

**RELATIONSHIP BETWEEN NON-MONETARY EMPLOYEE MOTIVATION  
AND EMPLOYEE RETENTION IN THE INSURANCE SECTOR: A CASE OF  
MADISON INSURANCE COMPANY KENYA LIMITED**

**BY**

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## ABSTRACT



The insurance sector in Kenya is one of the contributors to the Kenyan Gross Domestic Product (GDP). As part of organizational growth the sector has to find a way of maintaining its most important capital, the human capital. According to a review done by Insurance Regulatory Authority in Kenya in 2014, the insurance sector is expected to increase its contribution to the G.D.P from the current 3.1% to 5% in the next five years. Madison Insurance Company Kenya Limited (MICK) is one of the players in this industry with a market share of 1.8% of the insurance industry. The employee turnover rate however has increased in the last two years from 22.2% to 35.3% in the years 2013 and 2014 respectively, despite a continuous review of remuneration. The main purpose of the study was to investigate the relationship between non-monetary motivation and employee retention in the Insurance Sector. The specific elements of the non-monetary factors that co-relate highly with employee retention is unknown. The objectives of the study are to establish the relationship between job security; employee career development; work environment; employee recognition and employee retention in MICK. The conceptualization views non-monetary motivation factors as the independent variables, while employee retention factors are the dependent variables and was guided by the Herzberg's Two Factor Theory. The study was conducted through exploratory research study design where the researcher sought to establish the perceptions of respondents on the non-monetary motivation factors. The study area was Madison Insurance Kenya. The target population was the 182 junior employees and supervisors of Madison Insurance and the sample size was 65 obtained through simple random sampling. The study used questionnaires administered by the researcher to collect data. Reliability of the instrument was measured using Cronbach's Alpha Coefficient registering a score of 0.78. Validity was tested with the help of a human resources expert. Factor analysis was used for data analysis. The study established that job security had insignificant relationship with retention as it had only one factor loading. Career development elements, promotion opportunity ( $r=.748$ ) and addressing development needs( $r=.706$ ) two factor loadings. Work environment attributes, good work life balance ( $r=.835$ ), relationship with supervisor ( $r=.875$ ) and healthy/safe environment ( $r=.875$ ) had three loadings. Employee recognition attributes, groups are recognized ( $r=.801$ ); consistency/fairness( $r=.783$ ); recognition when doing a good job ( $r=.787$ ) and employees recognize each other ( $r=.766$ ) had the highest number of loadings. The results show that these elements are above ( $r=.7$ ) with high number of factor loadings and so concludes are important in determining retention of employees. The study concludes that availability of these non-monetary forms will increase the chances of employees staying in an organization. The study is important because it will give the human resource department in MICK and the industry a clear picture on the specific non-monetary forms of motivation that can help in employee retention. To academics, it will underscore the extent to which these forms of motivation are perceived important and will also allow for further research on the appropriate model to measure perceptions with regard to motivation. It will add to the data in the insurance sector the importance of these forms.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background to the Study

Motivation is defined as a set of processes that cause people to behave in certain ways or what makes people behave the way they do. Motivation is derived from the word motive, which is an inner force that moves a person to behave in a certain manner. Motives stem from both biological and psychological needs its therefore behavioral concept. Cole (1999) defines motivation as those processes, both instinctive and rational, by which people seek to satisfy the basic drives, perceived needs and persons goals, which trigger human behavior. Pinder (1998) describes work motivation as the set of internal and external forces that initiate work- related behavior, and determine its form, direction, intensity, and duration. Work motivation is a middle-range concept that deals only with events and phenomena related to people in a work context. The definition recognizes the influence of both environmental forces, for instance organizational reward systems, the nature of the work being performed ; and forces inherent in the person , for example, individual needs and motives; on work-related behavior. An essential feature of the definition is that it views work motivation as an invisible, internal, hypothetical construct (Pinder, 1998).

Human motivation begins with human needs, and when they become very strong, people will engage in efforts to fulfill them. This results in people experiencing various levels of need satisfaction. The extent to which people find their needs satisfied serves to influence the future choices to satisfy the same or similar needs. Armstrong (2009) views motivation has largely being a push factor, a push factor to make one gain something.

Motivation is a very key component in any human resource management practice and both monetary and non monetary forms of motivation serve a role on employee retention and consequently performance.

Madison Insurance Company Kenya (MICK) is a player in the industry with a market share of only 1.8% of the industries' penetration rate of 3.16% as per the Association of Kenya Insurers (AKI) report (2014). As part of a strategy to increase the market share the organization can strategize on employee retention to increase job continuity, reduce recruitment and training costs and have a competitive advantage over others in the sector. In a survey done by the Insurance Regulatory Authority (IRA) in February 2013, staffing was identified as a factor, rated at 14%, to facilitate insurance growth in the following year. It further identified staff retention, motivation, team work, training or seminars and encouragement of integrity and professionalism as avenues of increasing the industries growth. In another survey done by Corporate Staffing Services Limited (2014), more than 36% of Kenyans will change their jobs in 2014, 15.6% of this will be due to job security, 10.5% due to better match of skills and career development and 6.1% due to enjoyment of work. However the survey did not indicate to what extent individual demographic characteristics of respondents have on the reasons for changing jobs. Consequently then we do not know what specific elements of the non-monetary influence their decision to stay or leave.

The employee turnover in MICK is high. Although the company pays considerably well in terms of compensation, in the recent years- 2011 to 2013, Madison Insurance has seen an exodus of employees to other sectors if not other companies within the industry.

The company had an employee turnover rate at 22.2% in the calendar year 2012 and increased to 35.3% in 2013, an increase by 13.1 percent. Most exit interviews indicated no promotions were offered in these particular cases on a considerable scale but rather an offer to fill the same position only this time it's with a different title or to some extent the same (Department of Human Resources, 2014). From the review of literature it is evident that non-monetary forms of motivation indeed have an impact to employee retention. The empirical literature review however indicates these positive relations in different sectors such as education, manufacturing and banking but the relationship between these elements is not known the insurance sector. The above scenario therefore directed the researcher to the problem of this study which is to establish whether there is relationship between non-monetary forms of motivation and employee retention in the insurance sector in Kenya.

As much as managers are constantly searching for ways to create a motivational environment where employees work at their optimal levels to accomplish company objectives, employees are equally in search of places that may not necessarily compensate well within a certain level of career but which offer proper non-monetary motivation to make them comfortable. By nature, human beings are comfort seekers. They seek for means of making their lives comfortable. They pursue the needs they feel are relevant and sufficient to them. The study sought to find out the effect of these forms of motivation to retention of employees with regard to their ages, gender and the in the Kenyan labor market. The researcher acknowledges the fact that the labor markets are different, industries are different and thus the respondents in different legislations could have different responses from what has been conducted earlier in the world.



Most organizations focus on pays, remunerations, and incentives that are monetary in nature. They put in mind a little bit of non-monetary elements. Some of these elements include job security, job environment, career opportunities, work life balance and employee working relations among others. What is unknown however is relationship each of the specific elements of non-monetary motivation factors have with retention. The study investigated how non-monetary forms form influence retention in the insurance sector in the Kenyan job market. The study focused on how and if these factors are regarded in a strong way by employees in a medium tenacity or low tenacity as the monetary forms of motivation.

## **1.2. Statement of the Problem**

Motivation is a very key component in any Human Resource Management practice. Both monetary and non monetary forms of motivation serve a role on employee retention and consequently performance. The high turnover at Madison Insurance in the last two years 2012 and 2013 increasing by 13.1% to 35.3% despite review on pay led to the researcher to find out what non monetary motivation strategies can be implemented to retain talented employees, considering pay increase may be unsustainable in the long run. What is unknown is whether these non-monetary factors will influence retention of employees in the insurance sector in Kenya; how individual employees perceive non-monetary forms of motivation and the significance each of the specific elements of non-monetary motivation factors have with retention. At the core of the motivation question is how well individual worker goals are in alignment with the goals of the employing organization. Policy makers need to assess how well organizational structures and processes facilitate clear communication of organizational goals, provide timely feedback on performance to

workers, and ensure that higher levels of desired performance are met with greater reward. Non-monetary forms of motivation are largely perceived as earned than what are given and are intrinsic. The non-monetary forms of motivation in this study included job security, employee career development, and work environment and employee recognition. This study sought to establish the whether these non-monetary factors will influence retention of employees in the insurance sector in Kenya; how individual employees perceive non-monetary forms of motivation and the significance each of the specific elements of non-monetary motivation factors have with retention.

### **1.3 Objectives of the Study**

The main objective of the study was to find out the relationship between non-monetary forms of motivation and employee retention. The specific objectives are:

- i. To assess the relationship between job security and employee retention in Madison Insurance.
- ii. To assess the relationship between employee career development and employee retention at the work place in Madison Insurance.
- iii. To establish the relationship between work environment and employee retention at Madison Insurance.
- iv. To investigate the relationship between employee recognition and employee retention at Madison Insurance

## 1.4 Research Hypotheses

- i. There is no relationship between job security and employee retention in Madison insurance.
- ii. Career development has no relationship with employee retention
- iii. Employee's perception that their work environment is conducive does not guarantee their retention in the organization.
- iv. There is no relationship between recognizing employees and their stay in an organization.

## 1.5 Scope of the study

The research was limited to examining the relationship between the four non-monetary forms of motivation namely: job security, employee career development, and employee work environment, employee recognition and employee retention. The literature on non-monetary motivation in organization behavior and Human Resource disciplines indicate the multidisciplinary nature of non-monetary forms of motivation.

Literature under these disciplines indicates the intense importance of studying non-monetary forms of motivation and its effect on retention of employees, performance and job satisfaction. This study however focused on the non-monetary forms of motivation and their effect on employee retention on organization. Studies also indicate that the monetary forms of motivation especially salary increments may in the long run be unsustainable especially with an ever changing economic condition and increased production costs. A study of these forms of motivation therefore as a retention strategy will facilitate in innovative ways of retaining organizational employees other than a persistent salary increment which may in the long run become unsustainable. The study

was carried out in Kenya, Madison Insurance Company Kenya Limited. The study discipline is Human Resource Management. The time scope of the study was a period of five months from June 2014 to October 2014. However identification of the problem started December 2012 when the results of the employee turnover in the organization were shared with the management.

