EFFECTS OF EMPLOYEE TURNOVER ON COMPETITIVE ADVANTAGE OF INSURANCE COMPANIES: A CASE OF AAR INSURANCE COMPANY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY -AFRICA

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2018
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution, or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________ Date: ___________________________

Bio Ginette D. Anianou Fanou (ID No: 647589)

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

Signed: ___________________________ Date: ___________________________

Fred O. Newa

Signed: ___________________________ Date: ___________________________

Dean, Chandaria School of Business
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ABSTRACT
The purpose of the study was to establish the effects of employee turnover on competitive advantage of insurance companies. The study was guided by the following research questions: What are the effects of voluntary turnover on competitive advantage of insurance companies? What are the effects of involuntary turnover on competitive advantage of insurance companies? What are the mitigating strategies to gain competitive advantage?

A descriptive research was used. The study was conducted in AAR located in Real Towers. The target population was 218 employees. Stratified random sampling was used to select a sample of 65 employees. Data collected from the field was analyzed and coded. Quantitative technique was used to analyze data. Descriptive statistics and Social Sciences (SPSS) were used to analyze quantitative data. Regression and correlation analysis was also done to determine relationship between variables. Results were presented using table and figures.

The first objective set to establish effects of voluntary turnover on competitive advantage. It was revealed that respondents could not reach an agreement on AAR experiences voluntary turnover, voluntary employee turnover at AAR occurs due to low salary and lack of benefits, Additionally, respondents also disagreed on higher rate of voluntary turnover has lowered work productivity at AAR, voluntary employee turnover at AAR occurs due to unattractiveness of the job, voluntary turnover occurs due to life time decisions or circumstances for instance, family moves, serious illness and death and voluntary turnover had affected organizational profitability.

The second objective set to establish effects of involuntary turnover on competitive advantage. Respondents could not reach an agreement on involuntary turnover or discharge has occurred at AAR due to an employee violating workplace policies (discipline issues). Furthermore, it was also revealed respondents disagreed on AAR experiences involuntary turnover, involuntary turnover is due to business slowdown or economic necessity, Employees have left AAR or been discharged due to performance problems, AAR has used re-organization or restructuring (downsizing) strategy to cut costs, involuntary turnover is due to employee’s death or family issues and involuntary turnover occurs frequently at AAR, through involuntary turnover.
The third objective set to establish mitigating strategies used to gain competitive advantage. Findings revealed that respondents agreed that they are aware of the company’s mission and vision. However, respondents could not reach an agreement on leadership style at AAR has positively influenced employee productivity, organizational culture at AAR has influenced employee commitment and job satisfaction, AAR uses job satisfaction strategies such as reward systems, performance pay, training and career development, the organizational culture at AAR has influenced employee performance and leadership style at AAR has positively influenced employee retention and performance.

In conclusion, voluntary and involuntary turnover has occurred due to salary and lack of benefits, unattractiveness of the job, due to life time decisions or circumstances for instance, family moves, serious illness and death, performance problems, employee’s death and workplace policies or discipline issues, thus affecting organization productivity and performance. However, employees are aware of company’s mission and vision. Leadership style does not influence employee productivity and transactional leadership have not developed standards, policies, procedures regulations and use reward and punishment strategies.

It is recommended that AAR should boost sustainable employee commitment, increase organizational effectiveness and gain a competitive advantage, develop policies and strategies that they can use in cases of involuntary turnover and should develop an organizational culture that is unique and will differentiate them from other organization.
ACKNOWLEDGMENT

My heartfelt gratitude to the Almighty God through who this was possible. Lydia & Desire Anianou my dear parents, I am deeply grateful for your prayers, endless love and support. Thank you for always being there for me. I would like to thank my sister and brothers for their support. My deepest gratitude to Mr. Fred Newa for devoting your time, sharing and guiding me through the different stages of this project. My sincere gratitude to AAR staff especially Mr Peter Gakinya, HR Business Partner, and Mr Simon Kiraguri, Business Executive, who assisted me to acquire the information needed to carry out this research study. My sincere gratitude to Abel Santiago Robles for his contribution and valued support. Finally, appreciation to my friends for the encouragement.
DEDICATION

To God be the glory!

I dedicate this project to my husband Frederic Fanou and my children Atsila and Atniel Fanou, my greatest source of inspiration and motivation. Thank you for your prayers, love, patience and valued support. May the Lord abundantly bless you!
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Employee retention is a major challenge in many organizations. Globally, there is an increase in matters of recruitment and staff retention (Bushe, 2012). Employee skills, knowledge, and experience are essential in running an organization. Through human capital, an organization can create and sustain its competitive advantage (Grant, 2010). Implementing an employee retention program is an effective way of ensuring key employees remain in the organization while maintaining job performance, productivity and therefore competitiveness. Organization should ensure that it manages, develops and retains its talented employees thus reducing employee turnover and achieving competitive advantage (Cappelli, 2008). Employee turnover appears to be one of the main issues that extensively affect the overall performance hence the competitiveness of organization; it is one of the most expensive and difficult workforce challenges facing organizations.

Employee turnover is the percentage or number of employees who leave a company or an organization and are replaced by new workers. It is the rate at which employees leave an organization. Armstrong (2012) states that employee turnover is known as labor turnover or attrition. It is sometimes known as ‘wastage’ or ‘attrition’. Employee turnover could be voluntary turnover, involuntary turnover or avoidable and unavoidable turnover. It related to loss of firms’ competitive advantages (Hedwiga, 2011). Kazi and Zedah (2011) posits that labor turnover is the rotation of workers around the marketplace between firm, jobs and occupations and between the states of employment and unemployment. According to Nzuve (2010), employee turnover is the rotation of workers around the labor market; between firms, jobs and occupations; and between the states of employment and unemployment.

