

**THE EFFECTIVENESS OF EMPLOYEE RETENTION STRATEGIES AT THE  
BRITISH – AMERICAN INSURANCE COMPANY, KENYA**

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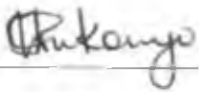


**A MANAGEMENT RESEARCH PROJECT PROPOSAL SUBMITTED IN  
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF  
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## DECLARATION

I declare that this is my original work and has not been submitted to any other college, university or any other institution for academic qualification purposes.

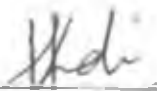
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This project has been presented for examination with my approval as the appointed supervisor.

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Florence Muindi

## **ACKNOWLEDGEMENT**

I would like to acknowledge and thank my supervisor Florence Muindi whose support and key guidance has been of immense help to me in the course of doing this study.

## **DEDICATION**

I dedicate this piece of work to the Almighty God for His strength and guidance in coming up with this work. Moreover, I dedicate this work to my family members who have been of good support to me during the study period.

## ABSTRACT

Employee retention is the strategy employed by an organization to encourage their employees to remain with the organization for the maximum period of time or until the completion of a project and is beneficial for the organization as well as the employee. The study sought to assess the effectiveness of retention strategies used in British- American Insurance Company. The main objective of the study was to determine the effectiveness of retention strategies used in British-American Insurance.

This study adopted a case study design which concentrated on the case of British- America Insurance Company.. The study was done using an interview guide to collect information ensuring high quality data collection, and also maintaining a high response rate from the respondents. The key respondents of the study were the members of the management team that is the human resources manager, manager life insurance, manager general insurance business, and chief accountant. These were interviewed and then the content analysis done as per the objective of the study.

The findings of the study revealed that the company has recognized that the human capital is very critical to the company and hence has continually put strategies that are aimed at influencing employee loyalty and hence retention. The strategies being used include training and development, career development, competitive reward systems, good working environment, through recruitment and selection practices that leads to attracting of right talent for the various positions. The employee turnover is still within what is best practice, but there is concern of losing especially the very scarce talents in the company to competitors. This affects transition and performance of the company.

The study recommended that the company should continually uphold the practices that they have adopted in employee retention and endeavor to communicate the strategies to the management and supervisors. The effectiveness of these strategies will also be released if the management is held accountable for their teams as far as their mandate is concerned for example in mentorship, quality supervision, career guidance and coaching. Proper records of exit interviews that give reports of trends in turnover will keep the management informed of what they need to keep doing to remain relevant in their strategies against those of the competitors who tend to poach their staff.

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## CHAPTER ONE: INTRODUCTION

### 1.0 Background of the Study

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of a project. Employee retention is beneficial for the organization as well as the employee. Employee retention and especially of the best and desirable talents is of great challenge to most organizations, irrespective of the industry or the organization. This factor has critically hampered the success of many firms since there is shortage of skilled labor. Moreover, recruitment and selection can be a lengthy and very costly and risky process that doesn't necessarily guarantee whether you are really choosing the right person with the right attitude for the right position (Trevor, 2001). In addition, when employees leave a company, it increases the likelihood of other employees feeling insecure in the organization and may greatly affect their morale, loyalty and performance, thereby triggering the intensity of staff turnover. Many organizations are doing much to avert the tendency of staff resignations and movement to other companies. Could this be a real indication of the importance of staff retention or is it just to reduce the turnover costs? Well, the answer is a definite no. It's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached (Booth & Kristian, 2007).

Employee retention is beneficial to organizations in many ways. For example, it helps to minimize on the cost of employee turnover. Indeed the cost of employee turnover adds

hundreds of thousands of money to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate. Secondly, employee retention leads to reduction in loss of company knowledge. For sure, when an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors) (Gustafson, 2002). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized. In addition, employee retention has the benefit for business continuity and stability. When staffs feel they belong to the organization and takes pride in their work, skills and key competencies are maintained in key business areas and productivity is increased. Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to present and potential customer loss. Finally, employee retention does not only lead to enhanced company good will, it also helps in regaining efficiency (Holman, 2000).

Consequently, the issue of employee retention affects the performance of the entire company. The ability to keep good employees has rapidly become a critical competitive weapon. Organizations are realizing that their people are, by far, their most important asset. Statistics show that the costs of replacing an employee ranges from 29% to 46% of the person's annual salary. Estimated costs escalate to 150% for senior management. In

particular, turnover costs the average organization more than \$27 million per year. Most often than not, one employee's turnover leads to more turnovers in that when an employee terminates, the effect is felt throughout the organization as his colleagues follow suit. While the co-workers are seen often pick up the slack, negativity often intensifies for the remaining staff hence an escalated impact in the organization (Kalliath & Beck, 2001).

### **1.1.1 Employee retention strategies**

The process of retention is not as easy as it seems on a superficial view. However, there are many tactics and strategies usable in ensuring retention of employees by organizations. The basic purpose of these strategies should be to increase employee satisfaction, boost employee morale hence achieve retention. Nevertheless, these strategies are sometimes not used properly or even worse, wrong strategies are used. It's because of this that strategies fail to achieve the desired results (Delaney & Huselid, 2006). There are many myths related to the retention process. These myths exist because the strategies being used are either wrong or are being used perpetually for a long time. These myths prevent the employer from successfully implementing the retention strategies.

There are many ways which have been proposed to be adopted to achieve employee retention. For example, by engaging in effective selection, implies that retention starts up front by hiring of the right employees. This requires both an assessment of basic job skills and an examination of the softer issues such as motivation, values, and being able to fit

into the organization (Sutherland, 2000). These factors have a powerful impact on employees' success and tenure with a company. Secondly, there is the need for effective leadership. An employees' experience at a company is shaped by his or her boss. Truly effective leaders work with others rather than over others to achieve results. Influential leaders therefore, build employee capacity for learning and accomplishing unrealized potential. They possess enhanced communication skills, develop strong interpersonal relationships and foster successful exchanges.

It has also been added that encouraging and facilitating sufficient professional growth and development, retention can be realized. Training and development opportunities provide many employees with the incentive to stay with a company. This is especially true when employees become actively involved in their own career development and tailor a personal development plan that meets their particular goals. Meaningful work and ownership is similarly of significance when it comes to employee retention. This is so since people need to know they are making a difference and being effective in their jobs (Tor & Owen, 1997).

Expectations and responsibilities need to be clearly defined. Employees need to understand how their roles are linked to the organization's overall success. Employees who are involved in determining how work gets done have a sense of ownership and an opportunity to contribute to improvements in the company's performance. Finally, employee recognition and reward can greatly enhance in employee retention reinforcement. In addition to salary and other compensations, people appreciate and respond to alternative forms of acknowledgement such as dinners, awards, comp time.

etc. To be effective, such recognition should be clearly tied to achievement and encourage the desired behavior in individuals and teams.

