2001).

2.3.6 Customer centeredness

The research study by Dienhart et al. (1992) found that there were positive relationships between customer centeredness and the employees' constructive views of job involvement, job security and satisfaction. If employees feel the company takes good care of them, they are, in return, likely to take time to provide a better service to meet and/or exceed customers' expectations. This will likely lead to higher satisfaction among those customers and to better employee performance, thereby making them less likely to leave (Arnett et al., 2002), positively impacting employee retention.

A study by Kim et al. (2005) also revealed that employers with strong customer-centeredness and employee focus have a positive impact on employees' job satisfaction and overall organizational commitment, thus significantly reducing employee turnover. These scholars further suggest that recognizing employees' work efforts with cash incentives, awards, and promotions should reduce employees' intention to leave.

2.3.7 Training

In organizations where employees receive the proper training needed to assume greater responsibilities, turnover rates are generally lower. Several studies show that training activities are correlated with retention (Delery and Doty, 1996; Huselid, 1995; Kallenberg and Moody,

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1994; MacDuffie, 1995; Shaw et al., 1998; Terpstra and Rozell, 1993; US Department of Labor, 1993, Walsh and Taylor, 2007; Youndt et al., 1996. Becker and Huselid (1999) argue that the economic returns of extensive training are more likely to be captured by the firm if employees are motivated to stay and contribute to the firm's success fostered in part by selective hiring, competitive pay packages and team-orientated work environments. Youndt et al. (1996) theorize that human resource practices designed to develop talented and team-oriented workers improve employee productivity and customer satisfaction. These findings parallel anecdotal evidence from companies such as Southwest Airlines that have used selective staffing and comprehensive training in their quest to improve performance (Pfeffer, 1994).

According to Shaw et al. (1998), organizations with substantial training opportunities should experience lower turnover rates. However, an interesting finding by these researchers included a positive relationship between training and the discharge rate. They theorize that companies that provide more training are concerned about employee skills and performance, and thus experience a high percentage of employee terminations. Conversely, companies that experience a high discharge rate initiate training programs because of lower workforce skill levels (Shaw et al., 1998). In a recent study of young professionals respondents rated formal and professional job training lower on their challenging work scale, indicating that the type of learning that respondents sought occurs through actual work experience (Walsh and Taylor, 2007).

2.3.8 Employee Recognition, Rewards and Compensation

A major and perhaps the most notable among organizational retention initiatives is compensation and benefits. Numerous studies have addressed the impact of employee compensation, rewards and recognition on turnover and retention (Becker and Huselid, 1999; Cho et al., 2006; Guthrie, 2001; Huselid, 1995; Milman, 2003; Milman and Ricci, 2004; Shaw et al., 1998; US Department of Labor, 1993; Walsh and Taylor, 2007; Youndt et al., 1996).

Several research studies found that highly competitive wage systems promote employee commitment and thus results in the attraction and retention of a superior workforce (Becker and Huselid, 1999; Guthrie, 2001; Shaw et al., 1998). Shaw et al.'s (1998) study further noted that

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employees will remain with an organization as long as it serves their self-interest to do so better than the alternatives available to them elsewhere.

A recent study by Cho et al. (2006) investigated the relationship between the use of human management practices and organizational performance. It found that companies providing incentive plans to employees are more likely to experience lower turnover rates among non-managerial employees. The authors theorize that a firm would further reduce its turnover rate if it applies reward systems in the form of incentive plans to more employees across the organization.

Several other research studies have indicated that compensation in the form of base or variable pay may not be sufficient to attract or retain employees. Milman (2003) and Milman and Ricci (2004) concluded that the most significant retention predictors included intrinsic fulfillment and working conditions rather than monetary rewards. Similarly, the study by Walsh and Taylor (2007) revealed that although compensation and work-life balance are important, it is the absence of opportunity for professional growth and development that affects management retention and turnover (Walsh and Taylor, 2007).

2.3.9 Employee Performance, Assessment and Development

Examples of firm efforts to motivate employee behavior include the use of performance appraisals. According to Shaw et al. (1998), these appraisals are ways for organizations to keep track of the value provided by each employee. Delery and Doty (1996) found that results-oriented performance appraisals were strongly related to return on equity and other financial measures of performance.