According to Hutchinson and Purcell (2010), to achieve a competitive advantage and increase performance, an organization can reduce employee turnover by: training
employees, job security, flexible working hours, regular appraisals and good working environment. An organization can achieve a competitive advantage when it acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These characteristics can include access to highly trained and skilled personnel (Mugusia, 2012).

According to Haider, Rasli, Akhta, Yusoff, Malik and Aamir (2015); (Yamamoto, 2011), employee turnover can negatively impact the competitive advantage of a firm and cause related costs. High level of employee turnover will lead to the reduction in organizational and employee performance hence increase in recruitment and training costs (Chen, Lin, & Lien, 2010). According to Wangiri (2015), organizations face a higher cost due to employee turnover. This is in line with the study done by Lavania (2011) on faculty recruitment and retention: A key for managing talent in higher education. GLA University Mathura Mathura Uttar Pradesh, India findings revealed that costs of lost talent can range between 70% and 200% of the lost employee’s annual salary. Akrani (2011) asserts that organizations can incur both direct and indirect costs due to staff turnover. Caplan (2011) states that based on a research done by CIPD, it was revealed that in the UK, there was about 15.7% turnover and the average cost of every leaver was £6,150.

Khatri, Budhwar and Chong (2010) states that most organizations in Asian countries such as Malaysia, Singapore, Hong Kong, Taiwan and South Korea have been facing challenges due to employee turnover. According to Employment Labor Statistics Korea (2016), statistics show that the average number of employee turnover in the year 2011 to 2015 was 3.6% in the construction industry; accommodation and food service had 5.2% and business facilities management and business support services were at (3.9%). Smith (2009) businesses spend over USD 200 billion annually recruiting and replacing employees. Meudell and Rodham (2010) argues that in USA turnover rate in health care sector would reach 29% in 2020.

The lack of organizational support, work socialization, and employee involvement creates isolation among employees, hence lowering productivity and effectiveness (Mathe & Slevitch, 2013). Employee turnover is caused by lack of employee training,
which affects employee competence (Perez & Mirabella, 2013). According to a research done by Price water house cooperers (2010), a lot of insurance companies are facing a challenge due to skill shortage which is due to lack of recruitment, training and career development strategies. Besides, a lot of insurance companies are not able to achieve a competitive advantage because they focus more on short-term goals rather than long-term goals. Due to changes that are taking place in the labor market, organizations need to develop strategies that will help them respond to changes and workforce expectations.

Rawat (2013) posits that organizations face a lot of problems due to high turnover rate. Employee turnover occurs because employees are dissatisfied with their job, poor working conditions, low salary, lack of career advancement and better offer. High employee turnover leads to low performance in the organization. Mendes and Stander (2011) assert that company should invest in employee retention in order to be successful. Competition and the lack of availability of highly talented skilled employees make finding and retaining talented employees a significant priority for organizations.

Maria, Xavier, Luis and Joseph-Oriol (2014) researched the effects of training on the competitive economic advantage of companies in Spain and findings revealed that there was a positive correlation between training and competitive advantage. Kim (2015) conducted a study on what increases public employees’ turnover intention and finding recommended that South Korean companies need to provide employees with opportunities for training and career development to reduce turnover intention.

Boxall and Purcell (2011) posit that human resource strategies can enable companies to achieve a sustainable market leadership position. In addition, competitive advantages based on human resource strategies are superior and hard to copy by competitors. McWilliams, Van Fleet and Wright (2001) argue that highly skilled and motivated workforce has great potential to create a source of sustainable competitive advantages. Employee retention practices increase employee loyalty, commitment and minimize employee turnover cost. James and Mathew (2012) argue that organizations should come up with effective retention strategies that they can use to minimize employee turnover and achieve a competitive advantage.
Farid (2014) conducted a study on an assessment of the impact of employee turnover on organization performance in Barclays Bank Tanzania. It was established that employee turnover increases workload and reduces efficiency. It was recommended that for an organization to improve its performance, employees should be paid marketable salary and rewarded once they achieve their goals. Gertrude (2014) conducted a research on assessment of employee’s turnover in the private sector. Findings revealed that each year, the rate of employees’ turnover is growing and this will have a negative effect on the growth of private sector. It was recommended that private sector should restructure employee’s salary scales hence increase employee satisfaction.

Kuria, Odingi and Wanderi (2012) researched factors influencing labor turnover in three and five stars - rated hotels in Nairobi, Kenya. Findings revealed that employee turnover was caused by lack of balance between work and personal life. It was recommended that employers need to create conducive work environment. Sohail, Muneer, Tanveer and tariq (2011) employee retention is important factors that will enable organization to increase their performance and remain competitive. Moreover, for organizations to remain competitive, they need to have in place employees who are focused, equipped with effective skills and committed to their work.

According to Mutiga (2014), in Kenya, insurance sector consists of 25 general insurers, 11 composite insurers and 13 life insurers. It has 198 licensed insurance brokers, 29 medical insurance providers (MIPs), 5,155 insurance agents, 133 investigators, 108 motor assessors, 25 loss adjusters and 24 insurance surveyors. In addition, the insurance sector also consists of The Association of Kenya Insurers (AKI) and The Association of Insurance Brokers of Kenya (AIBK) whereas, the regulating body of the industry is the Insurance Regulatory Authority (IRA).