In the year 2013 the rate increased from 22.2% to 35.3% despite salary raises and therefore this led the researcher to the core of the study in 2014 January to investigate the relationship between non-monetary motivational elements that would enhance employee retention.

### **1.6 Justification of the Study**

In today's rapidly changing corporate environment, organizations from all around the world want to use maximum potential of their human resources to stay ahead of the fierce competition and survive in the middle of the quest.

Great organizations are built on the inherent value of their human resources as motivated and committed employees almost always allow an organization to grow faster than similar competitive organizations. Well motivated and committed workforce feels that organization value them and they are playing an essential role within their organization which significantly enhance both employees' as well as organizational performance (Shore and Martin, 1989). Employee motivation and commitment is very important for an organization's success. Motivated and committed employees with high levels of job involvement are considered as an important asset to an organization and keeping the employee motivation, commitment and job involvement up is always rewarding to a

business because motivated and committed employees are more productive and higher productivity usually results in higher profits (Denton, 1987).

This study highlighted the importance of Non-monetary forms of motivation to the retention of employees. This was not only applicable to the organization that was sampled but also to other organizations in the insurance sectors. The result will also be used by Human Resource practitioners to know what will retain best employees and also enhance career development of the employees in the organization. Longevity of tenure will be important for the employees to gain the necessary experience and skill so much needed in the job market.

The study would also benefit the academic world, business administration as a discipline and human resource management as a subject because it will have empirical results indicating the gravity of the non-monetary forms in employee retention in Kenya. The choice of Madison Insurance Company Kenya Limited was guided due to; first the problem was identified in the institution and secondly the organizational factors affecting employee retention cut across all the sectors and so a study on in Madison Insurance may give guidance and a possible reflection of what can be practiced in the whole industry.

### **1.7 Conceptual Framework**

This study was conceptualized and guided by Herzberg's two factor theory. Smerek and Peterson (2007) examining Herzberg's two factor theory also assert that people will strive to achieve the hygiene needs because they are unhappy without them but once satisfied the effects soon wears off. This means that the satisfaction of the hygiene factors is temporary. Consequently then employers and organizations should strive to address real

motivators such as achievement, advancement, recognition and responsibility, which are the motivator factors. These factors, according to Herzberg represent a far much deeper level of fulfillment than the hygiene factors. However, both motivator and hygiene factors should be addressed for motivation and retention.

Addressing one set of factors and ignoring another automatically causes satisfaction and increases un-pleasurable dissatisfaction. The factors are summarized in Figure 1.1.

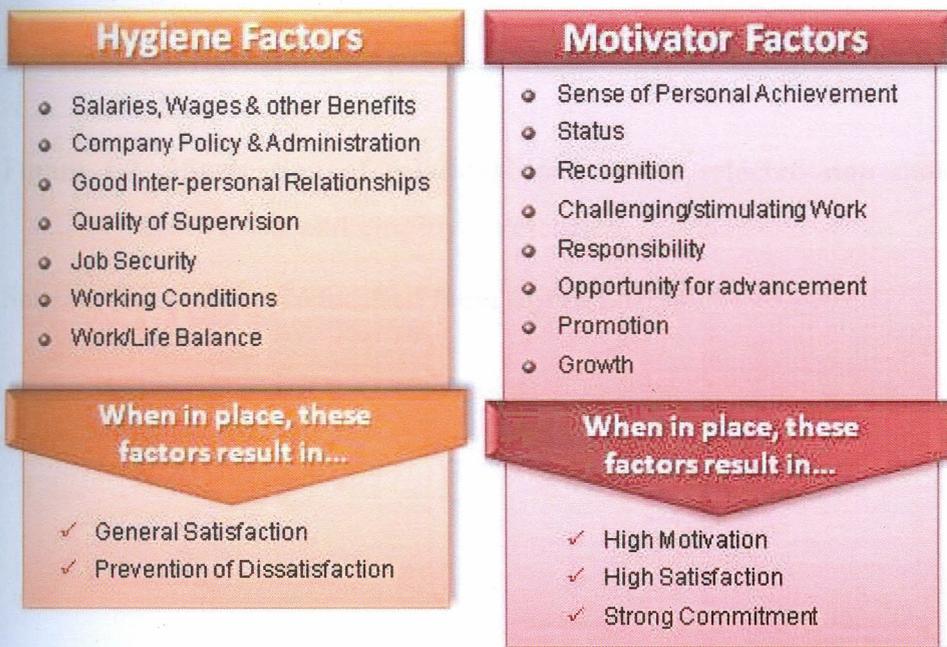


Figure 1.1: Herzberg's Motivator Hygiene Factors: Adapted from [www.learnmanagement2.com](http://www.learnmanagement2.com) March 2015

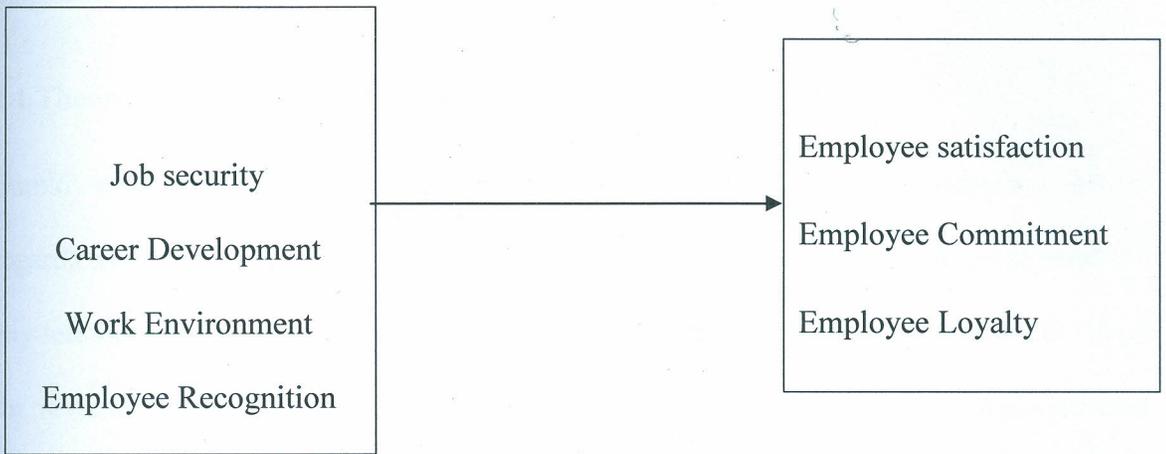
The conceptual framework illustrates how independent variables of job security, employee career development, work environment and recognition have an effect on employee retention. These variables fall under the Herzberg's two factor theory. Job security and work environment fall under the hygiene factors while career development and employee recognition under motivators. This is illustrated in Figure 1.2

**Independent Variables**

**Dependent Variable**

**Non monetary motivators**

**Employee Retention**



**Figure 1.2: Illustration of relationship between selected non monetary forms of motivation and employee retention.**

**Source: Adapted and Modified from Ojera (2013)**

## CHAPTER TWO: LITERATURE REVIEW

This chapter discusses the relevant literature to the study. It is organized into theoretical and empirical review of the relevant literature.

### 2.1 Theoretical Literature Review

Employee Motivation is a widely practiced exercise today across all corporate sectors regardless of their size of being either big or small. Just like the psychological need for any individual to be appreciated over his efforts, the same idea of thought stems the need for rewards and recognition in order to increase the work drive of an employee and increase his efficiency and seriousness towards work. Today organizations from all around the world strive to motivate employees in order to survive and compete in dynamic corporate environment successfully as motivation puts human resources into action, improves level of efficiency of employees, enables the organizations to attain sustainable competitive advantage over the rivals and ultimately leads to the achievement of organizational goals. Motivation is what moves the employees from dullness to interest. Motivation has been defined as the drive or energy that compels people to act with energy and persistence towards some goal (Berman, Bowman, West, & Wart, 2010). Motivation may also be defined as a goal-directed behavior which involves taking a course of action which leads to the attainment of a goal or a specific valued reward (Armstrong, 2006).

Motivation can hence direct behavior in a certain way for the good of the organization. With the above assertion then we realize that motivation has an impact on employee retention. Remember it directs and influences people in a certain way. With regard to

retention then, employees will be influenced to remain in the same place of employment if motivated in certain ways and more particularly then when both monetary and non monetary forms of motivation are put into consideration. A review of Fredrick Herzberg's two factor theory by Kofi and Kwasi (2011) indicates that some factors at the work place cause satisfaction while others dissatisfaction. The two, satisfiers and dissatisfiers act independently of each other and do not depend on each other. He further came up with a classification of motivator and hygiene factors otherwise known as satisfiers and dissatisfiers respectively. Smerek and Peterson (2007) examining the two factor theory also assert that people will strive to achieve the hygiene needs because they are unhappy without them but once satisfied the effects soon wears off. This means that the satisfaction of the hygiene factors is temporary. Consequently then employers and organizations should strive to address real motivators such as achievement, advancement, recognition and responsibility, which are the motivator factors. These factors, according to Herzberg represent a far much deeper level of fulfillment than the hygiene factors. However, both motivator and hygiene factors should be addressed for motivation and retention. Addressing one set of factors and ignoring another automatically causes satisfaction and increases un-pleasurable dissatisfaction.

Money has been noted to be a prime source of retention. A raise in the pay or the compensation of employees who may have indicated leaving an organization is the most common way employers attempt to use in retaining employees.