### **1.1.2 Effectiveness of employee retention strategies**

The employee retention strategies are implemented to help manage employee turnover and attract quality employees in the organization. High employee turnover increases business expenses and has a negative impact on employee's morale. An organization significantly benefits from employee retention programs that have effect on the employer's bottom-line. To have a successful strategy to counter employee turnover, an employer needs to conduct exit interview to find out why employees are departing, establish what motivates individuals in the organization and ensure that there is always a good fit between the person coming in the organization and the role they are undertaking.

Employee turnover is also known as labor turnover, wastage, and attrition. It is the rate at which people leave an organization. Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Thus, managers at all costs must ensure that systems are put in place in order to minimize employee's turnover. Although, there is no standard framework for understanding the employees turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover (Kevin et al., 2004). Therefore, there is need to develop a fuller understanding of the employee turnover, more especially, the causes, what determines employee turnover, effects and strategies that managers can adopt to minimize staff turnover.

With globalization and heightened competition, organizations must continue to develop tangible products and provide services which are based on strategies created by employees. The employees are extremely crucial to the organization since their value to the organization is essentially intangible and not easily replicated (Meaghan et al., 2002). It's therefore sufficient that managers must recognize that employees as major contributors to the efficient achievement of the organization's success (Abbasi et al., 2000). Managers should control employee turnover for the benefit of the organization's success. Most of the literature on employee turnover is often divided into three groupings: sources of employee turnover, effects of turnover and the strategies to minimize turnover. Organizations should strive to understand their employees' expectations and align employees' personal goals to the organization's goals; thus ensuring that there is a win-win situation for employer and employee alike. This then encourages employees to remain working in the organization as satisfied individuals who are motivated and keen on working hard to achieve the organization's business goals.

## **1.2 British-American Insurance Company, Kenya**

British-American Investments Company (Kenya) Limited is a leading diversified financial services Group in the country offering a wide range of Insurance and Asset Management services to individuals, small businesses, corporations and government entities. British-American is a global financial services company with offices in London, Mauritius, Malta and Kenya. The Group has a long heritage providing financial services since 1920. Companies within the group have been successful in providing investment products and services and are market leaders in their respective jurisdiction. The Kenyan



operation British-American Insurance Company was established in 1965 and has over 46 years of service in the Kenyan market providing individual life, group life, pensions, healthcare and property/casualty insurance (British- American Annual Report, 2010). The British-American has a vision to be the most trusted financial services company and its corporate mission are to delight their customers with outstanding financial services. The global entity has set values enshrined to the company vision, i.e. mutual respect, innovate, challenge and implement accountability and integrity. The company has a human resources department whose mandate is to attract, develop and maintain a flexible high performing workforce.

The company is headed by a Managing director. He is supported by head of divisions in the operations such as life and pensions, General Insurance, Micro insurance and bank assurance and Finance. Other support units e.g., Human resources, marketing, legal, corporate affairs, audit, and actuarial services shared among the companies in the group. In the year, about eleven members of staff have exited the company. The company has a vibrant Human resources department that looks into the welfare of the staff and especially having strategies to help retain the employees in the company. The British-American Company endeavors to attract, develop and retain talents. It has laid strategies to be an employer of choice. The company has an employee population of two hundred and sixty permanent staff. The numbers of who have exited the company in 2011 are eleven (11). Of these, six (6) can be considered as very talented and desirable members of staff that the company would have hoped to retain. The turnover rate as at June 2011 stood at 5.4%.

The company adopts various retention strategies: these are thorough recruitment processes, competitive reward systems that are benchmarked with the industry achieved after embarking in industry staff surveys. The company is also keen in ensuring that the working environment and well being of the staff is favorable. An open office culture is adopted which ensures that there is constant engagement of the staff with the management. The company also constantly reviews the talent in the company with a view to managing their retention. Thorough induction processes are also adopted to ensure that the first impression of the company is good.

### **1.3 Statement of the Problem**

Every time, when a company's employee turnover persists, the organization loses money, energy and resources. High employee turnover is dysfunctional to the organization (Armstrong, 2004). Loss of competent staff increases pressure on the remaining employees leading to serious operational difficulties (Desler, 2004). Employing strategies to reduce employee turnover get the business to concentrate on the core business. Employee retention strategies in an organization enable the organization to retain talented employees and reduce turnover which is a clear indication of a healthy organization. It is also a business imperative to maintain staff with requisite skills, knowledge, behavior and attitude for the organization to remain competitive in the business place.

The British-American Company endeavors to attract, develop and retain talents. It has laid retention strategies to be an employer of choice. An employee turn-over rate of 5.4%

may sound as an acceptable range but the company endeavors to employ retention strategies that will impact on reduction of staff turnover and especially of the very talented staff. Employee retention has become one of the primary measures of healthy organizations and hence a key concern of many organizations. As such, several studies have been conducted locally on employee retention and turnover. Otieno. (2010) did a research of employee turnover in private secondary schools while Mwangi. (2010) studied employee satisfaction and retention strategies at the Kenya Pipeline company. A study carried out by Munyao. (2007) looked at factors that influence job satisfaction in an organization. In his study he underscored that employee involvement and continuous communication makes the employees feel that they belong and with time build a sense of loyalty. A study by Nyambori. (2009) outlined how the employee turnover greatly affects the productivity of the organization and recommended that good performance management process leads to healthy relationships between the supervisor and the employees and this guarantees loyalty of the employees to the company. It is evident that there are no studies done seeking to study the effectiveness of staff retention strategies used in British- American Insurance.

#### **1.4 The Research Objectives**

The objective of this study was to determine the effectiveness of employee retention strategies in British-American Insurance Company, Kenya.

#### **1.5 The Importance of the Study**

In highlighting the impact of retention strategies, the study will give the Ministry of labor and other stakeholders a great insight. Moreover, these stakeholders will be helped to view the importance of the staff retention policy and strategies to take care of the staff welfare. Additionally, the results of the study will inform human resource and business leaders on the importance of staff retention, the impact of staff turnover, and the techniques to employ to curb staff turnover.

This will particularly be useful to the management of the British- American who will get a report on areas causing great dissatisfaction and what would be recommended to continually retain key talent in the organization. This study will also be instrumental to researchers in future who like to study on the area of employee retention strategies and turnover. It would form a basis for further research noting that the way business is conducted is changing and hence employee retention will always be a live area of study in any dynamic economy.