Mutiga (2015) states that insurance industry has recorded gross written premium of KES 173.79 billion in 2015 from KES 157.21 billion in 2014 hence, representing a 10.5% increase. Gross earned premium increased by 9.8% to stand at KES 146.16 billion in 2015 compared to KES 133.12 billion in 2014. The industry recorded a profit of KES 11.57 billion before tax in 2015 compared to KES 15.74 billion in 2014. The
industry asset base in 2015 increased by 11.5% to stand at KES 465.98 billion compared to KES 417.76 billion in 2014. The overall insurance penetration in 2015 was 2.79% compared to 2.93% in 2014. In 2014, penetration was affected by the rebasing of the GDP upwards. The low penetration is due to untapped opportunities for insurance business in areas such as oil and gas, real estate, infrastructure, bancassurance, micro insurance and agriculture. However, the industry is coming up with strategies to increase penetration to ensure that businesses are covered and more Kenyans are insured (Mutiga, 2015).

1.2 Statement of the Problem

The business world today is very competitive and only firms with the appropriate human resource can keep up with the competition. It is therefore considered to be an important task to manage employee turnover for any organization. However, retaining employees is one of the biggest challenges that companies are facing (Terera & Ngirande, 2014). According to a research done by Deloitte (2011), it was revealed that employee turnover can have a positive impact of organization productivity. Organizations may lay off employees who are not very productive hence replacing them with employees who have the required skills and knowledge hence increase productivity.

Luciana and Ciro (2015) conducted a study on employee turnover and organizational performance in Brazilian retail sector; findings revealed that there was a positive relationship between employee turnover and organizational performance. Zeeshan, Imam and Muhammad (2016) conducted a study on the impact of employee turnover on organizational effectiveness in Telecommunication Sector of Pakistan. Findings revealed that there was a positive relationship between employee turnover and organizational effectiveness. However, a study done by Msafiri (2013) on impacts of labour turnover on organizational performance in Mtwara regional administrative office revealed that there was a negative relationship between organizational performance and the employees’ turnover. Maryam (2014) conducted a research on an assessment of the impact of employee turnover on organization performance in Barclays Bank Tanzania.
Francis (2015) conducted a research on factors influencing labor turnover in Commercial Banks in Kenya. Findings revealed that employer rules, regulations affect labor turnover and open communication in the organization has enhanced employee relations, which has reduced rate of labor turnover. Nangami (2014) conducted a research on factors influencing turnover among doctors at the Aga Khan Hospital Kisumu. It was revealed that the hospital had a turnover rate of 67% for doctors due to low remuneration, lack of attractive benefits, lack of recognition, lack of training and development opportunities and lack of motivation.

Albana and Enver (2015) conducted a study on the role of human resources in gaining competitive advantage. They found that wholesale distribution firms of food and non-food products in Kosovo do not consider human resources as significant resources in providing competitive advantage. Mohamed (2016) conducted a research on factors influencing high staff turnover in Commercial Banks in Kenya and findings revealed that there was a strong correlation between career development and staff turnover. Obiero (2014) conducted a research on factors influencing high staff turnover in commercial banks in Kenya.

A lot of studies have been done on employee turnover but none of them have done on effects of employee turnover and competitive advantage. Therefore, this study closes the gap and adds more literature and knowledge on effects of employee turnover on competitive advantage.

1.3 Purpose of the Study

The purpose of this study was to determine the effects of employee turnover on competitive advantage of insurance companies.

1.4 Research Questions

1.4.1 What are the effects of voluntary turnover on competitive advantage of insurance companies?
1.4.2 What are the effects of involuntary turnover on competitive advantage of insurance companies?
1.4.3 What are the mitigating strategies used to gain competitive advantage?
1.5 Significance of the Study

1.5.1 Insurance Companies
Findings and recommendations from this study will shed light to insurance companies on how to attract, maintain employees and therefore reduce employee turnover. It will help insurance companies come up with strategies they can use to reduce employee turnover hence achieve a competitive advantage.

1.5.2 Policy Makers
Government organizations or insurance regulators will implement policies and guidelines that human resource managers can use to deal with issues regarding employee turnover hence gain competitive advantage.

1.5.3 Academicians and Researchers
Researchers and academicians can use findings and recommendation from this study to conduct further research hence, contribute more knowledge on employee turnover and competitive advantage.

1.6 Scope of the Study
The study covered the effects of employee turnover on competitive advantage of insurance companies. The study targeted AAR Insurance Company in Nairobi and it was conducted only at AAR branch located in Real Towers. The study sampled 218 employees and the target population comprised managers and non-management employees. Data was collected using questionnaires. The study was conducted out from January to April 2018. The limitation of the study was lack of time to distribute the questionnaires and cost spent to travel around distributing and collecting the questionnaires.

1.7 Definition of Terms

1.7.1 Turnover
Employee turnover refers to a measurable incidence of people joining and leaving the organization. It occurs when employees leave an organization and have to be replaced (Mathis & Jackson, 2013).
1.7.2 Voluntary Turnover
Voluntary turnover is the process where employees leave an organization at their own discretion (Torrington, Hall, & Taylor, 2014).

1.7.3 Involuntary Turnover
Involuntary turnover occurs when an employee is terminated from a position in an organization, when employment is terminated against the wishes of the employee (Sims, 2007).

1.7.4 Functional Turnover
Functional turnover is the process employees deliberately leave the organization (Torrington et al, 2014).

1.7.5 Internal Turnover
Internal turnover involves employees leaving their current positions and taking new positions within the same organization (Wolfe, 2015).

1.7.4 Human Capital
Human capital is a link between workforce and organizational planning (Dessler, 2014).

1.7.5 Competitive Advantage
Competitive advantage is achieved whenever a company has some type of edge over rivals in attracting buyers and coping with competitive forces. A company is said to have a competitive advantage when its profitability is greater than the average profitability of all the firms in the industry. It allows the productive entity to generate more sales or superior margins than its competition (Pearc & Robinson, 2014).