According to Kohn (1993) monetary incentives encourage employee compliance, rather than encouraging risk-taking, since most monetary awards consider only employee performance. Consequently then, work associates have no encouragement to be creative

on the job. Kohn (1993) presents another argument, that monetary incentives may be used incorrectly; for example, they may boost sales, while masking an underlying problem of poor management. Additionally, employees may be motivated to perform in certain ways to achieve monetary rewards, rather than doing something because it is the right thing to do. With reference to employee retention then this would mean that employees motivated by money will remain in the organization because of the money and not an intrinsic drive. This behavior can disrupt or end good working relationships among associates, since they have become competitors rather than co-workers, which ultimately disrupts the overall work environment and employee relations. However Kohn's argument doesn't put in mind the demographics of the individuals, particularly the age. What is unknown is the appeal money has on different age group of employees. Maslow (1954) as cited by Jerome (2013) presents the hierarchy of needs and one of the needs lower in the hierarchy is the safety and security which includes financial security. Consequently then at a certain age or point in time, money will retain the employee but ultimately it may not be sustainable to the employer and the employee will be in search of intrinsic satisfaction and not extrinsic as Herzberg (1957) categorizes money.

Armstrong (2009) argues the value of money with regard to motivation. He says that we cannot assume that money motivates everyone in the same way and to the same extent. They are those who are much more motivated with money than others.

He further asserts that it is a prime and powerful force because it is linked directly or indirectly to the satisfaction of many needs. Money may in itself have no intrinsic meaning, but it acquires significant motivating power because it comes to symbolize so many intangible goals that are well illustrated in the Maslow's hierarchy of needs

reviewed by applied by Jerome (2013). It acts as a symbol in different ways for different people and for the same person at different times. This however is not the view by Herzberg as examined by Smerek and Peterson (2007). He emphasizes more on the intrinsic psychological contract that motivates from within than extrinsic needs (physiological). In the same book by Armstrong (2009) expresses the dissatisfaction by the psychologists that while the lack of money can cause dissatisfaction, its provision does not result in lasting satisfaction. This demonstrates that other strategies have to be encompassed to retain employees. Money cannot do it alone. This then clearly allows for the provision of non monetary forms of motivation to facilitate employee retention. However what is unknown is how these forms may be regarded by individual employees, in the insurance sector in Kenya.

### **2.1.1 Employee Retention**

Employee retention refers to the practice of, and or the programs that are put in place by an organization to ensure that it keeps the skills and talents it needs for the longest period of time possible (Armstrong 2009). This definition mentions practice, meaning it's a process and programs indicating clear intentions put down by the employer. This therefore denotes that retention is not a one day affair but something ongoing. It is something that should be inculcated in the culture of the organization. Retention is an issue to every employer in the world currently.

According to Finnegan (2012), every executive in the word today is looking at how they can retain their best employees. They also understand that in the economy, good employees will always get an alternative perceived to be better employer. Further they

also know the advantages that come with high level of employee retention apart from work continuity such as reduction in recruitment and training costs.

Armstrong (2009) asserts that the current employees are not just the type you can get rid off and or buy off. That an exit of one employee can be easily replaced with another is no longer the case. Today we have knowledgeable employees and sophisticated customers as well. Customers that may have a personal attachment to certain employees especially in the service industry will most likely migrate with the employees to the new employer. This then translates to business loss for the initial employer. Banking and Insurance are both service industries and have this similarity. This then means that employee retention is no longer just theoretical but has to be practical for competitive advantage. Wangui (2009) further indicates that given the crucial knowledge of ideas, relationship, information and knowledge that employees bring along to an organization, the employers must strive to retain them for as long as possible. The study by Wangui (2009) was carried out in the Banking sector. What is unknown is whether these non-monetary factors will facilitate employee retention in the insurance sector.

Saudi (2011) observed that an employee will decide to stay or exit an organization basing on pay, level of responsibility and autonomy, work environment, job security and how challenging the job is. The above assertion clearly indicates the monetary and non-monetary elements of employee retention.

That both elements are important and a proper balancing of both is important to retention employees of higher caliber with the intention of business continuity and competitive advantage. The above assertion by organization to retain their employees for as long as

possible indicate the seriousness organization put in place in having their employees on their pay roll for as long as possible.

## **2.2 Empirical Literature Review**

This section will discuss the relationship between the non-monetary forms ( job security, recognition, career development and work environment) of motivation and retention of employees.

### **2.2.1 Job Security and Employee Retention.**

Meltz (1989) as cited in Tibelius (2010) defines job security as a situation where an individual remains employed within the same organization with no diminution of seniority, pay, pension rights and other perks. Jeon (2009) on the other hand defines it as ones expectation about continuity in jobs expectations. The above definitions by Meltz (1989) and Jeon (2009) indicate that the employees, with regard to job security retain their employment statuses in the organization as long as they choose to work there. It denotes that the employees are sure of the position they hold now and would be sure of the same or better if they are within the organization. However the above definition does not have a view in the role of the organization in making their employees secured with regard to the job occupied.

Job security plays an important role in both social and working life because it helps individuals not to worry about their future, contributes to maintaining labor peace, increasing organizations productivity and protecting social balance and values. For this very reason, in order not to cause employee's prestige loss in society, employees should not be dismissed from the organizations without reasonable grounds, because job security

has political and social dimensions. Therefore, if in a country employees are dismissed without showing a reason, it is difficult to talk about social order, peace and stability (Fazil 2011). The same is with an organization. Foul play should never be perceived by other employees in case any of them is dismissed and it appears to be an unfair job loss. According to the International Labor Organization, the definition of job security is that employees have protection against arbitrary and short notice dismissal from employment as well as having long term contacts of employment and having employment relations that avoid causality (ILO 1995). The definition weighs more on the responsibility of the employer or the responsible institution to ensure that fairness is perceived by the employees and is seen to be felt that the job in question is secure to the employee. It also indicates on how the employer can achieve this.

As cited by Tibelius (2012), Ashford (1989) indicates that job security determines the attitudinal reactions from the employees. These reactions include reduced satisfaction, reduced commitment and intentions to quit which are threats to job retentions. The assertion thus indicates to the importance of job security to employee retention. An employee will remain settled and focused in a certain job if he or she is contended that the current position they are holding is secure unless they are found to have violated the employment contract.

And even if they are found to have violated the contract there must be a perceived fair channel of dismissal both by the employee in question and most importantly by the employees who are remaining in the organization. If this is not the case turnover intentions will increase to pursue jobs perceived to be more secure. Sukti (2001) opines that the indicators of job security in any organizational setting include: the rate of layoffs

in the organization; valid or invalid rules for layoffs; average length of employment and dispute mechanism, reconciliation channels. These factors as perceived by joining employees and the existing ones will instill the level of job security feelings employees have.

Tibelius (2010) carried out a study to find out the effect of job remuneration on retention, establish effect of employment type on retention and to determine the effect of job security on job retention. He used descriptive statistics for his study. The results indicated that there is indeed a high feeling from the teaching staff that job security affects employee retention in Makerere University. There was a strong feeling that without a secure job the teaching staff remains less committed to the institutional objectives. What is however unknown is what specific components of job security affects retention of employees in the insurance sector. The study by Tibelius (2010) was conducted in an Educational institution.

The relationship between job security and employee retention in an organization should be characterized by a positive relationship between the employee and the employer, basic knowledge by the employer on sensitivity to the needs of employees, knowledge on the rights of employment in the constitution and the labor laws including the frameworks both to the employee and the employer, a good work place motivation and a deliberate effort by the employer to try and uphold the laws with regard to job security.

### **2.2.2 Career Development and Employee Retention**

Career development is an ongoing and formalized effort that focuses on developing enriched and more capable workers (Gomez, Balkin and Cardy, 2010). It can also be defined as an “ongoing” process by which individual’s progress through a series of stages, each of which is characterized by a relatively unique set of issues, themes or tasks”. Greenhaus, Callanan and Goldshalk (2000). The definitions point to the idea that career development is a process that ultimately improves the abilities of the employee. Folkman (2013) says that if a person works hard and gets a pay cheque he has a job. But if a person works hard, gets a pay cheque and learns a new skill he or she has a career. This assertion indicates that a career is a valid one if the job holder learns new skills that may facilitate him or her to move from one level to another. It also indicates that career development has to do with skill acquisition. According to an article, on career development by Six Figures International (2008), the psychological contract of intrinsic motivation factors is a key to an explanation when an employer seeks to find out why people are resigning in disturbing numbers. The article further says that answers can be found in the employee’s attitude towards the degree of support that each employee perceives is being provided for the enrichment of the personal career satisfaction.

He also says that career satisfiers have considerable power to influence levels of employee engagement and intention to stay employed with the organization. Namusonge and Iravo (2012) concluded that promotion offers opportunities for growth of careers and is a motivator factor in the Herzberg’s theory of motivation (1957). Promotional opportunities refer to the degree an employee perceives his or her chances to grow and be promoted within the organization.

Employees expect to work in organizations with opportunities to be promoted to new and challenging positions. A stagnated employee is generally not motivated and will always look for opportunities to fulfill his or her desire. Consequently then, opportunities for training and development are among many reasons why employees will decide to stay especially young and enthusiastic. Training and development develops the ability of the individual and to satisfy current and future needs of the organization. It is not just a blanket kind of training. The training and the career development program in place should focus on satisfying the intrinsic, motivating of a specific staff as they differ from one person to another and from an occupational group to the next. Gomez, Balkins and Curdy (2010) indicate that today career development should try to meet the employer and employee needs:

Debra, Maures and Laurie (2008) writing on engineering staff indicates that managers can also show each employee the tangible steps that he or she can take to grow in the firm. With clearly defined goals, the employee is more likely to follow the plan and less likely to leave. They further assert that a career path should be created through a two-way dialogue.

They further documents that it is just as important for an employee to weigh in on his or her interests or specialty as it is for the manager to identify strengths and areas needing development. Steps on a career path could include such behavior-based activities as learning to manage people and projects, improving listening skills, or dealing with conflict. Other activities could include specific on-the-job training in technical skills related to the job, such as beginning to work on different phases of a project, increasing client contact, or coordinating with other stakeholders in the firm.