Huselid (1995) reports that linking performance appraisals with incentive compensation are intended to align the interests of employees with those of shareholders (e.g. profit sharing plans). These linkages can create incentives which will align workers more closely with the long-interests of the firm resulting in better communication and increased tenure (Becker and Huselid, 1999; Delery and Doty, 1996; US Department of Labor, 1993).

2.3.10 Leadership and Human Resource Management Partnership

Chew et al. (2005) study reveals that organizations with a value profile of either elite or leadership, complemented with strategic HRM effectiveness will enhance financial performance. Huselid (1995) identified a link between organization-level outcomes and groups of high performance work practices. Instead of focusing on a single practice (e.g. staffing), the simultaneous use of multiple sophisticated human resource practices was assessed. He concluded that the sophistication of those practices was significantly related to turnover, organizational productivity, and financial performance. Delery and Doty (1996) affirmed that the existence of formal or informal policies have many strategic implications that should affect employee retention.

Prior empirical work has consistently found that use of effective human resource management initiatives enhances employee retention. Specifically, selective recruitment and training procedures, working environment, labor-management participation programs, and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit have all been linked with valued firm-level outcomes (Huselid, 1995; US Department of Labor, 1993). Though the stream of research on employee turnover has been voluminous, many of the studies in the organizational sciences have focused on individual-level predictors of turnover with less attention given to the effects of human resource management practices on employee turnover and retention at the organization-level (Shaw et al., 1998).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive census research design. A descriptive survey is a process of collecting data from the members of a population in order to determine the current status of the subject under study with respect to one or more variables. The major emphasis of a descriptive study is to determine the frequency of occurrence or the extent to which variables are related. This design is considered appropriate for this study because the data was cross-sectional and comparative nature of the data analysis.

3.2 Population

Since the study was a census one, the population of this study consisted of 44 Commercial Banks in Kenya that have been inspected, assessed and classified as commercial banks by the Central Bank of Kenya and operate in accordance with Chapter 488 Banking Act of Kenya. Data shall be collected from all the 44 commercial banks in Nairobi.

3.3 Data Collection Methods

This study relied on primary data. In order to identify the employee procurement and retention strategies used in the banking industry in Nairobi, semi structured questionnaires were distributed among targeted population of bankers currently employed by banks in Nairobi in order to get primary data. Questions were designed to identify the employee procurement and retention strategies used by domestic commercial banks under the supervision of the central bank of Kenya.

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The main instrument in Data collection was through semi-structured questionnaires targeting human resource managers in each Bank. This was because they are the ones well versed with employee procurement and retention strategies in the banking industry in Kenya. Questionnaires were dropped and picked later from the respondents.

3.4 Data Analysis

A content analysis and descriptive statistics were employed. These included mean, pie charts, graphs and standard deviations. Answers to unstructured questions were used to clarify the quantitative responses where possible. The data was coded to enable the responses to be grouped into categories. Pie charts, tables, graphs were used as appropriate to present the data collected for ease of understanding and analysis. Descriptive statistics were used mainly to summarize the data. This included percentages and frequencies.

CHAPTER FOUR

DATA ANALYSIS FINDINGS NAD DISCUSSION

4.1: Introduction

This chapter presents analysis and findings of the research. From the sample population targets of 44 banks, 30 banks responded and returned the questionnaire, constituting 70% response rate.

4.2: Background information

4.2.1 Designation

In this area, the study aimed at establishing the various designations of the respondents. The results are as shown in the figure 4.1.

Figure 4.1 Designation
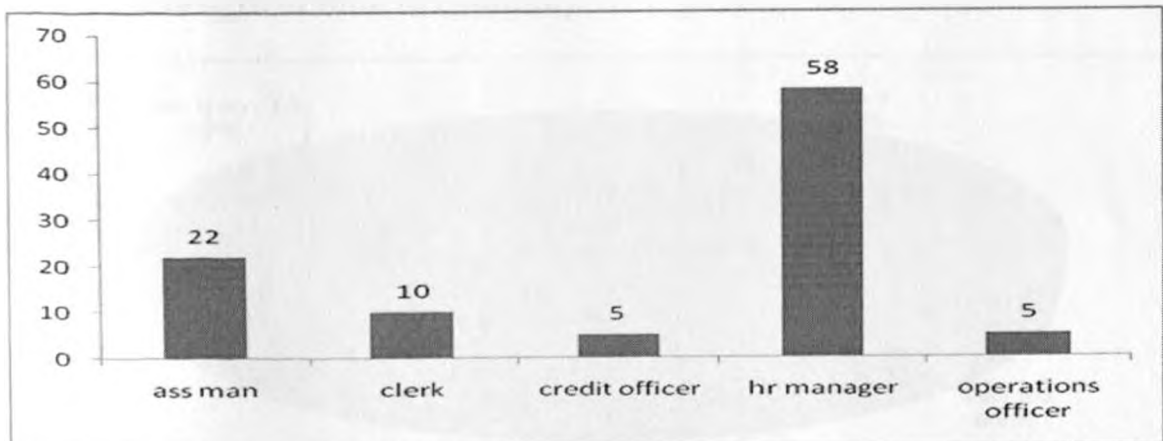
Data presented in the figure above shows that most of the respondents were human resource managers (58 percent) while 22 percent were assistant managers. 10 percent were clerks while 5 percent comprised of credit and operation officers.