1.8 Chapter Summary
This chapter has presented the background of the study and the statement of the problem. It has also highlighted the purpose of the study, research questions, importance of the study, scope of the study and definition of terms. Chapter two dealt with literature review emphasizing on the different types of employee turnover and the competitive advantage strategies. Chapter three, explained: research design, population to be studied, the instruments used. Also, data collection procedures and data analysis
techniques were discussed. Chapter four discussed findings and interpretation established from the study. Finally, chapter five dealt with the discussions of the findings, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presented literature review from different scholars to determine effects of employee turnover on competitive advantage. The research was guided by the following research questions: what are the effects of voluntary employee turnover on competitive advantage of insurance companies? What are the effects of involuntary employee turnover on competitive advantage of insurance companies? What are the mitigating strategies used to deal with employee turnover in insurance companies?

2.2 Effects of Voluntary Turnover on Competitive Advantage

2.2.1 Voluntary Turnover

Voluntary turnover is the process where an employee leaves an organization at his/her own discretion (Dess & Shaw, 2006). According to Shaw, Delery and Gupta (2005), voluntary turnover occurs when an employee decides to leave an organization. Sims (2007) states that voluntary turnover occurs when an employee initiates the termination of their employment at their own free will. Gomez-Mejia, Berrone and Franco (2014) voluntary turnover is a separation that occurs when an employee decides to end the relationship with the employer due to personal reasons. Voluntary turnover refers to termination initiated by employees. Employee might decide to leave an organization voluntarily because of getting a better job, changing career, or present job is unattractive because of poor working conditions, low pay or benefits, and bad relationship with supervisor (Heneman, Judge, & Kammeyer-Muelle, 2012).

According to Zeru (2016), voluntary turnover is classified into functional and dysfunctional turnover whereas; dysfunctional turnover is grouped into avoidable turnover and unavoidable turnover. Functional turnover is the process where an employee leaves due to substandard performers and dysfunctional turnovers refer to the exit of effective performers. Additionally, organization can control dysfunctional turnover caused by lower compensation and poor working condition. Ade, Musibau, Sholanke and Tolani (2015) avoidable turnover is a type of turnover that can be prevented by an organization through offering employees pay raise or new assignment
or better working conditions. It is something organizations can prevent by hiring, training, evaluating and motivating their employees more effectively. Unavoidable turnover is the process in which an employee has no choice in the termination. Moreover, unavoidable turnover occurs in unavoidable circumstances for example, when an employee dies, or spouse relocates to another country. Sandra (2012) states that unavoidable turnover occurs due to life time decisions that are beyond an employer's control. It occurs when an employee moves to a new area or a job transfer for a spouse. Unavoidable turnover occurs due to family moves, serious illness, and death, over which the organization has little or no influence (Taylor & Finley, 2010).

2.2.2 Competitive Advantage

Competitive advantage is the process where a firm is able to achieve and sustain profit that exceeds what its competitors are achieving. An organization is able to gain a competitive advantage over its competitors by understanding its market, customers. It is a situation whereby an organization is able to deliver the same benefits as competitors but at a lower cost (cost advantage), delivers benefits that exceed those of its competitors’ products (differentiation advantage) and creates superior value for its customers (Porter, 2010). A competitive strategy therefore enables a firm to gain competitive advantage over its rivals and sustain its success in the market.

Ghemawat and Rivkin (2006) assert that competitive advantage is an organization’s ability to create the willingness among buyers to pay much more than it costs to produce the product or service. Competitive advantage is the ability of a firm to attract and serve relatively more customers than its competitors while at the same time achieving its strategic objectives (Newbert, 2008). Competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Al-Swidi & Mahmood, 2011).

Huselid and Becker (2011) state that competitive advantage is driven by workforce productivity, creativity and discretionary effort, which are in turn affected by the levels of employees’ skills and motivation. According to Njuguna (2009), competitive advantage is the ability of a firm to create its customers with value that exceeds costs that a firm will incur when creating a product or service. Otieno (2012) posits that
competitive advantage is the ability gained through unique attributes and/or resources to perform at a higher level than others in the same industry or market. In addition, access to natural resources, access to highly trained and skilled human skills, new technologies, new product (service) or improvement of production processes are example of attributes that an organization can use to achieve a competitive advantage.

Competitive advantage is the strategic advantage an organization has over its competitors. An organization is able to achieve a competitive advantage when it acquires or develops an attribute or combination of attributes that allows it to outperform its competitors (Kimaru, 2012). Wang (2014) asserts that an organization is able to obtain a competitive advantage by developing or acquiring a set of attributes that will help it to outperform its competitors. Competitive advantage allows a firm to create superior value for its customers and profits for itself. A firm positions itself in the industry through its choice of low cost or differentiation. This decision is a central component of the firm’s competitive strategy. Competitive advantage arises when an organization acquires or develops an attribute or attributes hence outperform its competitors (Chepngen, Wagoki, & Okello, 2012).

2.2.3 Voluntary Turnover and Competitive Advantage
Dess and Shaw (2001) conducted a research on voluntary turnover, social capital, and organizational performance. Findings revealed that voluntary employee turnover incurs losses in productivity. Jacob (2011) conducted a research on the effects on performance of voluntary and involuntary labor turnover in an evolutionary signaling model; voluntary turnover has the expected negative effect on performance. Griffeth, Hom, Mitchell and Lee (2012) conducted a research on reviewing employee turnover; findings revealed that there was a negative relationship between job performance and voluntary turnover. Voluntary turnover can be due to: employees not being satisfied with their jobs, job stress, getting a better job, conflict with a manager or contract is terminated for disciplinary reasons (Chowdhury & Nazmul, 2017).