In a study conducted by Sinha and Ruchi (2012), to establish factors affecting employee retention, they categorized retention factors into three as follows; the first category included skill recognition, job flexibility, superior-subordinate relationship and organizational commitment. The second included learning and working climate cost effectiveness, communication and career development. The final category included benefits, compensation, cost effectiveness, and training. The study found out that there is a positive correlation between the non-monetary factors in category one and two. In the third category training and development was in fact found out to be affecting intention of employees to stay. Another factor that employees consider essential to stay in a job was the opportunity to learn and try new things. The study concluded that these factors have substantial influence in determining the retention management strategies of the two manufacturing industries. What is unknown from the study is that the perceptions from the employees were ignored and instead manager's views were considered. Further studies of career development and its influence on retention from the review indicate the manufacturing and engineering firms. From the reviews little has been studied has been conducted in the insurance sector in the Kenyan job market on career development in Kenya.

From the review of literature on career development, it is evident that career growth and development is vital for retention of employees. The literature however does not document the perception of the subjects being studied, the employees. The study by Sinha and Ruchi(2012) conducted their study focusing on line managers thoughts and not the employees perceptions. This ignores employee's feelings, perceptions and attitudes towards the influence of career development on retention.

### **2.2.3 Employee Work Environment and Employee Retention**

Work environment consists of the system of work, the design of jobs, working conditions and the ways in which people are treated by co-workers or their managers or supervisors. He further says that the way people are treated is a matter of managerial behavior, achieving work life balance and dealing with such issues as bullying, harassment and stress. That managerial behavior has to do with treating people right. We have to recognize employees as human beings that have needs and wants and not as purely factors of production as labor. The latter makes employees feel unappreciated and opt to leave (Armstrong, 2009). Work environment is an important element in any organizations attempt to improve employees stay. Productivity and efficiency are directly affected by how people work and equally by their work environment. Work environment is one of the factors that influence employee's decision to stay or leave an organization. Work life balance is defined as a state where an employee attains a state of equilibrium that is satisfactory between work and non work activities (Armstrong 2009).

Work life conflict according to Lyons and Higgins (2007) is defined as a form of inter role conflict in which work and family demand are mutually incompatible and meeting demands of both domains is difficult. When this conflict occurs, employees will be forced to look for alternatives that will mostly conform to their lifestyle. This causes resignations increasing turnover in an organization. Work life balance policies however help reduce stress. Whenever there is an imbalance, there is an emergence of stress. These policies should incorporate both the organizational needs and the employees and needs as well.

According to Armstrong a survey done in the United States in 2003, established reduced turnover as a benefit of introduction of favorable work-life balance policies. He says that the policies can lower absenteeism and help to tackle stress and morale issues that can lead to retention problems. A healthy work environment is the starting point of employee retention. A place of good hygiene will attract and retain a better work force of employee's hence better company results. In a research conducted by Noor and Nazia (2008), It was concluded that there is a positive relationship between work life conflict and stress with turnover intentions. They further concluded that there is no one way of solving work life conflict and stress and so organizations should use different policies, practices and strategies. Further to this they also found out that there is a positive relationship between stress and turnover ratio and intentions. High stress tasks, causes employees to look for alternatives-this being jobs-with much less stress. In another study, Nondumiso (2007) carried out in South Africa in the health sector with the objective of describing the factors that influence the retention of nurses in the province.

He used non experimental, quantitative descriptive design. The study established that as a variable stress and workload had a direct positive influence on employee retention. The research demonstrated that a stressful environment causes the nurses to look for alternatives due to the work environment constraints. It was also found out that autonomy in work and flexibility in working hours had in influence in the retention of nurses. The research concluded that no one factor can generate employees' retention. In this case employers and managers should look into an array of non-financial factors that influence the retention of employees. In addition other factors that were found to have a positive relation with retention include autonomy in patient relation, group cohesion with

colleagues and peers, supervisor-subordinate relationship and perceptions of real job opportunities elsewhere. All these relate to employee work environment.

From literature one can deduce that many people are dissatisfied if the working conditions are poor. This then means that they will opt to leave for better places with good working conditions. However from the literature reviewed, we do not know the effect of work environment on retention of employees in the insurance sector in Kenya and whether it could work if combined with the other mentioned non-monetary forms in the study. Research has not been conducted in the sector. This study addressed the relationship between the work environment and retention of employees.

#### **2.2.4 Employee Recognition and Employee Retention**

Employee recognition is the acknowledgement of an individuals or teams behavior, effort and accomplishments that supports the organizations' goals and values. It's the act of showing the individual who has achieved something that they have done well and they are valued and appreciated in the organization (Kohn, 1993).

The reinforcement theory alludes that recognizing employees and rewarding their performance reinforces positive behavior. If a team member feels he or she is appreciated they will much more likely repeat the good behavior in future. When business leaders understand the power of recognizing their employees, the culture of the organization reacts to this recognition and moves in a positive direction facilitating in employee retention. Recognizing employees for their hard work is one of the least expensive and the easiest ways to improve the level of morale and employee retention in an organization (Ashlee, 2012).

Employee recognition ways may be simple or complex. They may include a simple as saying a positive word in regular frequency; gift of excellence; recognizing their contribution in front of the management. This reduces the tendency of employees to feel their supervisors are taking credit for their work and recognizing loyalty and exceeding expectations. Consequently then managers should also know how to recognize their employees or staff. While others may yearn for public recognition, others may not. Employee recognition increases satisfaction. Satisfied employees give an increased output and stay in their jobs longer (Folkman, 2012).

Employees tend to stay when they feel that their capabilities, efforts and performance contributions are recognized and appreciated by others. Philips (2012) says employee recognition is a powerful motivator that can create an environment that facilitates open communication and trust. Further he says an effective employee recognition program can help increase employee commitment, motivation, productivity and retention.

He concludes by suggesting that Human Resource Departments should convey the value of recognition to supervisors and managers. The management should recognize both individual and team performance. Pendulwa (2011), studying on organizational factors impacting on employee retention had the objective determining from literature the impact of organizational factors, career development, remuneration and positive recognition on employee retention. He also sought to determine the reasons for the exodus of employees from organizations and formulate an employee retention strategy for implementation in the organization.

The study established that there is a positive relation between provision of career development opportunities, remuneration, positive recognition and employee retention. The study concluded that managers should have a clear understanding of the needs, abilities, goals and preference of their workforce. From the review, employee recognition has an effect on retention. The studies reviewed however focused in the health and manufacturing sector. What is unknown thus is whether work environment matters in the Kenyan setting in the insurance sector. What is also not known is which particular components of employee recognition as itemized in the studies may have a likelihood of influencing the decision of an employee to leave or stay and the magnitude based on the correlation. This study established there is the relationship between the employee recognition components that are prime in retention as the number of factor loading was the highest.

## CHAPTER THREE: RESEARCH METHODOLOGY

This chapter covers research design, target population, sample design, data collection instrumentation, sample and sampling techniques, and data analysis and presentation methods.

### 3.1 Research Design

This was an exploratory survey. It was preferred because it majorly intends to explore the possible relationships that may exist between the variables in question Muganda 2008. An exploratory survey allows us to have ea better understanding of the problem being studied Dudovskiy (2013). The study focuses on sampled employees of Madison Insurance and identifies the underlying relationships that exist between employee retention and non-monetary factors of motivation. The design simply identifies the relationships but does not indicate the effect in terms of magnitude and direction.

### 3.2 Study Area

Kenya is a country within the East African region located within co-ordinates 1° 0' 0" N, 38° 0' 0" E. The country covers an area of 580,367 km<sup>2</sup> with a population of 44,037,656 as per the projections in the year 2013. The study area for the study was the 10 departments in Madison Insurance Company Kenya (MICK) at the head office located in Nairobi Upper Hill area and the 21 branches as indicated in Appendix IV.

### 3.3 Target Population

Mugenda and Mugenda (1999) define a population as an entire group of individuals, events or objects having common observable characteristics. The target population for

this study was the 182 employees and supervisors of MICK located at the head office and the 21 branches distributed in the country as indicated by Appendix IV. The study excluded managers as they are not junior employees and the agency force as their pay is commission based.

### 3.4 Sampling Technique and Sample size

Sampling frame according to Mugenda and Mugenda (1999) is list, directory, index of cases from which a sample may be selected. It is a list of all those within a population who can be sampled, and may include individuals, households or institutions. The sampling frame for this study was therefore the various departments in MICK as indicated in Appendix V. A sample size according to Mugenda and Mugenda (1999) is a subgroup carefully selected so as to be a representative of the target population with the relevant characteristics. It is therefore a smaller group obtained from the larger population. The sample size of the study was the 65 employees of MICK. This was arrived at as follows (Yamane, 1967) as cited by Parker (2011):

$$n = \frac{N}{1 + N(e)^2} \dots\dots\dots(1) \quad \text{Where: } n = \text{Sample size,}$$

N=Population, e2 = Level of precision (at 90% confidence level)

$$n = \frac{182}{1 + 182(.1)^2} = 65$$

Simple random sampling was used to obtain the respondents from the target population. Simple random sampling procedure was seen to be fit for this study because the target populations of the study were the junior employees of the firm in the firm excluding the

managers making this a common characteristic for the population. Apart from the difference in demographic characteristics, the employees are in the same cadre of employment.

### **3.5 Data Collection**

Data collection is the systematic process of gathering of data for a particular purpose from various sources, including questionnaires, interviews, observation, existing records, and electronic devices. The process is usually preliminary to statistical analysis of the data Oso and Onen (2005). In this study, questionnaires were ideal because of the geographical spread of the respondents.

#### **3.5.1 Sources of Data**

The study used both primary and secondary data to collect enough information about non monetary forms of motivation and the effect of employee retention. Primary sources of data according to Mugenda and Mugenda (1999) are direct descriptions of any occurrence by an individual who actually observed or witnessed the occurrence. This individual was actually the researcher in this case. Secondary sources on the other hand include books, articles, and journals Mugenda and Mugenda (1999).

The company's Human Resource records were obtained from records in the department of Human Resources-MICK as secondary data source. The primary data sources were the employees of MICK and data was obtained through questionnaires.

### **3.5.2 Data Collection Procedure**

The questionnaires were distributed personally to all the 21 Branch offices of MICK in the country and the head office. Parker (2011) indicates that distribution of questionnaires in a simple random sampling procedure could be a challenge in a wide geographical area. The researcher used internal courier services to post questionnaires to far flung areas. The respondents in Kisumu branch were handed the questionnaires with the researcher in person and collect the same after the respondents have filled.