4.2.2 Total work experience

In this section, the aim was to determine the total work experience that the respondents had in years. Table 4.1 shows the results.

Table 4.1 Total work experience

	Freq	Percent
1 to 5	2	6
5 to 10	11	37
more than 10	17	57
Total	30	100

Data presented in the table above shows that majority of the respondents had more than 10 years work experience (57 percent) while 37 percent had 5 to 10 years work experience. Only 6 percent of the respondents had 1 to 5 years as total work experience.

4.2.3 Length of time in company

In this section, the aim was to establish the length of time that the respondents had worked in the company.

Figure 4.2 Length of time in company
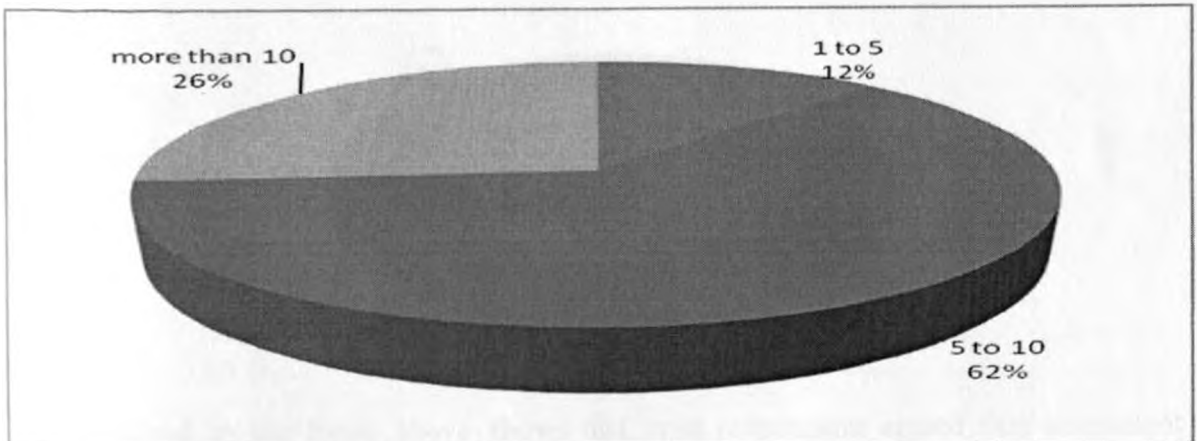
As shown above, majority of the respondents had worked in the companies for a period of 5 to 10 years (62 percent) while 26 percent had worked for a period of more than 10 years in the banks. Only 12 percent of the respondents had worked for a period of 1 to 5 years.

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4.2.4 Total number of employees

The study proceeded to establish the total number of employees that the banks had. This was represented in the table below.

Table 4.2 Total number of employees

	Frequency	Percent
less than 100	8	27
100 to 300	13	43
above 300	9	30
Total	30	100

Results from the table above shows that majority of the banks had 100 to 300 employees (43 percent) while 30 percent had above 300 employees. Only 27 percent of the banks had less than 100 employees.

4.3 Procurement strategies

In this area, the aim was to determine the respondents view on whether assessment of employees during procurement ensured the best match to the job in the company.