Ryan and Todd (2009) conducted a research on the impact of job performance on employee turnover intentions and the voluntary turnover process. Findings revealed that job performance will have an indirect influence on voluntary turnover. Shaw (2011)
researched on turnover rates and organizational performance. It was established that turnover rate will decrease profitability and financial performance of the organization. Tae-Youn and Jason (2013) researched on turnover rates and organizational performance findings revealed that voluntary turnover has a negative effect on job performance.

Kimungu and Maringa (2010) researched on an assessment of the impact of employee turnover on customer service and competitiveness of an establishment. It was established that high level of employee turnover has a negative effect on quality of service and consequently on the desired competitiveness of the hotel. Voluntary turnover can have significant effects on the execution of business plans and may eventually cause a parallel decline in productivity (Oki, 2014). Higher rate of voluntary turnover will lower productivity. New employees will often require time to learn how to fulfill their roles and tasks. It may also have a negative impact on the remaining workers’ morale thus reducing the performance which in turn, will affect organization productivity (Hamel & Breen, 2013). This will lead to lower productivity and lower profits and will affect the competitiveness of the company.

According to Mellahi and Collings (2010), high loss of staff leads to low performance in the organization therefore, organizations have to come up with policies and practices on retaining employees so as to ensure that employees stay in the organization for a longer duration and have a positive effect on their performance. Aman (2015) in his research on the causes and effects of employees’ turnover in Oromia water works design and supervision enterprise, it was revealed that due to employee turnover the organization will not be competitive in the market, it will incur cost of recruitment and training and loss of profit. Msafiri (2013) conducted a research on impact of labor turnover on organizational performance in Mtwara regional administrative office. Finding revealed that employees’ turnover is positively associated with the organization inefficiency.

Vuyisile (2013) conducted a research on impact of staff turnover on organizational effectiveness and employee performance at the Department of Home Affairs in the Eastern Cape Province. It was revealed that staff turnover causes reduction in effective
service delivery to the customers and reflects poorly on the image of the Department. It was recommended that the organization should pay its employees a marketable salary, reward and develop career advancement opportunities for its employee. According to Ziel and Antoinette (2013), the cost of voluntary staff turnover and the impact on productivity alone is enough to depress any human resource manager and the organization. Turnover will cause delay in service delivery while waiting for the replacement staff to arrive. In addition, there might be production losses while assigning and employing replacement staff.

Zeeshan et al (2016) researched on impact of employee turnover on organizational effectiveness in Tele Communication Sector of Pakistan. Findings revealed that there is a significant relationship between employee turnover and organizational effectiveness. Lejaras (2014) researched on effect of employee turnover on performance of organizations; findings revealed that employee turnover affects performance of the Mastermind tobacco Kenya Limited. The highest turnover rate in financial services particularly in commercial banks has great impact on productivity, quality and profitability due to the loss of knowledge and technical skills. The turnover rate of any organization will impact the organization’s operation cost in investing trainings that required for new employee and eventually will impact the end profit of the organization (Keni, Teoh, & Rubiah, 2013).

2.3 Effects of Involuntary Turnover on Competitive Advantage

2.3.1 Concepts of Involuntary Turnover
Gomea-Mejia et al (2014) posits that involuntary turnover is a type of turnover that an organization or employee cannot control. Involuntary turnover occurs when management decides to terminate its relationship with an employee due to economic necessity or a poor fit. Sims (2007) states that involuntary turnover occurs when employment is terminated against wishes of employees. It is a type of turnover in which employees have no choice in their termination. Involuntary turnover might occur due to long term sickness, death, or moving overseas (Heneman et al 2012). Employee may leave an organization due to sickness, death, moving abroad or employers-initiated termination (Aman, 2015). Mayhew (2017) argues that involuntary turnover occurs when employers terminate an employee’s contract or ask an employee to resign.
Involuntary turnover might occur when an employee violates workplace policies, performs poorly or in case of business slowdown.

According to Shaw, Delery and Gupta (2005), involuntary turnover is divided into discharge turnover and downsizing. Discharge turnover is the process where an employee leaves an organization due to performance problems or discipline. Involuntary turnover or discharge, is the process where an employer decides to terminate an employment relationship. On the other hand, downsizing is the process where an organization is restructuring. According to Dessler (2014), it is the reduction of number of people employed by a firm. The basic idea is to cut costs and raise profitability. Chowdhury and Nazmul (2017) noted that involuntary turnover or discharge is an employee’s decision to terminate their employment. Moreover, an involuntary turnover can occur due to retirement, death, dismissal, taking care of sick family member or to accompany a spouse to remote area.

According to Nyandiga (2011), downsizing refers to a work force reduction entailing the involuntary departure, not for cause of one or more employees. It is the reduction in the number of employees in an organization. Downsizing is the involuntary loss of one's employment or the removal of people from a work force. Downsizing includes employee early retirement scheme, retrenchment, freeze on recruitment and withdrawal of guaranteed employment to university and pre-service training graduates. Downsizing can be in the form of retrenchment, early retirement or casualization of staff (Hellgren, Naswell, & Sverke, 2005). In addition, downsizing caused by increased financial costs can take the form of casualization. Casualization occurs when an organization outsource temporary tasks to minimize the core size of the organization. Restructuring through downsizing is done in order for an organization to survive in a competitive market (Datta, Guthrie, Basuil, & Pandey, 2010).