## CHAPTER TWO: LITERATURE REVIEW

### 2.0 Introduction

Employee Retention is a voluntary move by an organization to create an environment which engages employees for a long term (Chaminade, 2007). According to Samuel and Chipunza (2009), the main purpose of retention is to prevent the loss of competent employees from leaving the organization as this could have adverse effect on productivity and profitability. However, retention practices have become a daunting and highly challenging task for managers and Human Resources (HR) practitioners in hostile economic environments. One of the traditional ways of managing employee retention and turnover is through organizational reward system. Reward can be referred as what employees receive in exchange for their contributions to the organization. This reward could come in form of salary, promotion, bonuses and other incentives. When the reward system ineffectively managed, it helps in achieving organisation's corporate objectives, and maintains and retains a productive workforce. If employees perceived they are inadequately rewarded, it is often likely that they will leave; and replacement can be costly and in most cases not readily available.

In today's unstable marketplace, retaining an organization most seasoned and talented employees helps ensure your organization's strength. It's more important than ever to put strategies in place to avoid the overarching costs of employee turnover causes, and keep skilled, high-level producers motivated and invested. Key employee retention is critical to the long-term health and success of any business. Managers readily agree that retaining best employees ensures customer satisfaction, product sales, satisfied co-workers,



succession planning imbedded in organization knowledge and learning. In recent years managers have been preoccupied with reducing the size of the workforce, closing plants and encouraging people to leave. In times of economic growth the emphasis changes to retaining people with required skills. Staff retention has no best practice approach available. Different occupational groups have different needs. People are attracted to particular types of employment for different needs. It would be wise for any organization to understand the drivers that affect each group and respond appropriately. In recent year's recruitment and retention difficulties have moved to the top of the human resource management agenda in most United Kingdom organization, displacing performance management and employee relation issues are those which consume most management time IRS. (2008). Sustaining existing employee costs less tat acquiring a new one. Employee retention also attains benefits such as customer satisfaction, better service, lower costs, lower price sensitivity, word of mouth, higher productivity and efficiency (Zineldin, 2000).

## 2.1 Employee retention strategies

The process of retention is not as easy as it seems on a superficial view. Indeed there are so many tactics and strategies used in retention of employees by many organizations. The basic purpose of these strategies should be to increase employee satisfaction, boost employee morale hence achieve retention. But sometimes these strategies are not used properly or even worse, wrong strategies are used. It's because of these that strategies fail to achieve the desired results (Delaney & Huselid, 2006).

Competitive reward management in an organization helps to attract and retain high quality people the organization needs. It helps to develop a positive employment relationship and psychological contract. The organization should endeavor to align reward practices with both business goals and employee values. Duncan Brown (2001) emphasizes, the alignment of reward practices with employee values and need is every bit as important as alignment with business goals, and critical to the realization of the latter. If operated fairly- people feel that they are treated justly in accordance with what is due to them because of their value to the organization the 'felt - fair principle of Eliot Jacques (1961). As O'Neal (1998) has explained, total reward embraces everything that employee value in the employment relationship. Transaction rewards are tangible arising from transaction between the employer and employees concerning pay and benefits. relational rewards are intangible rewards concerned with learning and development and the work experiences. (Graham, 2003).The organization continually looks into dealing with uncompetitive, inequitable or unfair pay system.

Employee's career management as described by Carter (2002) encompasses provision of opportunities for people to develop their abilities and their careers in order to ensure that the organization has the flow of talent it needs to satisfy their own aspirations: that is, this is all about integrating the needs of the organization with the needs of the individuals. Skills and attributes have also been identified enhance creativity among employees. Respect, which is one of good leadership qualities, encourages employees to be themselves hence giving them an opportunity to apply the skills they have and talents they exhibit to use the resources their jobs provide to them and come up with creative ideas that are likely to propel an organizations productivity and job satisfaction (Grellier & Goerke, 2006).

Well-being at work exists when people are happy with their lot- what they do, how they do, how they are treated and how they get on with others. The well being of employees depends on the quality of work life provided by their employers. Employee loyalty is enhanced if the working environment is good. Work- life balance employment practices are concerned with providing scope for employees to balance what they do at work with the responsibilities and interests they have outside work and so reconcile the competing claims of work home by meeting their own needs as well as those of their employers. As Kodzel et al (2002) explains the principle of work -life balance as a healthy balance between individual's work and their life outside work, and that this balance should be healthy. This includes work arrangements such as flexi-time, part time working, emergency leaves, unpaid leaves etc. Most of these arrangements will require a cultural shift in many organizations and also to be backed by senior level support. Work-life



balance policies can lower absence and help to tackle the low morale and high degrees of stress that can lead to retention problems as employees tire juggling work and life responsibilities. The research conducted by the institute of employment studies (Kodz et al 2002) identified employees who are staying longer with their firms because of access to flexible working arrangements.

A learning culture is necessary to develop organization practices that raise commitment amongst employees and give employees a sense of purpose in the workplace. grant employees opportunities to act upon their commitment and offer support to learning (Reynolds, 2004). It is concerned with ensuring that the organization has the knowledgeable, skilled, engaged and committed workforce it needs. The potential of learning and development can be sighted as, to improve individual, team and corporate performance in terms of output, quality, speed and overall productivity. The organization is also able to attract quality employees by offering those learning and development opportunities, increasing their levels of competence and enhancing their skills thus enabling them to obtain more job satisfaction, to gain higher rewards and to progress within the organization.

Managers agree that retaining their best employees ensures customer satisfaction, product sales, satisfied coworkers and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning (Heathfield, 2011). To effect this managers have embarked on a mission of equipping their employees with the skills necessary for retention and job satisfaction. Managers, for instance, train their employees when they arrive to the company the first time as well as while they are on the job so that

they can equip them (employees) with the necessary skills and attributes relevant for timely and effective administration of tasks and duties to enhance productivity (Heathfield, 2011).

The quality of supervision an employee receives is critical to employee retention. People leave managers and supervisors more than they leave companies or jobs. The indicators of poor supervision are lack of clarity about the role and lack of feedback on performance, failure to hold meeting and provide feedback within which framework employee perceive they may succeed. Supervision to an employee has very many side effects. When administered in the right way, supervision increases the output of employees hence increasing the production of a company (Pierce, 2011). Good supervision apart from enhancing performance also enhances employee job satisfaction hence reducing turnover rates as well as increasing output/production, creativity and innovations among other things in a company. Job satisfaction can be influenced by several factors some of which are pay practice, quality of one's relationship with their supervisor (Mudor & Tooksoon, 2011). This means that when an employee has better relationship with the supervisor, he is likely to get satisfaction in the job he does hence reduce the chance of employee turnover.

Debrah, (1993) in showing the effect a supervisor has on the turnover rate in companies said that a supervisor with poor interpersonal skills and who is also inflexible very quickly drives employees away. This means to be able to create low turnover rates, supervisors have a significant role they play. Ribakova, (2005) in her paper on banks found out that in case a supervisor failed to be present enough, or is too overbearing, then

the reaction from employees will only be fear, resentment, and displeasure in their work. This will affect the productivity as well as lead to employee turnover will increase.