### **3.5.3 Data collection instrument**

A questionnaire was the main instrument of data collection in the study. Most items in the questionnaire are on Likert type scale with a few dichotomous and open-ended questions. This is meant to facilitate easy coding and analysis. This instrument was used to collect data from both managers and employees. It's divided into two sections: the first is the general demographics: second section is the non monetary forms of motivation and employee retention. The instrument was important for the study because of time saving; maintenance of confidentiality of information and having no room for interview bias Mugenda and Mugenda (1999). Questionnaires are further deemed appropriate for the study because of the widespread geographical areas of the respondents Parker (2011). The questionnaires were pre-tested on pilot basis before data collection. The questionnaire is located at the under the Appendices as Appendix II.

### **3.5.4 Validity Test**

Questionnaires were tested for content validity to establish quality of data collection instruments, using a pilot sample of 10 questionnaires. Validity according to Mugenda

and Mugenda (1999) is the accuracy and meaningfulness of inferences based on the research results. It is the degree to which the results obtained from the study actually reflects the phenomenon being studied. Validity tests for the studied were carried out with the help of a Human Resource Expert. The expert adjusted some areas and passed judgment on the questions in the tool and concluded they can measure the retention and motivation constructs. The instruments were found to be sufficient after making a few changes based on the pilot feedback; the researcher then proceeded with the research.

### **3.5.5 Reliability Tests**

A pilot study was conducted using 10 questionnaires administered to employees who will not be part of the study sample from British American Insurance. The choice of the pilot area was chosen because the constructs being studied are the same in all organizations. The concepts being studied have to do with perceptions and general attitudes on them and not behavior. Cronbach's Alpha technique was used to test for reliability of the instrument. It was appropriate because the instrument used Likert scale. The SPSS software was used to test for reliability and an output alpha of 0.78 obtained, for 27 questions which is an acceptable measurement level. According Gliem and Gliem, (2003) if the test yields an alpha of 0.8 then the instruments are reliable. This means the instrument used in this study was reliable.

### **3.6 Data Analysis**

The study used descriptive and inferential statistics for data analysis. Descriptive Statistics enabled the researcher to describe the distribution of measurements using statistics Mugenda and Mugenda (1999). This was used to analyze data in the form of

mean, mode, median, percentages and frequencies. Inferential statistics deal with inferences about population based on results obtained from samples Mugenda and Mugenda (1999). The study used Principal Component Analysis for factor extraction, variable reduction, to identify factor loadings and variable classification. Principal Component's analysis is used to extract maximum variance from the data set with each component thus reducing a large number of variables into smaller number of components (Tabachnick & Fidell, 2007). Principal Component's analysis is a variable reduction technique. It produces components whereas Principal Axis Factor produces factors. The Principal Axis Factor method is based on the notion that all variables belong to the first group and when the factor is extracted, a residual matrix is calculated. Factors are then extracted successively until there is a large enough of variance accounted for in the correlation matrix (Tucker & MacCallum, 1997). When interpreting the factors, you need to look at the loadings to determine the strength of the relationships. Factors can be identified by the largest loadings, but it is also important to examine the zero and low loadings in order to confirm the identification of the factors (Stevens, 2002).

### **3.7 Data Presentation**

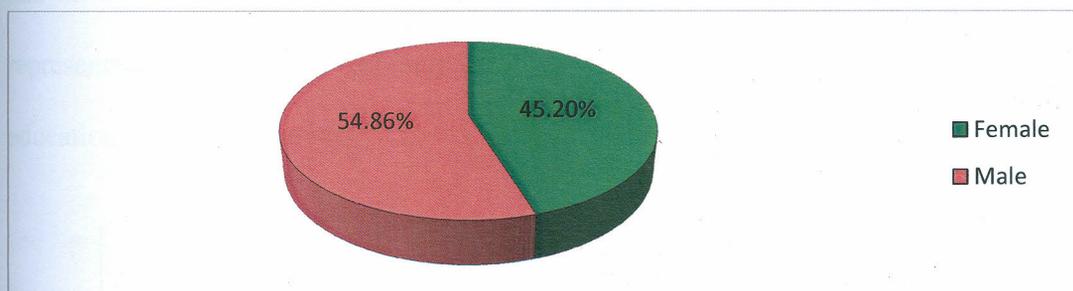
The data was then presented with the aid of statistical tables. Bar graphs were used for graphical presentation. Graphical presentation according to Mugenda and Mugenda (1999) enables the reader to see the trend of the distribution more easily than is possibly looking at numbers in a frequency distribution.

## CHAPTER FOUR: RESULTS AND DISCUSSIONS

This chapter presents the results of research findings, presentations and discussions based on the responses collected and analyzed for this study. The proposed sample target was achieved since a total of 64 complete questionnaire were collected and analyzed, based on 90% confidence interval. For our test analysis we therefore used a p-value of 0.1 to draw our conclusion for different statistical tests.

### 4.1 Respondents' Bio- Data

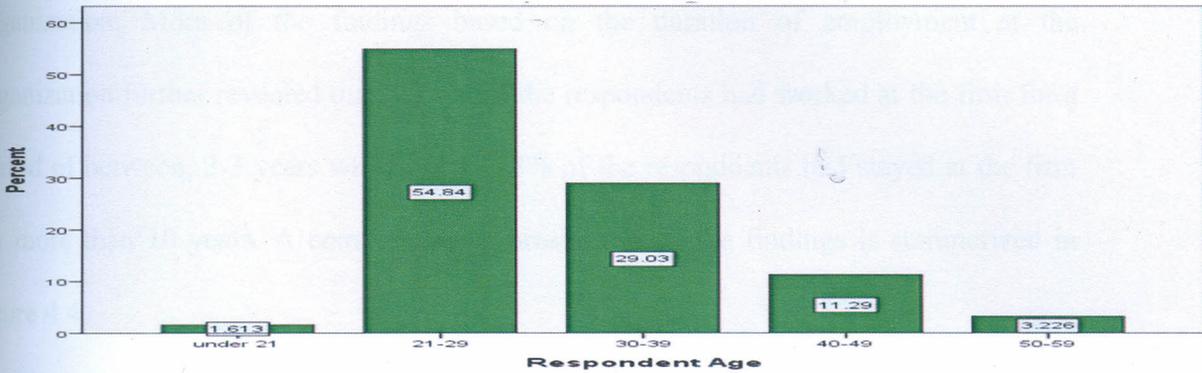
From the study, 45.20% were female respondents while 54.86% were the male respondents were 54.86% of the sample.



Source: Analysis of Field Data

#### Figure 4. 1: Pie chart illustrating the distribution of respondents based on gender

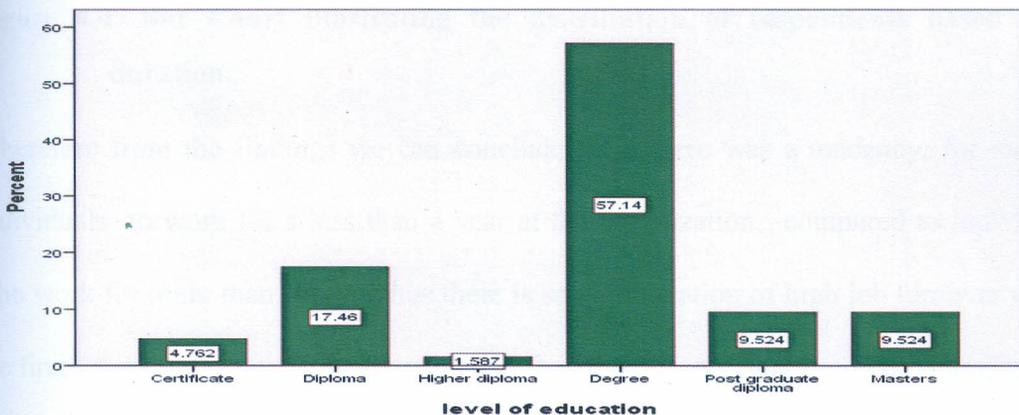
Figure 4.2 below gives a summary of age distribution from our sample. The results show that 54.84%, of the respondents were of ages between 21 to 29 years, a further 29% of the respondent were aged between 30-39 years, 11% were aged between 40-49 years while only 3% were aged between 50-59 years. A portion of the respondents, aged between 18 and 21 years old was 3.23%. We can therefore conclude that majority, of employees at Madison insurance are very youthful and there is a fairly balanced gender representation in the organization.



Source: Analysis of Field data

**Figure 4.2: Bar Chart illustrating the distribution of respondents based on age.**

The composition of the workforce at Madison insurance based on the highest level of education was as follows; 57.14% of the respondents had a degree qualification, 17.46% had a diploma while for both post graduate diploma and master's qualification represented 9.5% of the respondents. Figure 4.3 gives a summary of the level of education of the respondents.

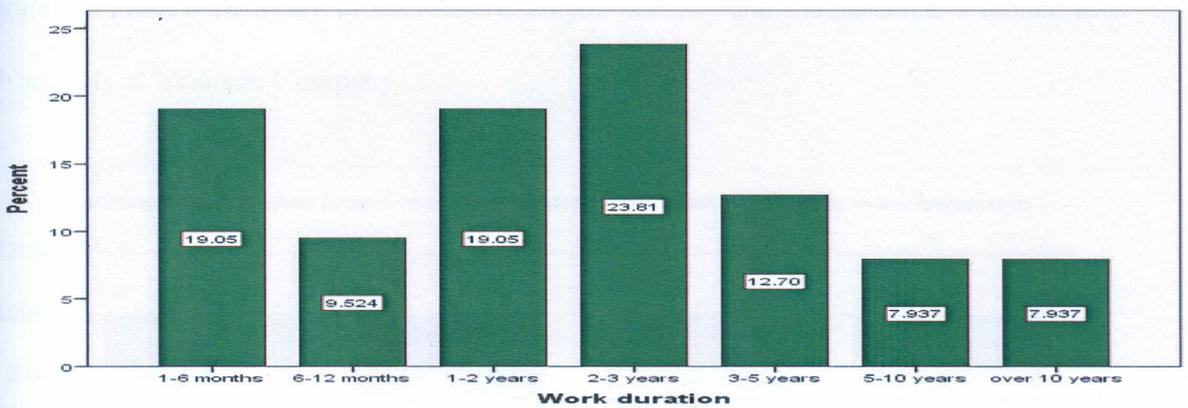


Source: Analysis of Field data

**Figure 4.3: Bar Chart illustrating the distribution of respondents based on level of education.**

Furthermore 82.5% of the respondents were on full time permanent job while 9.52% were on short time contracts and 7.9% of the respondents were interns at the

organization. More of the findings based on the duration of employment at the organization further revealed that, 23.8% of the respondents had worked at the firm for a period of between, 2-3 years while only 7.93% of the respondents had stayed at the firm for more than 10 years. A comprehensive breakdown of the findings is summarized in figure 4.4.