Downsizing can be used as a cost reduction program to improve organizational effectiveness and increase shareholder value (Adnan, 2010). Omolo (2011) asserts that organizations use downsizing as a strategy of reducing employment cost hence, improve employee efficiency and effectiveness. According to Zakira (2013), downsizing is a type of reorganization, restructuring or reduction of workforce to
streamline, tighten and shrink the organizational structure with respect to the number of personnel that the organization employs. In addition, downsizing may occur intentionally as a strategic, proactive response designed to improve organizational effectiveness. It may involve mergers, acquisitions, sell-offs, or restructuring to enable the organization to meet its mission (Kozlowski, Chao, Smith, & Hedlund, 2013). According to Hildebrandt (2010), downsizing is the reduction in the number of employees working in an organization with the intention of cutting down costs, to reduce overall operating costs. Downsizing refers to the reduction in the number of employees, mostly middle-level management, in a company (Johnson, Melin, & Whittington, 2013).

Nyakundi (2012) investigated the effects of employee downsizing on business organizations in Kenya. The study revealed that most organizations in Kenya use downsizing when they are over staffed, non-competitive and due to changes, that are taking place in the industry. The study also revealed that the organizations uses involuntary retirements, separation with benefits, separation without benefits and pay to quit, retraining thus reduce expenses, increase profits and dividends. Finds also revealed that downsizing reduces employee morale. According to Miguda (2013), downsizing affects the size of the firm’s workforce and its work process. In addition, downsizing is used in an organization to increase efficiency, productivity, and/or competitiveness. Mutonga (2011) states that downsizing undermines teamwork, reduces employee empowerment and undercuts employee perceptions. Moreover, it erodes employee commitment to quality workforce, threatens job security and weakens top management commitment to quality workforce.

2.3.2 Involuntary Turnover and Competitive Advantage
Chepkirui (2012) suggests that downsizing should be used by organizations as a strategic mean to increase productivity and efficiency. According to Zakira (2013), globally, companies have used downsizing to improve employee competitiveness, profitability, organizational effectiveness, efficiency as well as to reduce the size of their workforce. Gyu-Chang and Jong-Sung (2006) research on the effects of downsizing on the financial performance and employee productivity of Korean firms. It was established that downsizing has a positive effect on firm profitability. However,
according to a research done by Anssi (2014), on downsizing as a strategy: effects on profitability and signal value for the capital markets—finish evidence 2005-2010. Findings revealed that downsizing does not have a significant impact on profitability.

Omolo (2011) conducted effects of downsizing on organizational performance: a case of the Kenyan Civil Service. Findings revealed that downsizing did not improve performance in the Civil Service. Gitonga (2009) conducted a research on an investigation into the effects of organization downsizing on employee performance. Findings revealed that downsizing at Telkom Kenya failed to improve performance, productivity or profits. Miguda (2013) states that downsizing is currently one of the most popular strategies being used by organizations in an effort to survive and compete in the current business environment. However, since downsizing eliminates redundancies and reduces employment costs, many executives believe that through downsizing organizations are able to compete efficiently and improve profitability. Downsizing strategies are used to enhance performance in organizations.

Özlem and Mete (2006) noted that downsizing is the systematic reduction of work force which is often used during economic crisis in order to increase productivity, efficiency, profitability and competitiveness of firms. Sadia (2016) researched on impact of downsizing on organizational performance. It was established that downsizing has a positive effect on organizational performance. Wali-ur and Hummayoun (2012) states that downsizing affects employees’ loyalty, perception about the job insecurity and their commitments toward the organization thus resulting into poor employee and organizational performance.

2.3.1 Factors Causing Involuntary Turnover
Employee turnover can be caused by lack of training and development, poor working conditions, lack of reward and compensation (Verhee, 2011). According to Campbell, Ganco, Franco and Agarwal (2012), employees leave an organization due to bad relationship in the work place, being bored or unchallenged in the work itself and poor benefits. Yohannes (2014) conducted a study on factors affecting employee turnover and its impact on Ethiopian Evangelic Al Church M Ekane Yesus. Findings revealed that employee turnover was affected by lack of employee career advancement.
Ndemak (2014) conducted a study on factors influencing turnover among doctors at the Aga Khan Hospital, Kisumu. Findings revealed that low remuneration, lack of attractive benefits, lack of recognition, lack of training and development opportunities and lack of motivation are examples of factors that affect employee turnover. Alhassan (2012) conducted a study on the relationship between employee perceptions of training, organizational commitment and their impact on turnover. Chong, Kho, Lee, Ooi and Tan (2013) conducted a research on the impact of HRM practices on employee turnover intention in Utar. Findings revealed that training has a positive effect on employee turnover. Mahamad and Aiman (2015), on his empirical study on the Pakistan banking industry, argues that by boosting the training and development activities of employees within the banking sector, employees do get motivated to stay with the bank.

Byoung, Dong, Jang, Ram, Ha and Dong (2016) conducted a study on impact of work environment and work-related stress on turnover intention in physical therapists. Findings revealed that there was a significant positive correlation between turnover intention and work-related stress and a significant negative correlation between turnover intention and work environment. Muchemi (2012) conducted a study on factors that lead to high staff turnover in private secondary schools in Thika West and Kiambu East Districts of Kenya. Findings revealed that working condition affects employee turnover. Ruchi and Jaipur (2014) suggested that efficient human resource management and maintaining good work environment will affect not only employee performance but also organizations growth and development.

Kuria et al (2012) researched on the assessment of causes of labor turnover in three and five star rated hotels in Kenya it was established that unfavorable working conditions, long working hours with minimal pays and poor employees training policies affects employee turnover. Rashid, Khalil, Zahid, and Moeed, (2013) conducted a research on work life balance and stress with turnover rate of the employees. Findings revealed that work life balance and stress affect employee turnover. Ghayyur and Jamal (2012) researched on work-family conflicts: a case of employees’ turnover intention. Findings revealed that there was a significant positive correlation between work life balance and employee turnover.