An organization culture is very important in any given company or organization. It shapes many activities and behavior of the organization and aligns them into the vision, mission and goals of the company. Rosenthal, (2000) writes that an organization culture determines the type of leadership, communication and group dynamics within the organization. An organization culture either motivates or de-motivates employees in an organization hence affecting performance, individual satisfaction, and personal growth and development. All these elements individually or combined give an organization and the employees a reason to decide whether to leave an organization or not (Lewandowski, 2004). Other writers like Sheridan (1992) confirmed that organization cultures that emphasized interpersonal relationship values improved retention of employees. An organization culture of a company influences the relationship of employees at the workplace (Griffeth et al., 2004). Relationships on the other hand have been found to have an effect on employee creativity and satisfaction on the work. Better relationships at the workplace also meet employees' one of the needs based on Maslow's needs (Woodman et al., 1993).

Every organization, large and small should have a well considered induction programme. Designing an appropriate induction packages is a critical task. The induction programme has to provide all the information to the new staff. It is important to ensure that care is taken over introducing people to the organization through effective induction arrangements. It is the process of receiving employees when they first join a company

and ensuring they settle quickly and happily and start work. Induction establishes a favorable attitude to the organization in the mind of new employees so that they are more likely to stay. Employees are far likely to resign during the initial months after joining the organization. Induction is important because it reduces the cost and inconveniences of early leavers. Employees are likely to resign during the initial months after joining the organization. First impressions are important as are the impact of the first four weeks of employment. Such early resignations would cause and create recurrent costs. General fears suffered by most new employees may be alleviated by ensuring that the first contacts are friendly and helpful. (Fower, 1996). Staff induction sets the tone of the relationship between employees and employer. It is at this point that new employees can be shaped in order to achieve cultural change. Robertson (2003) staff induction help to ensure that the staffs are productive as quickly as possible and that they should play key roles in knowledge management initiatives. It also increases the commitment of employee's since they identify with the organization.

Employee talent management and skill utilization is also a remarkable employee retention strategy. The aim is to achieve 'talent management', ensuring that people are committed to their work and the organization. As Sears (2003) points out, it is better to build an existing relationship rather than try to create a new one when someone leaves'. Every organization requires skilled and experienced employees when selecting employees to be part of their work team. Skilled employees reduce a company's cost of training as well as reduce costly mistakes that a non skilled employee is likely to make while on the job (Kleynhans et al., 2007). Skills and talents also make an employee easily

recognized for a given task well done; they also give the management confidence in allocating a task to an employee. To employees skills and talents encourage creativity in a given area hence allowing job satisfaction to the employee's Kleynhans et al. (2007) also notify that Human Resources managers use skills to place employees where they fit better-where their output will be significant enough to the organization and where the employees will feel confident working.

## **2.2 The Effectiveness of employee retention strategies**

Implementation of employee retention strategies help to manage employee turnover and attract qualified employees in the organization. High employee turnover increases business expenses and has a negative impact on employee's morale. An organization significantly benefits from employee retention programs that have effect on the employer's bottom-line. To have a Successful strategy to counter employee turnover, an employer needs to conduct exit interviews. The turnover of key employees can have disproportionate impact on the business. The people organizations wish to retain are often the ones that are most likely to leave. It was claimed by Reed, (2001) that every worker is five minutes away from handing in his or her notice and 150 working hours away from walking out of the door to a better offer. There is no such thing as job for life and today's workers have few qualms about leaving employers for greener pastures. Hence concerted action is required to retain talented people but there are limits to what an organization can do. It is necessary to plan as an organization to encourage the greatest contribution from existing talent and to value them accordingly.

A retention strategy takes into account the retention issues the organization is facing and out ways in which these issues can be dealt with. This may mean accepting the reality as mentioned by Cappelli, (2000), that the market, not the company will ultimately determine the movement of employees. Attracting and retaining quality people for the organization are critical tasks due to competition with others for talents. Competitive intelligence gathers data and information regarding competitors and industry compensation benefits program. From this programs corporate can be developed that contribute to corporate culture that will make the company an employer of choice and a developer of mental, emotional or team development tactics. Development reviews are one way to achieve professional development, for example, as long as the time and resources are available to complete them. Concerning the benefit of offering professional development to employees, it should be noted that taking the time to create a welfare policy that advances personal and professional growth of employees can decrease employee turnover rate (Rhodes, 2010). Creating employee welfare also enhances workplace satisfaction of the employees, as well as encourages open communication between managers and workers (Shaffer, 2008).

In an organization where employee development is permitted, employee loyalty is guaranteed based on the fact that employees have confidence that their advances and creativity will be acknowledged and given room in the company or organization. Ledlow and Coppola, (2011) also recognizes a good leader gives his or her employees room for professional development. Such a leader does not lead selfishly, but knows that he needs to equip the junior employees in his organization so that when he leaves, the organization

will have a new leader whom he will be acknowledged for having developed. Involvement of the company in career management, which is the provision of opportunities for people to develop their abilities and their careers in order to ensure that the organization has the flow of talent it need to satisfy their own aspirations. It leads to the integration of individuals within the organization in accordance with assessment if organizational needs, defined employee success profiles and the performance of individual members of an organization.

Woodman et al. (1993) concurs that employees in an organization where the leadership allows participatory involvement in key decisions gives the employees a sense of recognition and self worth in that organization hence increasing employee retention capabilities. Organization culture represents the 'social glue' and generates a "we-feeling", thus counteracting processes of differentiations that are an avoidable part of organizational life. It offers a shared system of meanings which is the basis for communication and mutual understanding. If these functions are not fulfilled in a satisfactory way, culture may significantly reduce the efficiency of an organization.

Employees' engagement and commitment is the shape of loyalty in an organization. Porter et al. (1974) defined commitment as the relative strength of the individual identification with involvement in a particular organization. In 2006, a credible conference board in the United States defined employees' engagement as having a superb connection that unites the employee with organization. Institute for employment studies in the United Kingdom, Robison et al (2004) noted that engages employee is someone who believes in and identified with the organization. Commitment is organization

oriented and engagement is job oriented. The characteristic of commitment is identified by Mowday et al (1982) as a strong desire to be in the organization and aligned to values, and the goals of the organization. Peter and waterman (1982) over emphasized the benefit of making employees enthusiastic in their roles which makes them committed to the organization. A company that emphasis on employee retention expresses an employee values proposition and becomes an employer of choice. What seems to be happening is that successful firms are able to meet people's needs both for a good job and in a 'great place' they create good working environment. In this way they become an employer of choice. People will want to work there because their individual needs are met for a good job with prospects linked to training, appraisal and working with a good boss who listens and gives some autonomy but helps with coaching and guidance (Purcell et al. 2003).