Figure 4.3 Procurement strategies
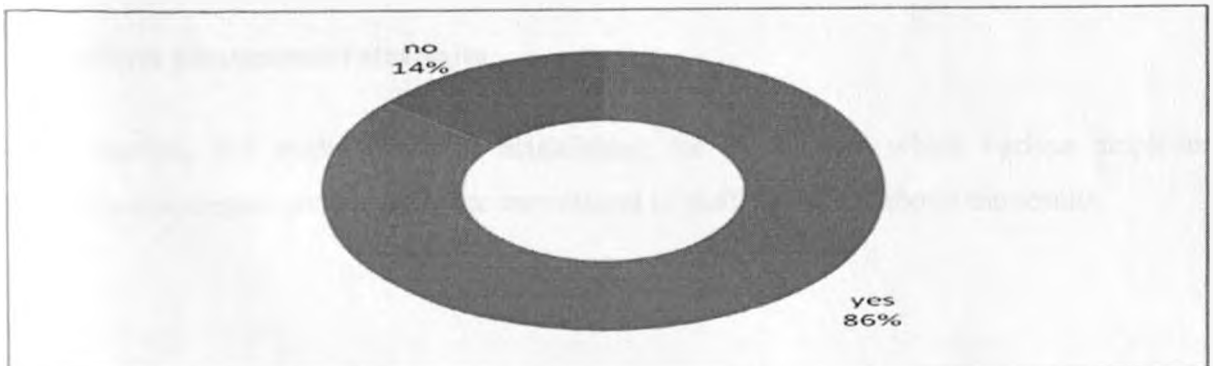
Data portrayed in the figure above shows that most respondents agreed that assessment of employees during procurement ensured the best match to the job in the banks (86 percent), while 14 percent disagreed. Respondents who agreed to the statement were asked to explain why they thought that assessment of employees during procurement ensured the best match to the job in

the banks. The respondents cited their reasons as to improve the development of the firm, that the process ensured a complete insight into the person's capabilities for position and that it was meant to search for the highly qualified candidates.

4.4 Method of procurement

In this section, the study sought to determine the methods of procurement that were employed at the firms. Table 4.3 shows the results.

Table 4.3 Method of procurement

	Frequency	Percent
formal	17	57
informal	11	36
Both	2	7
Total	30	100

Data presented in the table above shows that most of the firms had formal methods of procurement (57 percent) while 36 percent had informal methods of procurement. However 7 percent had both formal and informal methods of procurement.

4.5 Employee procurement strategies

In this section, the study aimed at establishing the extent into which various employee procurement strategies were used in the recruitment of staff. Table 4.4 shows the results.

Table 4.4 Employee procurement strategies

Strategy	Not at all	To a small extent	To a moderate extent	To a great extent	To a very great extent	Mean
Commissioning procurement agencies	0	53	40	7	0	2.5333
Searching in databases	0	43	14	43	0	3.0000
Websites that contain information for people seeking jobs	0	10	77	13	0	2.3000
Approach training institutes or university to get new graduates	0	47	27	27	0	2.8000
Posting a job advertisement in a newspaper or magazine	0	0	20	70	10	3.9000

Data presented in the table above shows that most of the respondents agreed to a moderate extent that their firms employed websites that contained information for people as their employee procurement strategies (77 percent) and 70 percent citing posting of job advertisements in newspapers or magazines.53 percent agreed to a small extent that their firms employed commissioning procurement agencies as their employee procurement strategies while 43 percent agreed to a great extent that their firms searched in databases.

4.6 Employee retention

In this section, the study aimed at determining the respondents view on whether organizational mission and vision had a significant impact on employee job satisfaction and overall commitment as a retention strategy. Surprisingly, all respondents agreed. The study proceeded to ascertain the various reasons as to why the respondents thought that organizational mission and vision had a significant impact on employee job satisfaction. The respondents cited reasons such as that it made the employees are more focused, the employees were able to relate to the

company direction and that it motivated the employees. In addition, the respondents cited that it aimed at retaining a high caliber of staff.

4.7 Extent to which involving employees in decision-making helped produce job satisfaction and reduce turnover

The study proceeded to determine the respondents view on the extent into which involving employees in decision-making helped produce job satisfaction and reduce turnover. The results are shown in figure 4.4.