Source: Analysis of Field data

**Figure 4.4: Bar Chart illustrating the distribution of respondents based work duration.**

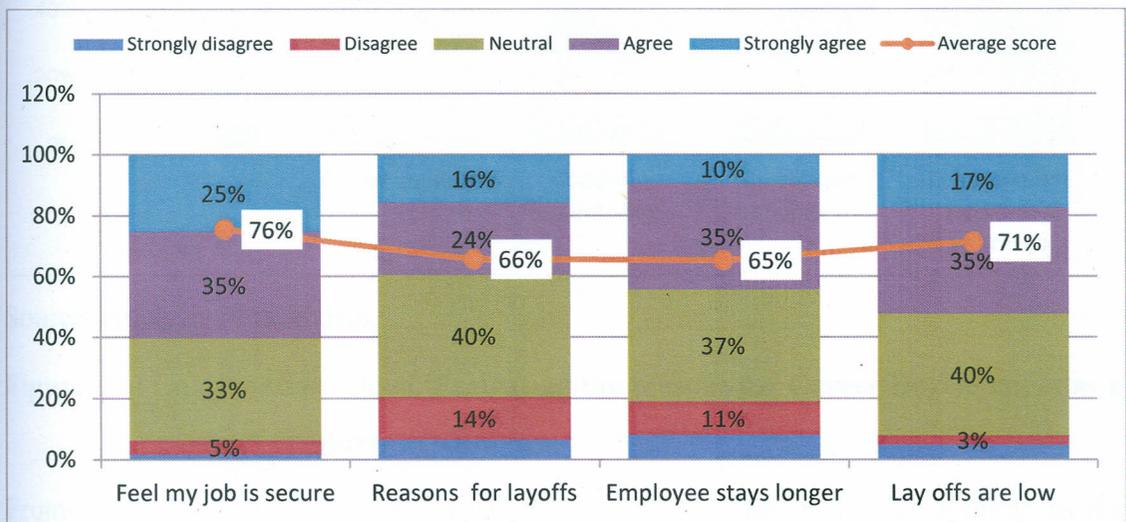
Therefore from the findings we can conclude that there was a tendency, for most of individuals to work for a less than a year at the organization, compared to individuals who work for more than 5 years thus there is some indication of high job turnover within the first six months at this organization and thus there is common trend of changing jobs within the first year of service however this trend seems to change after a year of service and is more notable after between 2-to 3 years at the firm.

## 4.2 Findings on Non Monetary Factors of Employee Retention

The evaluation of the non financial parameters on employee retention was based an assessment using a five point likert scale. The findings on these attributes based on employee's perception are discussed as;

### 4.2.1 Job Security

Figure 4.5 gives a summary of the reasons for job security and the parameters related to job security at Madison Company



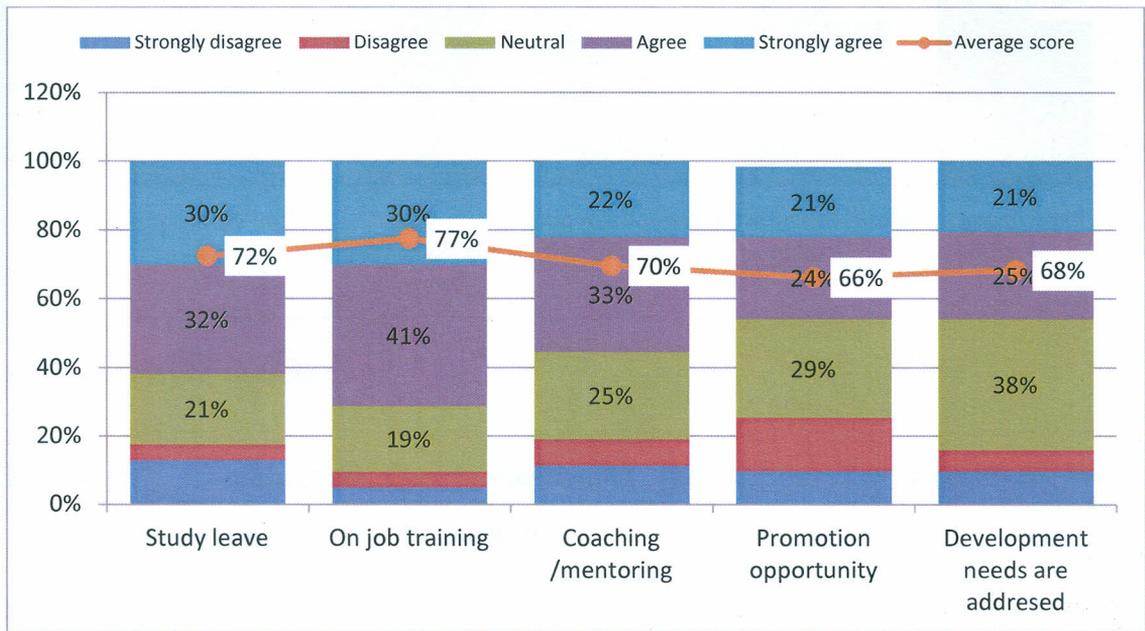
Source: Analysis of field data

**Figure 4.5: Combination Chart illustrating the reasons for job security and the parameters related to job layoffs at Madison Company.**

From the above graph, 76% of employees at Madison perceive their jobs to be secure, furthermore 71% of the respondents consider the rate of job lay off are low however 66% of the respondent concurred that valid reasons for job layoffs are given. However only 65% of the respondent believes that most employees at Madison, stay averagely longer at their jobs.

### 4.2.2 Career Development

In reference to aspects related to career development, were also evaluated, the figure 4.6 gives a summary of the findings.



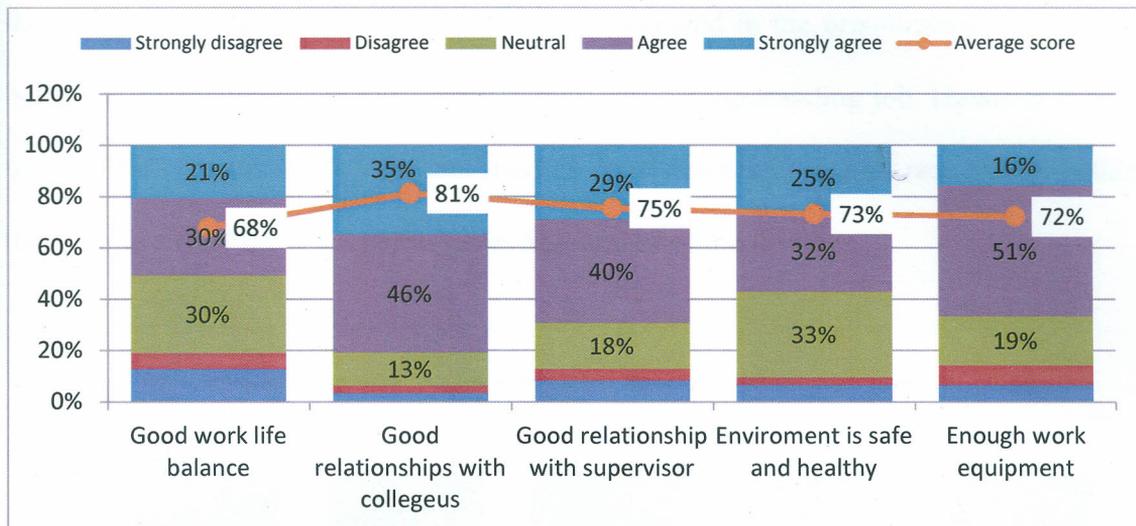
Source: Analysis of field data.

**Figure 4.6: Combination Chart illustrating the reasons for Career Development as a reason of employee retention.**

From figure 4.6 above, 77% of the respondents believe that on the job training as the most important factor for consideration towards career growth. Furthermore 72% consider the aspect of study leave, 70% considered the element of coaching and mentoring. However individual development needs and the opportunity for promotion recorded 68% and 66% respectively from the respondents who feel this to be available avenues for growth.

### 4.2.3 Work Environment.

The study evaluated parameters related to work environment as motivator of working for Madison, Figure 4.7 gives a summary of the findings.