Most employers do not make turnover a business case and will just throw money at the problem. It is important to note that pay and benefits are not the only reasons why employees leave their jobs, companies frequently raise or sweeten the compensation package when valued employees look like leaving. A certain amount of staff turnover is healthy. When an employee has a lower performance rate or lower production rate that is lower than the company's expectations, turnover of such an employee is normally a good thing the company can afford. Such an employee's importance to the company is normally far much lower than the benefits he/she brings to the company hence the company only incurs losses maintaining him/her (Sullivan, 2009). It's only fair to say that organizations need to be rejuvenated with fresh blood to avoid becoming stale, stunted or underperforming (Brown, 2011).



Employee retention strategies help the organization to improve productivity. There is a direct link between employee training and their retention rates. Training helps to measure improvements in reduced turnover, increased sales, better customer service and improved communication and morale of the concerned. Employees in ongoing training feel that their employers are interested in them doing a better job and really care about them. Employee retention helps to ensure that staff are satisfied and are happy with their jobs and this leads to customer satisfaction (Hammer, 2000).

Focussed employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the current market trends. In an intensely competitive environment, where HR managers are poaching from each other, organizations can either hold on to their employees tight or lose them to competition. For gone are the days, when employees would stick to an employer for years for want of a better choice. Now, opportunities abound.

It is a fact that, retention of key employees is critical to the long-term health and success of any organization. The performance of employees is often linked directly to quality work, customer satisfaction, and increased product sales and even to the image of a company. Whereas the same is often indirectly linked to, satisfied colleagues and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning. Employee retention matters, as, organizational issues such as training time and investment, costly candidate search etc., are involved. Hence, failing to retain a key employee is a costly proposition for any organization. Various estimates suggest that losing a middle manager in most organizations, translates to a loss of up to

five times his salary. It is worse when fresh talent is intensively trained and inducted and then further groomed to the successive stages. In this scenario, the loss of a middle manager can often prove dear.

Employee turnover can be disruptive and costly to an organization. It is the largest though widely unknown costs an organization faces. It is necessary to measure employee turnover and calculate its costs in order to forecast future losses for planning purposes and to identify the reasons that people leave the organization. Strategies can be made to attack the problems causing unnecessary turnover and to reduce costs. There are different methods of measuring turnover. These are Employee turnover Index, this is calculated by taking number of leavers in one year over average number of employees during the same period divided multiplied by a hundred. A stability index considers the number of one year's service or more divided by number employed one year before multiplied by a hundred. This index provides an indication of the tendency for longer-service employees to remain with company and therefore shows the degree to which continuity of employment.

Employee retention strategies ensure that the costs associated with turnover are reduced. These are Recruitment of replacements, including administrative expenses, advertising, screening and interviewing, and services associated with selection, such as security checks, processing of references, and, possibly, psychological testing. Administrative hiring costs, lost productivity associated with the interim period before a replacement can be placed on the job, lost productivity due to the time required for a new worker to get up to speed on the job. Lost productivity associated with the time that coworkers must spend

away from their work to help a new worker. Costs of training, including supervisory and coworker time spent in formal training, as well as the time that the worker in training must spend off the job. Costs associated with the period prior to voluntary termination when workers tend to be less productive. In some cases costs associated with the communication of proprietary trade secrets, procedures, and skills to competitive organizations. Public relations costs associated with having a large number of voluntary or involuntary terminations in the community spreading gossip about the organization.

The cost of employment can be considerable. Cost estimates are useful as means of backing up a business case for taking action to reduce turnover. Research by Phillips (1990) found out that the visible costs associated with inefficiencies arising when the cost was vacant 33% and the inefficiency of new workers (32%). Twelve months were required for executives to be comfortable in a new position and thirteen months were required for a new employee to achieve maximum efficiency. While companies routinely keep track of various costs such as supplies and payroll, few take in to consideration how much employee turnover will be. In recent years managers have been preoccupied with reducing the size of the workforce, closing plants and encouraging people to leave. In times of economic growth the emphasis changes to retaining people with required skills. It is based on this costs that managers need to devise several methods of retaining employees so that the cost incurred on their turnover is reduced- motivating in relation to aggressive management are some of the factors managers devise to combat high turnovers. Aggressive management refers to the management of devising strategies aimed at making an organization more competitive and then taking the initiative of following up

with the strategies to effect their relevance to the organization (REVA Management Advisors, 2009). A company should not only depend on motivating its employees to create high retention levels (Spiro, 2010)

Effective retention strategies help in succession planning. In today's fast-paced world, you can't miss a beat, especially when it involves your people. Helping talent grow in your organization takes time and requires your constant attention. Having a system in place to identify and develop strategic talent and critical roles today and into the future within your organization transforms an often-elusive process into one that reaps the rewards of a healthy talent pipeline. Employees identify more strongly with companies that keep their employees continually and directly informed about their plans, goals and operations. Organizations are encouraged to use newsletters, intranet, and weekly production briefings on both targets and performance. It is also suggested that companies hold regular (e.g. quarterly or biannual) whole-of-organization briefings on plans, progress and performance. Widespread information sharing leads generally to increased trust in management, and reduced resistance to change and this enhances employee retention in the company.

Emphasis of teamwork and employee engagement also has direct relationship with reduced employee turnover. The stressful impact of high-paced production systems on employees is lessened by the social support that derives from working as part of a cohesive team. The extent to which the employees perceive valued and can exercise some personal control over the pace and demands of work also determine their level of competitiveness. High commitment work systems generally stress the development of

strong working ties ('links) between co-workers by means of the formation of naturally interdependent teams of employees who are collectively rewarded and held accountable for a defined output. Team-based work systems are historically associated with improved quality of production, and reduced turnover (Corduroy, 2005).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.0 Introduction**

This study adopted a case study design. A case study is the in-depth, multifaceted investigation of a single social phenomenon (Feagin, Orum, & Sjoberg, 1991). Since this study concentrated on the case of British- America Insurance Company to collect in-depth data, a case study is justified as the design method because it could deliver the in-depth information sought.

### **3.1 Data collection**

Collection of information was done using an interview guide. Interviewing ensures high quality data is collected and also a high response rate. The interview guide is comprehensive and sought to have the respondent give as much information as possible. The Human Resources Manager and the Chief Accountant, general manager, life and general Insurance were interviewed.

### **3.2 Data Analysis**

After the interviewing was completed, the information was collated together and content analysis done as per the objective of the study. The findings were presented and conclusions and recommendations were developed from the presented findings.



## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.0 Introduction**

This section gives a detailed data analysis and a lucid discussion of the findings of the analyzed data. The study was an investigative study which sought to determine whether British- American Insurance has incorporated any staff retention strategies and policies. Additionally, the study sought to determine the effectiveness of these strategies and the policies. Further, the study sought to determine the contribution of these strategies to the company's success in boosting the organization performance and productivity as well as cutting down on costs in the organization.

The study employed an interview guide to collect the data for analysis. The researcher interviewed the Human Resources Manager, Chief Accountant and managers, life and general insurance. These are key objects to shed light on not only the staff retention strategies enshrined in the organization, but also their contribution to the contribution of the company overall goal of cost reduction and maximization of its returns. By employing a well structured interview guide composed of formal, friendly and ethical questions ensured a wide coverage while keeping to the point for in-depth information collection. Furthermore, the researcher ensured a good environmental for the interview so as to gather relevant useful information from the respondent.

### **4.1 The Respondent profile**

The respondents were managers in the organization from these outlined units. These are general insurance business life insurance, Finance and Human resources. The managers



have spent some considerable time in the company in had a holistic view of the various issues that are affecting staff performance and retention in the company. The interview sessions were very insightful and the representation of the managers was a representation of the entire business which is divided into life and general insurance and the support service of Finance and Human resources. The profile of the managers that were interviewed is as follows, the human resources manager is a lady thirty five years old. She has been in the company for the last ten years and has grown in the organization to hold the current position. She holds a masters degree in Business Administration and bachelor of Education degree. she is also holds a diploma in Human resources management. The chief accountant has been in the company for fifteen years. He is forty four years old. He holds a bachelor degree in commerce and is a certified Public Accountant. He currently is pursuing a master's degree in Business Administration. The manager life business is thirty eight years old. She has been in the company for five years. She holds a bachelor of science in mathematics & chemistry. She is also holds a diploma in Human resource management and Insurance. The manager life is thirty six years old having served the company in various capacities for the last ten years. He holds a bachelor degree in Commerce and a diploma in Insurance.

#### **4.2 Retention strategies adopted at British – American Insurance.**

The respondents revealed that the British- American Insurance company Kenya staff has continued to grow year after year. The company only recruits as a matter of necessity. Importantly, the organization employs a rigorous selection process ensuring that only the superiorly talented personnel get to be hired in the company. This involves a candid

analysis of the potential employee competencies and skills. The hiring process takes slightly varied shape depending on the nature and purpose of the recruitment. For example, a replacement of a senior manager of a department requires different tactics compared to the massive recruitment due to business expansion. However, irrespective the nature and purpose of recruitment, the task is a process involving aptitude tests and interviews.

After selection, the staffs are deployed to their respective departments based on their competencies and skills. This follows a thorough training to not only to introduce the recruits to their job, but above all to the company and its culture and practices. The human resources manager confirmed that the great success in British-American Insurance hiring process is the superb training conferred to the employees before they begin to work. Additionally, the employee development and training is a never-ending process. This ensures that the staffs are up to date with their job and therefore always up to task hence a great operation in the entire organization fortifying the capability to attain the goals of the company.

In terms of numbers, the staffing in British-American Insurance has grown to 267 as at September 2011; a rise from 260 as was at the June 2011. Notably, the level of staffing has been swelling year after year. Moreover, the undergoing tremendous growth considering also its expansion initiatives into the east African region and on its listing in the Nairobi stock exchange. The Human Resources manager as well as the accountant appreciated the importance of the human capital in the company: they were both in congruence that, their employee is the most important asset of their organization. Further,

the organization deploys the recruited staff among its eight departments considering the staffing deficit demands of the department as shown in the following diagram.

#### **4.3 Effectiveness of Employee Retention Strategies in British- American Insurance.**

The success of employee retention strategy is based on the premise that the responsible manager identifies and timely responds to the staff motivation factors with appropriateness (Armstrong M. & Baron A. 2003). Much literature vividly reveals that the effects of failure to retain the staff can far reaching especially if a massive employee turnover occurs. The most adverse consequence has been described as the loss of 'the organization memory' which occurs when key older staff resignation leaves an organization with younger lot who know less of the entity. In this respect, organizations are forced to develop strategies and policies reinforced by clear processes to motivate their staff, hence achieving retention.

The researcher found out that British American Insurance Company has developed strategies to motivate their employees. Firstly, the interviewed managers revealed that their rigorous hiring process is a plus to the company since the company is able to identify talented individuals in the company. The company then job fits the new staff after which they offer continued training to enhance their skills. This keeps the staff up to the task they are meant to perform hence they are not strained at work. Additionally, the company has developed e-learning programs where by the staff can get the information they need for their effectiveness and efficiency at work. This helps the company to have informed and motivated staff hence excellent performance and retention.

The importance of the working environment cannot be underrated for effective performance. The research revealed that British American Insurance Company has upheld a culture where every staff feels important in the organization. Coupled with a pleasant working environment, the employees work as interactive groups where everybody feels to be somebody. Moreover, the open door policy guarantees the staff in the company to freely air their views on both parallel and vertical dimensions in the company with ease. This gives the staff a sense of belonging in the company with result that the staffs are motivated and performance improved hence a plus to the company and motivation to remain in the company.

Literatures divulge that British-American Insurance has an objective where everybody knows their roles in the department they work. Furthermore, the staffs are asked to develop their own objectives which they discuss with their line manager at beginning of every financial year. The staffs are however guided to develop objectives which link their goals to the effectual performance of the company. This way the employee is able to be focused to the interests of the company objectives. Further, since the objectives are owned by the staff their performance is guaranteed to a greater extent since they will gauge their own performance in the company in respect to the set objectives. The employee who knows what they are meant to do is motivated to a greater extent than one who is not. Moreover, the employee meeting of the goals is linked to the level of bonuses received at the year end.

A company should engage itself in not only the business matters of the company but also on the social well being of their employees. The study found out the company also offers

social goodies to the employees by ensuring good working conditions and also organizing a get together gathering for the staff in a quarterly basis. This helps to foster good working relationship with the entire employee and their managers. The employees are able to open up and express themselves and this helps to nurture good working relationship back in the office. While this relaxes the staff as they play and interact in different setting away from office, it also helps reduce fear and any animosity existing among staffs.

Even though the company engages in all these activities to retain the employees, there were variations concerning the laid out strategies. The study revealed that there are no clearly laid out strategies by the company for employee retention. All that has been done so far to retain employees may be considered to fall under departments as supervisors come up with them as they feel necessary. These include promotion from within where job openings are open for qualified insiders first before external candidates are considered and career developments which involve trainings and giving study supports.

The majority of the employees are happy with the culture of the company. The study showed that there is a health working relationships due to good communications brought about by the open door policy. This creates a close knit unit like a family that forms a very good team work, there is sharing and understanding among the staff, they help each other, no witch hunting and victimization that can arise due to openness. This have an impact in the company as it makes the employee have a sense of belonging and thus reconsider leaving.