Figure 4.4 Extent to which involving employees in decision-making helped produce job satisfaction and reduce turnover
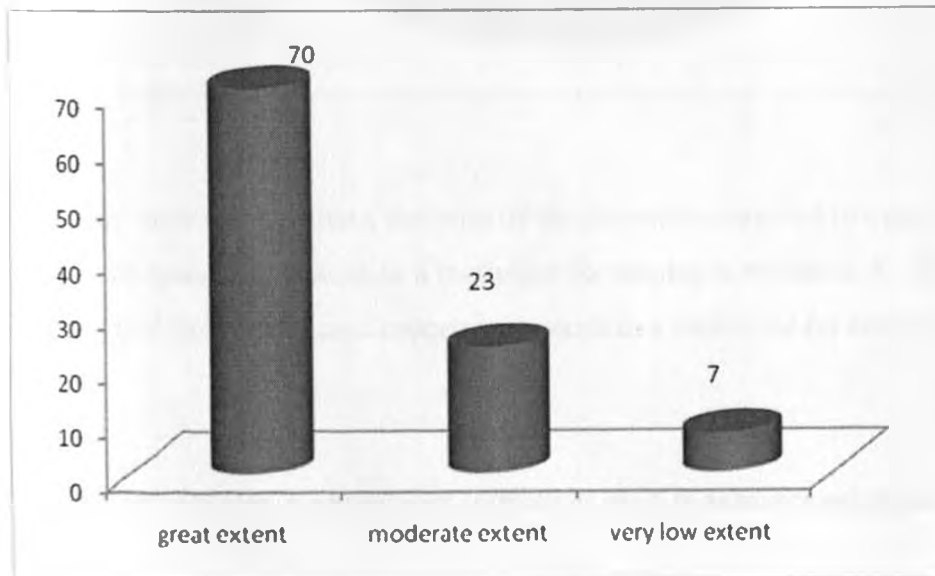
Data potrayed in the table above shows that most respondednts agreed to a great extent that involving employees in decision-making helped produce job satisfaction and reduce turnover (70 percent),while 23 percent agreed to a moderate extent. 7 percent however agreed to a very low extent that involving employees in decision-making helped produce job satisfaction and reduce turnover.

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4.7.2 Extent to which the bank used monetary rewards as a motivator for employee retention

In this area of study, the study was aimed at indentifying the extent into which the various banks used monetary rewards as a motivator for employee retention. Figure 4.5 shows the results.

Figure 4.5 Extent to which the bank used monetary rewards as a motivator for employee retention
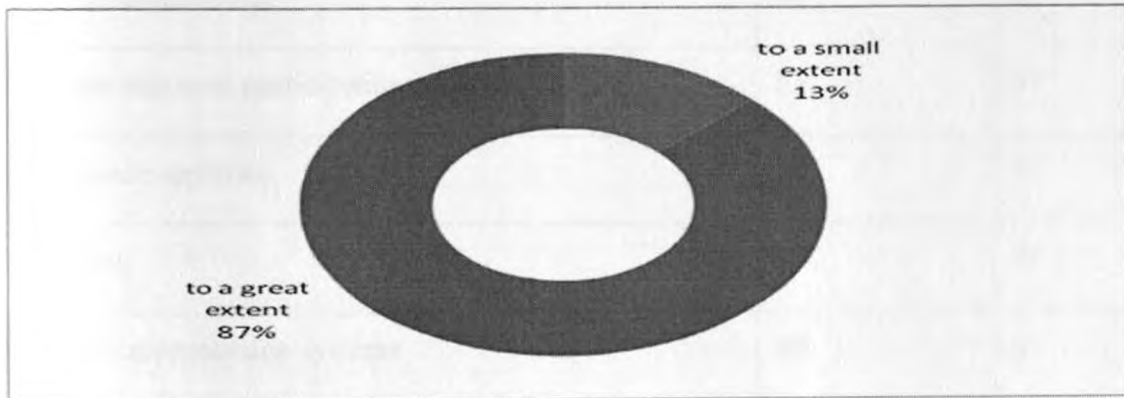
The figure above shows that a majority of the respondents agreed to a great extent that their banks used monetary rewards as a motivator for employee retention (87 percent) while 13 percent cited their banks used monetary rewards as a motivator for employee retention to a small extent.

4.8 Human resource management initiatives used to enhance employee retention in the company

In this section, the study aimed at establishing the various human resource management initiatives that were used to enhance employee retention in the company.