Abassi and Hollman (2000) noted that employee turnover is affected by lack of recognition and competitive compensation systems in an organization. Sara and Joeri
(2015) conducted a study on how reward satisfaction affects employees’ turnover intentions and performance. Findings revealed that reward has a positive influence on employee turnover. Wesonga, Kombo, Murumba and Makworo (2011) researched on the factors contributing to labor turnover in the sugar industry in Kenya it was revealed that poor pay package, fringe benefits, promotion procedures affects employee turnover. Mendis (2017) researched on the impact of reward system on employee turnover intention: a study on logistics industry of Sri Lanka it was established that financial and non-financial rewards have a strong impact on employee turnover.

According to Lee and Jimenez (2011), performance-based rewards, supervision support reduce the possibility that employees will opt to leave their current jobs, however, job satisfaction is the most important predictor of turnover intention. Other studies have determined that bad working condition, lack of career growth, unfair compensation, negative supervisory support, lack of employee development and job stress influences employee turnover rate (Sattar & Ahmed, 2014). A’yuninnisa and Saptoto, (2015) in their research on the effects of pay satisfaction and affective commitment on turnover intention it was revealed that pay satisfaction affects turnover intention. According to a research done by Foon, Leong and Osman (2010) on an exploratory on employee turnover intention among private sector, findings revealed that salaries, bonuses and promotions are tangible rewards systems can increase or reduce employee turnover in the banking sector.

2.4 Mitigating Strategies and Competitive Advantage

2.4.1 Mitigating Strategies

2.4.1.1 Organizational Culture

Organizational culture is values, beliefs, attitudes, norms behavior of employees and their expectations which are shared within the organization by its members (Greenberg & Baron, 2010). It is defined as values, beliefs and behaviors that differentiate one organization from another. Organizational culture is the mindset of people that distinguishes them from each other, within the organization or outside the organization. Organizational culture includes: values, beliefs, and behaviors of employee’s (Hofstede, 2001). Nickels, McHugh and McHugh (2010) states that corporate culture is shared values within an organization that provide coherence and cooperation to
achieve goals. Organizational culture influences how employees interact with each other, with clients and with stakeholders (Chepngen et al 2012).

According to a study done by Chidinma and Ikechukwu (2017), on organizational culture and employee retention of selected Commercial Banks in Anambra State, there was a significant positive relationship between innovative culture and the employee commitment in commercial banks. Edwinah (2012) in his study on corporate culture and organizational effectiveness determined that corporate culture influences organizational effectiveness. It was recommended that the organization should share their mission with their employees hence enable them to achieve their goals and employees should also be involved during decision making.

Stafford and Miles (2013) defines organizational culture as a system of shared assumptions, values and beliefs that governs how an organization interacts both with internal and external environments. Hofstede and Hofstede (2010) states that organizational culture is unique in different organizations. It is based on different parameters such as achievement, fairness, collaboration, teamwork, competitiveness and rules.

2.4.2 Leadership Style

Ng’ethe and Namusonge (2012) states that leadership is a relationship that occurs when one person is able to influence the behavior of other people; relationship in which the leaders are able to use their human influence to make people achieve a certain goal. Armstrong (2012, p.4) describes leadership as the “ability to persuade others willingly to behave differently”. Epie (2014) asserts that benefits, leadership style, supervisor support, recognition, job characteristics and work environment are example of factors that influence employee retention. Leadership style is a style that a leader adopts to deal with their followers (Ngure, 2013).

Transactional leadership style develops standards, policies, procedures, regulations and use reward and punishment (Nikezic, Puric, & Puric, 2012). Michael (2010) states that leadership has a direct cause and effect on relationship upon organizations and their success. Leaders determine values, culture, change tolerance and employee motivation.
Charismatic leaders develop vision and personality to motivate followers to achieve their goals and objectives. In addition, charismatic leadership style encourages employees to be more creative and innovative. According to Amal and Nosheen (2014), laissez-faire leadership has minimum interaction with employees, does not give clear instructions and orders and leaders avoid responsibilities. In addition, employees are usually not motivated hence leading to job dissatisfaction and poor performance. Cherry (2012) posits that laissez-faire leadership is usually effective when employees are highly skilled, motivated and capable of working on their own.

Ngambi (2011) states that leadership is a process of influencing employees to realize their full potential and achieve a value added, shared vision, with passion and integrity. Nwagboso and Duke (2012) noted that leadership is the most difficult and critical aspect of human endeavor and that no organization or country can grow bigger than the vision of its leadership. According to Paracha, Qamar, Mirza, Hassan and Waqas (2012), studies have shown that leadership styles are positively related to job satisfaction. Lee and Chuang (2009) states that an excellent leader inspires employees to meet their requirement and achieve their goals and objectives.

### 2.4.3 Job Satisfaction

Employee job satisfaction is the fulfillment, gratification and enjoyment that come from work. It is not the money or the fringe benefits, but the feelings employees receive from the work itself (Asegid, Belachew, & Yimam 2014). Employees determine job satisfaction by comparing the extent to which the outcome meets or exceeds their expectations; this is compared to how co-workers are performing, rewarded and whether there is fairness (Chatzoglou, Vraimaki, Komsou, Polchrou, & Diamantidis, 2011). According to a study done by Yukon Government (2010), it was revealed that organizations use job satisfaction strategies such as: use of reward systems, performance pay, training and career development, high level of wage rate and empowerment in decision making. Through this, organizations are able to reduce employee turnover rate and increase performance of the organization.