Source: Analysis of field data

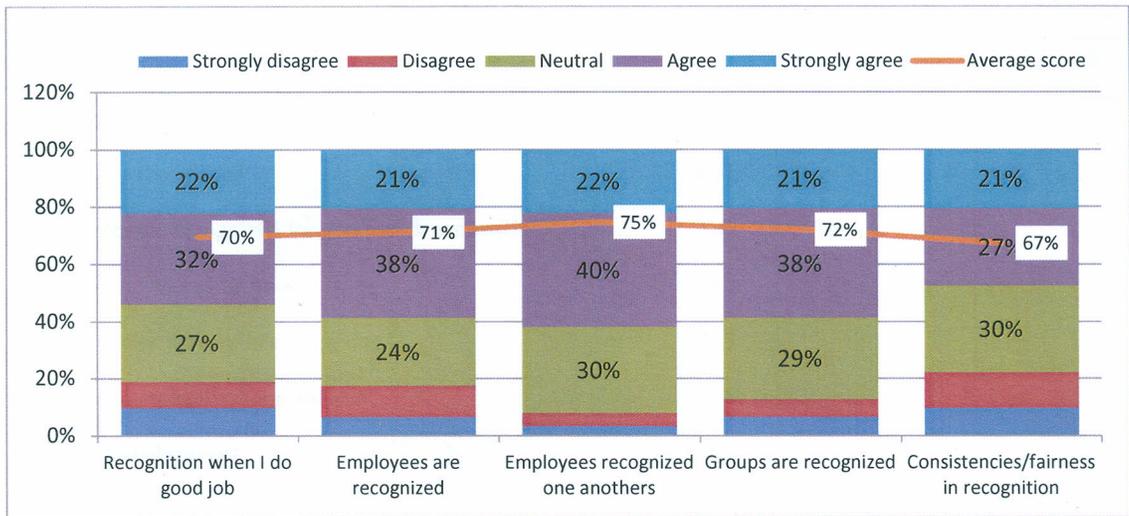
**Figure 4.7: Combination Chart illustrating the reasons for Employee Work Environment and the parameters related to Employment Environment.**

From the findings most employees, 81% value good relationships with their fellow colleagues as the most important factor, while 75% of the respondent considered good relationships with your supervisors as an important attribute, furthermore 75% of the respondent considered safety and health factors of the work environment and 72% bear into consideration equipments to aid in the execution of job requirements however 68% of the respondent factored in elements of work and life balance policies as an important consideration of remaining in the organization.

#### 4.2.4 Employee Recognition

Figure 4.8 illustrates the summary of the findings on the reasons what makes employees feel recognized. From the parameters evaluated, 75% of the respondent identified recognition among individual employees as the most important attribute while 72% appreciated the fact that even groups/teams were being recognized. Furthermore 71% of

the respondents feel that the employees are recognized in the organization, while 70% believe that they would be recognized if they perform outstanding job. However it only 67% of the respondents believe that there is consistency in overall recognition within the organization. Figure 4.8 below gives a summary of the findings.



Source: Analysis of field data

**Figure 4.8: Combination Chart illustrating the reasons for Employee Work recognition and the parameters related to Work environment.**

### 4.3 Factor Analysis. (Variable reduction)

Given the complex relationships of the variables under investigation, the study sought to identify the variables to shed more light for our analysis. Therefore we performed a factor analysis to help us in identification of patterns guided by our research questions within the data set. Furthermore this analysis would enable us to trim down the number of variables for our subsequent analysis. This analysis enabled us to extract six components with Eigen values of more than 1. The study managed to extract six components however only three components had significant factor (variable) loadings that were highly

correlated representing 76% of the total variance of the variables. The summary of the analysis is as shown in table 4.1.

**Table 4.1: Results for the principal component analysis test indicating extracted components for study.**

Rotated Component Matrix <sup>a</sup>						
	Component					
	1	2	3	4	5	6
<b>Employee recognition</b>						
Groups are recognized	.801					
Employees are recognized for good work executed	.800					
Recognition when I do good job	.787					
Consistencies/fairness in recognition	.783					
Employees recognized one another	.766					
<b>Career Development</b>						
Promotion opportunity		.748				
on job training		.706				
<b>Work Environment</b>						
Good relationship with supervisor			.875			
Environment is safe and healthy			.875			
Good work life balance			.835			
<b>Job Security*</b>						
Layoffs are low				.703		
Employee are Satisfied and Contented					.755	
Work duration						.731
Extraction Method:	Principal	Component	Analysis.			
Rotation Method: Varimax with Kaiser Normalization.						
a. Rotation converged in 13 iterations.						

Source: Analysis of Field Data

In the first component extracted, the first factor comprises of: groups are recognized ( $r=.801$ ); employees are recognized when they execute work well ( $r=.800$ ); recognition when I do a good job ( $r=.787$ ); consistency/fairness in recognition ( $r=.783$ ) and employees recognized one another ( $r=.766$ ) are strongly and significantly positively correlating with employee recognition in explaining employee retention. All the loadings are above ( $r=.7$ ), indicating strong correlation that are positive showing that as an employee feels recognized at Madison, his or her likelihood of being retained is high or increases. Moreover, the component matrix reveals that employee recognition which is a non-monetary motivational factor is considered as a prime factor in determining decision to stay or leave.

Within the second component extracted were variable representing elements of career development. The variables were; enhancing on job training, and availability of career progressions or promotions opportunities. These two variables had a strong correlation coefficient of ( $r=.706$ ) and ( $r=.748$ ) respectively and two loadings under factor two, career development. This reveals that the elements strongly correlate with career development in explaining retention.

The third component extracted consisted of variables loading that represent elements of the organizations work environment. They include enhancing a good work life balance, ensuring or facilitating healthy and a safe working environment and finally ensuring there is a cordial working relationship with one's supervisor. These variables had very strong correlation coefficients of ( $r=.835$ ), ( $r=.875$ ) and ( $r=.875$ ) respectively. The factor, work environment had three loadings with significant coefficients. All the loadings are above

( $r=.7$ ) indicating very strong positive correlation, consequently a strong factor in explaining retention.

However the fourth, fifth and sixth components had each a single variable loadings with strong correlation coefficients. The fourth component comprised of elements of job security ( $r=.703$ ). The component had one factor loading with a significant coefficient. This means that employee's perception that the rate of layoffs is low is the only element within job security that has a relationship with employee retention. The fifth component consisted of variable related to employee retention ( $r=.755$ ). However the final component was the length of time one had work for the organization ( $r=.731$ )

#### **4.4 Factor Analysis. (Variable Classification)**

After performing the variable reduction we sought to classify the variables by using principle axis factoring method and extracting only three factors components. The Kaiser-Meyer-Olkin measure of sampling adequacy tests whether the partial correlations among variables are small. It measures the accuracy and adequacy of a set of data for factor analysis. The KMO = 0.698. This means the degree of common variance among the eleven variables is "mediocre" bordering on "middling" as characterized by Kaiser, Meyer, and Olkin. If a factor analysis is conducted, the factors extracted will account for fare amount of variance. Bartlett's test of sphericity tests whether the correlation matrix is an identity matrix, which would indicate that the factor model is inappropriate. For our case,  $\chi^2 = 1057.157$ ,  $df = 378$ ,  $p < 0.001$  and the statistical decision is the sample inter-correlation matrix did not come from a population in which the inter-correlation matrix is an identity matrix. This is summarized below in Table 4.2 below.

**Table 4.2: Results for the KMO and Bartlett's test for the extracted components for study**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.643	
Bartlett's Test of Sphericity	Approx. Chi-Square	1057.157
	df	378
	Sig.	.000

Source: Analysis of field Data

The 1<sup>st</sup> factor has an Eigen value = 7.639. Since this is greater than 1.0, it explains more variance than a single variable, in fact 7.639 times as much. The percent of variance explained is 27.282%. The 2<sup>nd</sup> factor has an Eigen value = 3.298, it explains more variance than a single variable, 3.298 times as much. The percent of variance explained is 11.777%. The 3<sup>rd</sup> factor has an Eigen value = 2.139, it explains more variance than a single variable, 2.139 times as much. The percent of variance explained is 7.640%. The total variance explained by the extracted factor loadings is 41.42%. This is summarized below in tables 4.3 below.

**Table 4.3: Results for the total variance explained by the extracted variables.**

Total Variance Explained									
Factor	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.639	27.282	27.282	7.186	25.665	25.665	6.494	23.192	23.192
2	3.298	11.777	39.059	2.906	10.378	36.044	3.151	11.253	34.445
3	2.139	7.640	46.699	1.504	5.372	41.416	1.952	6.971	41.416
28	.023	.081	100.000						

Extraction Method: Principal Axis Factoring.

Source: Analysis of field Data

The summary of the extracted factor findings are as in table 4.4 below.

**Table 4.4: Results for the Principal Axis Factoring test indicating extracted components for study.**

Factor Matrix <sup>a</sup>			
	Factor		
	1	2	3
Coaching /mentoring	.752		
Promotion opportunity	.723		
development needs are addressed	.713		
Good work life balance		.764	
Good relationship with supervisor		.881	
Environment is safe and healthy		.833	
Recognition when I do good job	.813		
Employees are recognized for good work executed	.768		
Consistencies/fairness in recognition	.890		
Extraction Method: Principal Axis Factoring.			
a. 3 factors extracted. 10 iterations required.			

Source: Analysis of Field Data

The findings therefore reveal that the first factor loading, which include the following elements; individual coaching and mentoring, promotion opportunities within the organization, addressing employee's development needs within the organization, recognizing employee's contributions to the organization, recognition when individual employees perform well and ensuring there is consistency and fairness in the recognition of employees. These factors, elements related to career development and employee recognition, are paramount in employee retention and could be named as individual related. This is because they fall under the motivators in the Herzberg's theory of needs. Motivators are drivers of human behavior related to the intrinsic nature of the work, but not necessarily to the surrounding circumstances or environment.

The second factors loading extracted included policy guiding a good work life balance, ensuring individual employees have a good relationship with their supervisors, and

ensuring the work environment is safe and healthy. These elements represent the variable of work environment. The factor could be named as organization related factors. This is because they fall under hygiene factors. These factors characterize the context or environment of a person's work. They can be a cause of job dissatisfaction unless appropriately applied by an organization.

#### **4.5 Discussions**

Job security was one of the main determinants of employee retention that the study looked at. Its relationship was essential in this study. From our analysis, the study established only one significant coefficients that were extracted from the Component Matrix and thus a relationship between this element layoff are low ( $r=.703$ ) and employee retention. The results are inconsistent with what Tibelius (2010) in Makerere University in Uganda found out. The study in Uganda revealed that there is a feeling from the teaching staff that job security affects employee retention in Makerere University. There was a strong feeling that without a secure job the teaching staff remains less committed to the institutional objectives. The results focused on the specific elements of the variable and not the variable as whole. The study in Uganda used average to establish a single variable with the highest mean and use it to measure the relationships. This study itemized the elements.