Table 4.5 Human resource management initiatives used to enhance employee retention in the company

	Agree	Disagree
Selective recruitment and training procedures	33	67
Working environment,	40	60
Labor-management participation programs,	53	47
Performance appraisal,	56	44
Promotion,	53	47
Incentive compensation systems	39	61

As shown in the table above, most respondents agreed that performance appraisal and promotion were used at their banks' comprising of 56 and 53 percent respectively. In addition, 40 percent of the respondents agreed that working environment was a human resource management initiative that was used to enhance employee retention in their company. However majority of the respondents disagreed that selective recruitment and training procedures and incentive compensation systems were human resource management initiative that was used to enhance employee retention in their companies comprising of 67 percent and 61 percent respectively.

4.9 Extent to which various practices impacted employee retention in the organisations

In this area of study, the aim was to determine the extent into which various practices impacted employee retention in the organizations. The data was analyzed by the use of a likert scale of a scale of 1 to 5 where 1 = Very great extent to 5 = very low extent. The results were presented by the use of a mean and standard deviation.

Table 4.6 Extent to which various practices impacted employee retention in the organisations

Practice	Mean	Std. deviation
Leadership and human resource management partnership	2.0333	.49013
Work environment and job design	2.2000	.40684
Employee performance, assessment and development	2.200	.7143
Corporate culture and communication	2.3333	.47946
Organizational mission, goals and direction	2.4000	.62146
Employee recognition, rewards and compensation	2.4000	.72397
Training	2.4667	.50742
Acculturation and Socialization	2.533	.7303
Hires and promotions	2.9333	.58329
Customer centeredness	3.2759	1.03152

The table above shows that most respondents agreed that customer centeredness impacted employee retention in the organisations as was shown by a mean of 3.2759, hires and promotions as was shown by a mean of 2.9333 and acculturation and socialization as was shown by a mean of 2.533.The least practices that had an impact on employee retention in the organisations were leadership and human resource management partnership as was shown by a mean of 2.033 and work environment and job design as was shown by a mean of 2.200.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1: Summary of the Findings

From the analysis the following summary, conclusions and recommendations were made. The analysis was based on the objectives of the study.

On background information, the study found that most of the respondents were human resource managers (58 percent) while 22 percent were assistant managers. In addition, majority of the respondents had more than 10 years work experience (57 percent) while 37 percent had 5 to 10 years work experience. Only 6 percent of the respondents had 1 to 5 years as total work experience.

On the issue of number of years that the respondents had worked, the study found that majority of the respondents had worked in the companies for a period of 5 to 10 years (62 percent) while 26 percent had worked for a period of more than 10 years in the banks. Only 12 percent of the respondents had worked for a period of 1 to 5 years

The study also established that majority of the banks had 100 to 300 employees (43 percent) while 30 percent had above 300 employees. Only 27 percent of the banks had less than 100 employees.

On the area of assessment of employees, the study ascertained that most respondents agreed that assessment of employees during procurement ensured the best match to the job in the banks (86 percent), while 14 percent disagreed. The respondents who agreed asked to explain why they thought that assessment of employees during procurement ensured the best match to the job in the banks and cited various reasons such as to improve the development of the firm, that the

process ensured a complete insight into the person's capabilities for position and that it was meant to search for the highly qualified candidates.

On the subject of procurement, the study found that most of the firms had formal methods of procurement (57 percent) while 36 percent had informal methods of procurement. In addition, most of the respondents agreed to a moderate extent that their firms employed websites that contained information for people as their employee procurement strategies (77 percent) and 70 percent citing posting of job advertisements in newspapers or magazines.53 percent agreed to a small extent that their firms employed commissioning procurement agencies as their employee procurement strategies.

On the topic of retention strategy, the study found that the mission and vision had significant impacts on employee job satisfaction and overall commitment as a retention strategy as all respondents agreed. The reasons given by the respondents as to why they thought that organizational mission and vision had a significant impact on employee were that it made the employees are more focused, the employees were able to relate to the company direction and that it motivated the employees. In addition, the respondents cited that it aimed at retaining a high caliber of staff.

On decision making, the studt established that most respondednts agreed to a great extent that involving employees in decision-making helped produce job satisfaction and reduce turnover (70 percent), while 23 percent agreed to a moderate extent. In addition, majority of the respondents agreed to a great extent that their banks used monetary rewards as a motivator for employee retention (87 percent) while 13 percent cited their banks used monetary rewards as a motivator for employee retention to a small extent.