Many people noted that quality supervision also has a considerable amount of influence on employee retention in many ways. On one hand, employees will feel pried on if the supervisor is on them like checking on their progress always. Other employees take this as full involvement with the supervisor and feel like they belong and are valuable to the program with the supervisors' guidance, taking it as mentorship and will want to stay longer with the company. On the other hand, the former group feels trusted with the responsibility hence they work to deliver in order not to betray the trust. With this, give the space policy, where by once the goals and objective are laid out clear, and staff knowing their duties are left to do their work, may make some staff feel detached and hence would want to leave for some company that will make them feel connected with their superiors.

In British American Insurance Company, there is the less supervision policy and this has lead to some employees leaving. The supervision is not uniform; there is less follow up, no appraisal, no feedback and no involvement. As mention in the literature review, the quality of supervision an employee receives is critical to employee retention as some people tend to leave the managers and supervisors more than they leave companies or jobs. Quality supervision encourages staff, make them feel valued and have ownership of the company hence increasing their productivity once departmental objectives are known by all. This way the level of supervision can be minimized.

#### **4.4 The Challenges with employee retention strategies at British- American.**

The research conducted, disclosed that employee turnover has been very high with 11 staff members leaving the company in the year 2011. Out of the 11, 6 were considered

very talented individuals. Table 4.1 here below indicates rates of staff turnover in a period of three consecutive years. The Majority of the respondents affirmed that this high employee turnover adversely affected the business both socially and technically. Firstly, business continuity was affected for a while. The remaining staff is forced to take over their responsibilities before another person could be hired. Due to added responsibility, employees may feel overworked and this can result in poor output and committed errors escalated. Employee turnover also affects the morale of staff members. Some may feel saddened with the departure of a colleague which in turn affects their productivity.

**Table 4.1**

Year	2009	2010	2011 to date
Estimated Rate of staff turnover	4.1%	5.3%	6.1%

**Rate of turnover in the last three years Source: Researcher 2011**

**Table 4.2**

Department	Total Number of leavers to date
Customer service	1
Underwriting	4
Human Resources	1
Actuarial Services	4
ICT	1
Pension Administration	2
Internal Audit	1

**Employee turnover in the organization as at June 2011 as per department**

Notably from the table 4.2 above, the underwriting and Actuarial services has a huge level of employee turnover in British American Insurance. The employee turnover has got cost implications on the business of the company. This can be recruitment costs that are incurred in the process of obtaining a replacement for the departing employee. Normally, the company has to advertise, short list, interview and finally induction the new employee. It is worth noting that the supervisor in charge may give little attention during this process to ensure that the right person fitting with the previous one is selected.

The respondents agreed that the company conducts exit to understand why the employees leave the company. The main cause for the staff turnover is the urge to discover greener pastures in terms of remuneration package. Moreover, some leave because they cannot foresee room for growth in the company to upper ladder professionally. Besides, Minimum supervision may also lead to employees leaving to another company because with little supervision, there is the notion that there are no challenges and also no motivation from the supervisors to even increase their responsibilities. This may entice the staff to leave the company feeling underutilized leaving to search for a job placement where they can feel valuable.

Another issue that emerged is that, there is no competitive remuneration within the company. A company should be able to evaluate the employees and remunerate them according to their performance as a reward hence feel motivated for what he does. There is also the issue of internal inequity because the company does not offer competitive remuneration. This is cited because of same level increment, and so more achieving employees feel used with no reward for performance. Notably, British-American is



considered a good trainer. This makes the employees of the company be poached by other companies due to their explicit skills and talents inculcated while in the company. There was a variation in the issue of competitive remuneration. While others suggested that the inequity or lack of competitive remuneration make some staff feel demoralized because of salary disparity. The major blow to the company is that the company has no well outlined retention strategies and policies. These roles are embedded in the departments or divisions. Moreover, there exist no written regulations to guide the path to career development; no clearly set up steps for improvement.

The cost a company incurs as a result of employee turnover is high and immeasurable. This is so because the loss of an employee impacts an organization in diverse ways. The costs can be categorized as the lapsing costs and new staff recruiting costs. Majority of the respondents agreed the company incurs huge costs of recruiting a new staff through post advertisement, short listing, interview and induction costs which involve time and finance. The company has to use company production time to conduct interviews, administer test and the induction of the new staff. It is also during this period that other staff members stretch themselves to cover for the gap created due to the employee leaving. This affects their productivity which is reflected in the company's output.

**Table 4.3**

No. of staff	2008. '000'	2009 '000'	2010'000'
Labor costs (staff Recruiting and motivation costs)	472,441	533,036	577, 403,

**A table of Staff Labor Recruiting Costs Source statements**

As notably in the table 4.3 above, the cost of employee recruitment and motivation has slightly reduced over the years. This is caused by the slight reduction of costs of hiring as the company has minimized advertising costs with replacement with technology. However, the variation came in, in the issue of the cost incurred as a result of the customer loss especially if the company developed a relationship with the customer because of the employee, the relationship may be severed. Some respondents were for the view that the relationship with a company once established, remain and that the customers leaves only when they feel that their need are no longer met. Poor customer service that results because of the departure can also cost a company a fortune as the productivity goes down and the brand image is also affected. Nonetheless, British-American Insurance has not been badly impacted in this respect.

## CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1: Summary of findings

This chapter offers the conclusions of the study in relation to the findings after the content analysis. The findings of this study has clearly revealed that retention strategies adopted by a company have a direct effect on the cost and productivity of the company as it reduces the costs and ensures high levels of productivity. However, the challenge lies in the capability of the company to succeed in retaining the employees who have key talents . The success of the strategies is also very much dependent on top executive participation in developing and following up their implementation.

The company has employed rigorous selection process ensuring that only the superiorly talented employees get to be hired in the company. This involves candid analysis of the potential employee competence and skills. This is achieved by use of several interview tests like the aptitude, psychometrics and the panel interviews. After selection the employees are deployed to departments where their skills and competencies are well aligned. Training of the new and in the organization have been very critical to staff retention. This ensures that the staffs feel empowered and appreciate the acquisition of new skills that make them more productive in their assignment and this gives intrinsic motivation to them. It also through the training that the new staff is oriented into the cultures and practices the company and this makes them settle fast into their career and reduce the lead time to being productive. It was also worth noting that training in the company is a continuous process that is addressed internally and externally.

The company has also underscored the importance of having a good working environment. This has been intertwined in the culture of the company. For instance the company adopts an open door policy and open plan sitting arrangement. This ensures good interaction among the staff and their managers or supervisors. This makes the employees to have a sense of belonging and has positive impact on the productivity and retention of the individual. The open door policy also guarantees the employees an opportunity to freely air their views on various issues with ease. These continuous conversations and discussion with the staff have led to harmonious working relations where issues are arrested in good time and hence have immensely contributed to retention of employees.