Career development variable was the second objective and part of our investigation. The variables included, on the job training, coaching and mentoring, availability of promotion opportunities and addressing individual personal development needs. The findings indicate that promotion opportunity ( $r=.748$ ) and on the job training ( $r=.706$ ) indeed

correlate significantly with career development. All the loading are above ( $r=.7$ ) indicating strong correlations that are positive showing that as an employee feels he or she is developing at Madison, his or her likelihood of being retained is high or increases. Moreover, the component matrix reveals that career development which is a non-monetary motivational factor is considered as a prime factor in determining decision to stay or leave. Accordingly Matthew Bidwell (2012), found that internal hires often outperform external hires and its is also good for retention for reasons such as keeping people motivated to do their jobs effectively and efficiently. Furthermore according to a survey conducted by the American Management Association (AMA) (2010), employee development issues were of top importance for employees and helped to improve retention. This result is consistent with what other researchers have found out in other sectors. Sinha and Ruchi (2012) in Pakistan wanted to establish factors affecting employee retention in manufacturing industries. The study found out training and development was in fact affecting intention of employees to stay. For our case promotion opportunity has the highest coefficient (.748) within the second factor and so is prime for retention as an element within career development.

From the results, elements of work environment which include; good relationship with supervisor ( $r=.875$ ); safe and healthy environment ( $r=.875$ ) and good work life balance( $r=.835$ ), indicate strong correlations that are positive showing that as an employee feels he or she is in a good environment at Madison, his or her likelihood of being retained is high or increases. Moreover, the component matrix reveals that work environment which is a non-monetary motivational factor is considered as a prime factor in determining decision to stay or leave This result indicates that employees at MICK do

consider the elements of work environment as important that can make them stay. Researchers such as Kaliprasad (2006) has confirmed that despite the fact that a company may try to bring all these factors into play to enhance employee retention, an employee can still choose to leave the workplace because of, for example, bad management. Kaliprasad (2006) pointed out that an organizations ability to retain its employees completely depends upon its ability to manage them. Accordingly Wheeler et al. (2006), documents that a strong organizational culture increases employee's intent to remain in the organization. Work-life balance must therefore be supported and encouraged at all levels of the organization. The study confirms what literature has documented. In addition to this the study has itemized the elements in work environment that are of importance to retention and have not been blocked as one.

The study found out those elements of staff recognition such as groups are recognized ( $r=.801$ ); recognition when I do a good job ( $r=.787$ ); consistency/fairness in recognition ( $r=.783$ ) and employees recognized one another ( $r=.766$ ) are strongly and significantly positively correlating to employee recognition in explaining employee retention. All the loading are above  $r=.7$ , indicating strong correlation that are positive showing that as an employee feels recognized at Madison, his or her likelihood of being retained is high or increases. Moreover, the component matrix reveals that employee recognition which is a non-monetary motivational factor is considered as a prime factor in determining decision to stay or leave. These findings are consistent in accordance to Walker (2001), who concluded that recognition from bosses, team members, coworkers and customer enhance loyalty. Furthermore according "Watson Wyatt" a global consulting firm, conducted a survey in USA, in 2002 among 12750 employees at all levels of job and in all major

industry sectors to know about their attitudes toward their workplace and their employers. It was found in the survey that recognition is important for workers and they want to listen that their work followed recognized and appreciated. Silbert (2005) also forwarded the view that reward is important because it has an enduring impression on employees which, in turn, gives the employees an impression that they are valued in the organization.

This study thus finds new information on these relationships that: every element in a variable in terms of employee feelings will have a different unique relationship with employee retention. Job security for instance only had one variable that correlated with employee retention, the rate of layoff being low. With only one loading we can therefore not conclusively say that there is a relationship between job security and employee retention, but can only make a proposition of a relationship between the specific elements. Other reviewed studies indicate otherwise.

Secondly, elements of a variable may relate differently. Consequently so the use of proxy or mean in measuring perceptions and feelings with regard to motivation may vary as it's largely personal, and so factor analysis may be the starting point to identify patterns of inter-correlations in studies of this nature.

## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Summary of Findings

The findings of the study are that: not all elements in the non-monetary forms have a significant relationship with employee retention. The study sought to investigate only those elements within the variables that indicated any form of correlation after loadings, and further existence of a relationship.

The specific findings thus are that there is an insignificant relationship between some elements of job security and employee retention as the factor analysis indicates that they variable only had one element on the loadings. And so the variable can be minimally used to determine retention. The study also established that for an accurate outcome, we had to specifically interrogate the relationship between elements in the independent variables and the dependent one.

The results indicated that there is a relationship between career development and employee retention. This is because promotion opportunity and on the job training had loadings with significant coefficients.

In addition to the above, the study revealed that work environment had a significant relationship with employee retention. The elements under the variable, good relationship with supervisor, good work life balance and healthy and safe environment have very strong correlation and consequently being prime factors in determining retention of employees.

Employee recognition, as the results indicate, has a significant relationship with employee retention. All the elements tested under these variables had loadings with very

significant coefficients. This non-monetary form therefore as the results indicate is the most important to determining employee retention.

Further analysis indicated that the selected variables in the study for employee recognition and career development loaded under factor one indicating that the two variables have a similar theme, named Individual related and Work environment named organization related.

## 5.2 Conclusion

The study focused was to investigate the relationship between non-monetary motivation and employee retention, how non-monetary motivation forms influence retention in the insurance sector in the Kenyan job market. The study intended to assess the relationship between job security and employee retention in Madison Insurance Company Kenya Limited; to assess the relationship between employee career development at work place in Madison Insurance; to establish the relationship between work environment and employee retention levels in Madison Insurance and to examine the relationship between employee recognition and employee retention in Madison Insurance. Further the study aimed at establishing if the employment of non-monetary forms of motivation will enhance employee retention without a necessary heavy reliance of monetary incentives.

In conclusion, employee retention and engagement practices have become a visible benchmark among high-performing organizations that reap the economic and reputational benefits of being publicly recognized as a 'best place to work' or an 'employer of choice'. However, all these work elements evaluated in this study play an important role towards achieving overall organizational retention strategies and cannot be addressed in isolation since they are all interrelated using our case study of Madison insurance.



However according to these findings the most important elements to facilitate retention are the selected elements of employee recognition, work environment and career development in that order. This conclusion is drawn based on the number of factor loadings each of the variables had in the analysis.

The study also concludes that every element in a variable in terms of employee feelings will have a different unique relationship with employee retention. Job security for instance only had one variable that correlated with employee retention, the rate of layoff being low. With only one loading we can therefore not conclusively say that there is a relationship between job security and employee retention, but can only make a proposition of a relationship between the specific elements.

### **5.3 Recommendations**

The results of this study have proved that indeed some non-monetary motivation elements can enhance employee retention however they cannot be addressed individually. The recommendations from the researcher, with regard to non-monetary forms of motivation would be as follows:

First, organizations should strive to enhance elements of job security for the sole purpose of employee retention and even performance. The response from this study may have had an insignificant relationship on this element, but other studies have clearly demonstrated the importance of these aspects; the employee feelings of security of their jobs and the influence towards intentions to stay, adherence to employment laws and policies should be clear to the employees and the employers should also share the employment policies. The researcher further recommends that organizations should enhance career

development to be in line with individual employee's desires and goals, and specific to this study promotion opportunity in the sector. In Kenya and in the current job market career development will only be important to an employee who sees it as being in line with his or her desire of personal growth. The development should be employee initiated and not a general blanket career development program. In addition to the above, the researcher suggests that employers should understand the various diverse needs and natures of their employees.

Work environment elements were found to have a significant relationship with retention. In addition, this aspect in previous studies on manufacturing industries was seen to be very important and probably this was because of the machinery nature and mechanics in the manufacturing firm. However employers must always ensure their employees are in a safe and healthy work environment and there is a good relationship between employees and their immediate supervisors as this elements had the highest coefficient in this study.

The researcher also suggests that the organization should keep in mind the importance of recognizing its employees. Recognition is personal and should always be channeled at the right time to the right person and in the right measure. Organizations in the insurance sector must understand the importance of recognizing and excellent job executed by their employees. Structures must be put in place to have a comprehensive recognition plan and include employees in coming up in this plan. The results from this study document this non-monetary form of motivation to be the most important in determining employee retention.

Finally the researcher acknowledges that there may be no one way of enhancing employee retention in the Kenyan job market. Consequently then insurance firms must

come up with retention strategies that encompass both the monetary and non monetary forms of motivation. The two, looking at the cost of living in the country, when well structured will be able to allow employees to live well and perhaps from the non-monetary forms be intrinsically motivated and hence satisfaction in their place of employment in this case at MICK.

#### **5.4 Limitations of the study**

The researcher acknowledges the analysis in the study was carried out using a factor analysis, principal component analysis, is a technique used with large sample sizes and the results stabilizes as it approaches 300. However it was used in the study for variable reduction and classification. The conclusions for this study have therefore been drawn cautiously having this limitation in mind.

#### **5.5 Suggestions for Further Study**

The researcher acknowledges that time and funds were inadequate and consequently only studied Madison Insurance Company Kenya Limited. This thus did not have the industries view. As much as retention factors are the same, the researcher admits that some organizations may be better placed in enhancing some form of motivation for not only the purposes of retention but performance as well. Consequently the researcher suggests the following areas for further study: to specifically increase the scope of the study so as to be able to capture the insurance industry view; to study the effect both monetary and non monetary effects and their interplay on overall employees retention in an organization and to investigate the effect of demographic characteristics on remuneration as a retention strategy.

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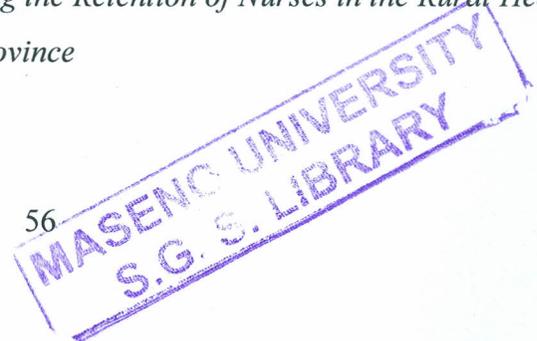
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