On the issue of human resource management initiatives, the study found that most respondents agreed that performance appraisal and promotion were used at their banks' comprising of 56 and 53 percent respectively. In addition, 40 percent of the respondents agreed that working environment was a human resource management initiative that was used to enhance employee retention in their company.

The study also established that customer centeredness impacted employee retention in the organisations as was shown by a mean of 3.2759, hires and promotions as was shown by a mean of 2.9333 and acculturation and socialization as was shown by a mean of 2.533.The least practices that had an impact on employee retention in the organisations were leadership and human resource management partnership as was shown by a mean of 2.033.

5.2: Conclusions

From the study, the researcher concluded that the banks did the assessment of employees during recruitment with an aim of cultivating a high performance workforce at the companies. Use of assessments results in extraordinary increases in productivity while reducing employee relations problems, employee turnover, stress, tension, conflict and overall human resources expenses.

In addition, the study also concluded that majority of the banks had established HR procurement retention strategies in the recruitment of staff. These included job advertisements in newspapers or magazines and use of websites that contained information for people. However majority of the commercial banks did not employ the commissioning procurement agencies as their employee procurement strategies.

The study also concludes that the commercial banks used various human resource management initiatives to enhance employee retention in the companies. These included performance appraisal, promotion and encouraging working environments.

5.3: Recommendations

From the findings and conclusions, the study recommends that commercial banks need to employ various employment procurement strategies in recruiting staff such as use of commissioning procurement agencies. This is essential as it leads to improved choice, advice and better employee management information.

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The study also recommends that commercial banks need to use various human resource management initiatives such as labour management participation programs in order to enhance employee retention in the firms.

5.4: Recommendations for Further Research

Further research should be conducted in other types of institutions e.g. hospitals and government parastatals to find out the various human resource management strategies employed.

The response rate should also be broadened in further studies in order to get more responses so that the researcher can make better generalizations.

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Appendix I: Questionnaire

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Part A: General information

1. Company Name:

....

2. What is your designation?

....

3. What is your total work experience in years? ....

4. What is your length of time in the Company? ....

5. What is the total number of employees in your Company: Please tick one

        Less than 100   [ ]

        100-300   [ ]

        Above 300   [ ]

Part B: procurement strategies

6. In cultivating a high performance workforce at your company, does assessment of employees during procurement ensure the best match to the job in the company?

    Yes   [ ]   No   [ ]

    If your answer is yes, please explain briefly

    ....

    ....

    ....

7. Does your company use more of formal or informal procurement method?

    Formal procurement method   ( )

    Informal procurement method   ( )

8. To what extent do you use the following employee procurement strategies in recruiting staff for your company? Tick the appropriate box against each statement.

Strategy	Not at all	To a small extent	To a moderate extent	To a great extent	To a very great extent
Commissioning procurement agencies					
Searching in databases					
Websites that contain information for people seeking jobs					
Approach training institutes or university to get new graduates					
Posting a job advertisement in a newspaper or magazine					

Section C: Employee retention

9. Does organizational mission and vision have a significant impact on employee job satisfaction and overall commitment as a retention strategy?

   Yes   ( )   No   ( )

   Explain briefly

   ....

   ....

   ....

10. To what extent does involving employees in decision-making help produce job satisfaction and reduce turnover.

    Very great extent   ( )

    Great extent   ( )

    Moderate extent   ( )

    Very low extent   ( )

    Low extent   ( )

11. To what extent does your bank use monetary rewards as a motivator for employee retention?

    Not at all   ( )

    To a small extent   ( )

    To a very great extent   ( )

    To a great extent   ( )

    To a moderate extent   ( )

12. Which of the following human resource management initiatives are used to enhance employee retention in your company?

i.	Selective recruitment and training procedures	( )
ii.	Working environment,	( )
iii.	Labor-management participation programs,	( )
iv.	Performance appraisal,	( )
v.	Promotion,	( )
vi.	Incentive compensation systems	( )

13. To what extent do the following Practices impact employee retention in your organisation?

Practice	Very great extent	Great extent	Moderate extent	Low extent	Very low extent
Organizational mission, goals and direction					
Corporate culture and communication					
Work environment and job design					
Hires and promotions					
Customer centeredness					
Training					
Employee recognition, rewards and compensation					
Leadership and human resource management partnership					
Employee performance, assessment and development					
Acculturation and Socialization					