The performance model in use in the company contributes to retaining the employees because it is an engaging process. The employees alongside their supervisors will outline the key performance indicators and their measures and targets. The employee in then left to define their performance and be innovative to ensure that they meet their performance targets. This is done within the defined contexts and continuous performance conversations between the supervisors and is always on going. Performance is also is linked towards reward decisions that keeping motivating to staff to keep on in the company and work hard.

Quality supervision of employees by their supervisors contributes to employee's loyalty in the company. This immensely defined by the open door policy that helped to reduce bureaucracies in the staff management and supervision. The company has also had a

basket full of benefits for staff that help in making them feel they belong and have a future in the company, its insurance packages, loan facilities, social welfare is a key thing in the organization and those interviewed felt that they these benefits have a great impact on the employee retention in the company.

The finding of this study also indicates that while the company employs many retention strategies that ultimately influence employee loyalty , the company still had retention issues with especially very key and specialized talents for example in actuarial services unit. This field has not gained many trained professional and hence the few that are already in this field are constantly poached by peers in the industry. It hence leaves the demand to dictate the salaries and rewards payable to them. The finding of the study also found out that from the exit interviews done by the human resources manager, the key factor that influence in the company is compensation and looking for greener pastures.

## **5.2 Conclusions**

The study findings revealed that British American Insurance Company has processes and practices which though not documented in a formal policy help the organization to hold their staff to the company. Quite noticeable, in spite of the fact that the retention strategies at the British American Insurance Company are not very effective, the organization has been successful to an extent. The company carefully recruits, inducts and deploys the employees to various departments following their skills and talents. The staffs are then trained as per the tasks they perform in the department. The staffs are

compensated with bonuses as per their performance levels. Additionally, the company ensures a good working environment is maintained in the company.

Despite the company concentration to retaining their staff, the employees still leave to other companies. Although the level of staff turnover is little, it is wise to note that if the rate fluctuates to higher levels as years go by, the company will lose immensely. The study revealed that the company maintains a sufficient plan to avert staff turnover yet people keep on shifting to other companies. The costs of staff retention in the company are quite impacting to the company.

In conclusion, it can be stated that British American Insurance Company do not have a clear retention strategy. The departments are however sensitized on the issue of staff retention. The strategies adopted by departments are not effective as staff still leave the entity. Good, clear and understandable strategies motivate employees which ensure the continuity of the company operations without interruptions. This happens when employees would feel valued and have ownership of the company hence increasing the companies' output. Moreover, the costs of staff retention and developing staff will add value to the costs if the staff so developed contributes to the company without shifting to other companies.

### **5.3 Recommendations of policies for implementation**

The lack of sufficient formal employee retention strategies and policies may adversely impact on the performance of the company. This leads to employees entry and departure being rampant as the employees will leave the company as evident in the British-American Insurance Company. The study thus, recommends that British American

Insurance Company, come up with written strategies of employee retention as well as policies to implement them. This should be initiated as policy whose score card lies with all the heads of the operating units. It should be clearly communicated and have the support the management. This should also be a flexible strategy that is continually being benchmarked with the industry and the dynamic market to consistently create worth for the employees and hence win their loyalty and this ultimately contributes to high employee productivity.

This study also recommends that the role of a line manager and that of Human resources manager is clearly defined. The human resources has been taken to task solely to account for employee retention. All supervisors should really underscore the importance of having cordial relations with their juniors with a view to mentor, coach and motivate also communicate as a way of giving feedback. This ensures also that any staff grievances are addressed in good time. This kind of cordial relationship between the subordinates goes a long way in influencing employee loyalty and retention and more so the productivity of the company goes up.

The Reward Schemes in the company should performance based and this ensures equity and fairness to employees. It was also noted that there are continuous surveys done to bench mark the organizations salary scales with those of the competitors. Further, organizations should offer Mentorship - a succession plan to equip the staff with relevant management skills. Good human resources practices like job rotation and employee empowerment should go a long way also in safeguarding gaps and loss of productivity when employees leave the organization. The organization should also endeavor to have

succession matrix especially for key positions and this will ensure that the company is always having somebody who is ready now to take the next job in case of exit. This sought of matrix will help to ensure continuous identification of talents in the various business units and continually exposing them to challenge and training and mentoring on any need area. This ensures transition in the event of exit of key staff and those in key positions.

The study also recommends to the organization to enhance collection of analysis of turnover data so as to be able to establish various trends on retention and be able mitigate the issues arising in good time. Exit interviews should also be emphasized and reports generated that will give the management a guide to the various issues that are influencing employees to leave the organization.

#### **5.4 Recommendation for further studies.**

The study of employee retention and effectiveness of the same is critical to all business to ensure sustainability of the business. I suggest further studies on measurements used by companies to ascertain effectiveness of the retention studies adopted by a company. Another area of study would be the factors that motivate employees of the different generations. This would help to link employee motivation strategies and employee retention strategies. Another area of study would be impact of compensation strategy as a key retention strategy in the insurance industry.



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## APPENDICES

### Appendix A: Letter of introduction

August 29, 2011

Dear respondent.

#### **RE: REQUEST FOR RESEARCH DATA**

I am an MBA student at the University of Nairobi. I am requesting to submit as part of my course work assessment, a research project on effects of employee retention strategies on employee turnover.

This is to kindly request you to assist me collect data by completing the attached questionnaire. This information will be used exclusively for academic purposes and findings shall upon request be availed to you.

Your assistance will highly be appreciated.

Thank You

Yours faithfully

Jane Gikonyo

## **Appendix 2: Interview Guide**

An interview guide on effectiveness of employee retention strategies in British-American Insurance Company

- 1 Does your organization engage in activities to motivate the employees?
- 2 What are some of the retention strategies that have been adopted by the company?
- 3 What has been the rate of turnover in the last three years?
- 4 What has been the implication of turnover on the business?
- 5 Do you conduct exit interviews?
- 6 What are some of the factors that lead to employees leaving your company?
- 7 To what extent does competitive remuneration have an impact on employee retention?
- 8 What do you do to ensure that there is clear career growth and retention in the company?
- 9 To what extent does employee career enhancement and development contribute to employee retention?
- 10 What do you think of the organization culture in the company? Has it had an impact in reducing employee turnover?
- 11 To what extent does quality supervision influence employee retention in the company?
- 12 Has quality supervision of staff had an effect on employee turnover in the company?
- 13 Are there identifiable key talents/ skills that are easily poached?
- 14 What does the company do to ensure retention of this talent?

- 15 Which other ways are you looking into reducing turnover and especially of key talents?
- 16 What costs would you highlight that have affected the company as a result of employee turnover?