Mosadeghrad, Ferlie and Rosenberg (2008) assert that job satisfaction can be influenced by relationships, task variety and working conditions. Mullins (2010)
suggests that through job satisfaction, employees are more motivated hence, increase in performance. Juma, Simatwa and Ayodo (2011) noted that job satisfaction is the degree in which an organization is able to fulfill its employee’s needs. Nganzi (2014) research on factors influencing secondary school teachers’ job satisfaction levels in Lang’ata District, Nairobi-Kenya Department of education. Findings revealed that teachers lack motivation at their work place hence, leading to poor performance. Wangui (2011) job satisfaction is a positive feeling about work or work environment, while job dissatisfaction is unhappy or negative feelings about work or work environment. Job satisfaction describes how content an individual is with his or her job. Kabir and Mosammod (2011) working environment plays an important role in the employee’s job satisfaction.

2.4.2 Mitigating Strategies and Competitive Advantage

2.4.2.1 Organizational Culture and Competitive Advantage

Ames (2016) in his research on effect of organizational culture on performance of Kenya Power and Lighting Company, it was established that there exists a strong and positive relationship between organizational culture and performance. The study recommends that for an organization to achieve a sustainable competitive advantage, they should ensure that they have a good organizational culture in place and the culture should be aligned with their strategies and policies. Chepngeno et al (2012) investigated effects of organizational culture on sustainable competitive advantage in state owned corporations in Kenya. It was established that organizational values affected sustainable competitive advantage.

Sophie (2015) in her study on effects of organizational culture on performance of subsidiaries of selected regional commercial banks headquartered in Kenya. It was revealed that organizational culture has a positive influence on policies and strategic implementation thus creating a sustainable competitive advantage against competitors. Organizations should have rules that provide employees with clear instructions, process and procedures. Salman, Saira, Amjad, Sana and Muhammad (2014) conducted a research on the impact of organizational culture on job satisfaction, employee’s commitment and turnover intention. It was determined that organizational culture highly influences the employee commitment, job satisfaction and retention.
Kotter (2012) suggests that through organizational culture, an organization is able to increase its performance, employee job satisfaction and motivate employees to solve problems. In addition, according to Tavitiyaman, Qu and Zhang, (2012) organizations with a deeply entrenched culture are also able to increase their revenue, increase workforce expansions, increase in share price, and improve their net income as compared to companies with weaker culture. Organizational culture is an essential ingredient of organizational performance and a source of sustainable competitive advantage. Organizational culture is used by organizations to combine various organizational cultures in the corporate group structure (Kenny, 2012).

2.4.2.2 Leadership Style and Competitive Advantage

Devie and Hotlan (2015) conducted a research on the different impact between transformational leadership and transactional leadership on competitive advantage. Findings revealed that transactional leadership style influences the development of competitive advantage more than transformational leadership. Hamilton (2009) organizations that use transactional leadership style are able to increase job satisfaction, employee innovation, work efficiency and performance.

Obiwuru, Andy, Victoria and Idowu (2011) conducted a research on effects of leadership style on organizational performance. It was established that transactional leadership style had significant positive effect on performance; transformational leadership style had positive but insignificant effect on performance. The study concluded that transactional leadership style was more appropriate in inducing performance and productivity in small scale enterprises than transformational leadership style (Obiwuru, 2011). Ojokuku, Odetayo and Sajuyigbe (2012) conducted a research on impact of leadership style on organizational performance. Findings revealed that leadership style predict organizational performance and productivity.

Amal and Nosheen (2014) researched on impact of leadership style on organizational performance. Findings revealed that Leadership style has a significant impact on the organizational productivity hence, influences performance. Fu-Jin, Shieh and Tang (2010) researched on effect of leadership style on organizational performance as viewed from human resource management strategy. Findings revealed that charismatic, transformational and visionary of a leadership style are positively related to the
organizational performance. Munirat, Umar and Aina (2014) conducted a research on management of leadership style: an approach to organizational performance and effectiveness in Nigeria. It was established that there is a positive significant relationship between the application of leadership style and productivity and performance of business organizations. It was recommended that managers should adopt appropriate leadership style that suits the organization.

2.4.2.3 Job Satisfaction and Competitive Advantage

Ntuara (2008) conducted a survey of the relationship between job satisfaction and organizational performance of companies listed on the Nairobi Stock Exchange, Kenya. Findings revealed that teamwork, employee involvement and pay significantly affect productivity. Chengedzai and Pooe (2013) researched on the relationship between employee satisfaction and organizational performance. Findings revealed that there was a positive correlation between organizational performance and working conditions, creativity and teamwork.

Kuria (2011) states that employees are more satisfied and productive when the organization offers them employee recognition, good working condition, opportunities to participate in decision making, clear goals and responsibilities, promotion, fringe benefits, incentive, compensation, health and safety measures. An organization is able to achieve a sustainable competitive advantage by ensuring their employees are more satisfied hence reducing employee turnover and retaining skilled employees. In addition, employee job satisfaction influences organizational productivity. Through job satisfaction employees are able to increase their performance hence increase profits (Odembo, 2013).

Sikowo, Namusonge, Makokha and Nyagechi (2016) conducted a research on determinants of employee satisfaction on organizational performance. Findings revealed that employee productivity influences organizational performance. The study also revealed that there exists a positive and significant relationship between work environment and organizational performance. In conclusion, the study revealed that job satisfaction significantly affected organizational performance.

2.5 Chapter Summary

This chapter has discussed literature review based on the following research questions: What are the effects of employee turnover on competitive advantage of insurance companies? What are the factors affecting employee turnover on competitive advantage of insurance companies? What are the strategies used to deal with employee turnover? Chapter three presented research methodology that used in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents research methodology that was used in the research. Research methodology is the process by which data is extracted to be clearly understood. Methodology involves the possible choices decided by the person carrying out the research regarding data collection methods, data analysis techniques and procedures (Silverman 2001). Therefore, in this study, this section gives an outline of research design, population and sampling methods, the data collection methods to be applied, the research procedures, the data analysis and presentation methods that was used.

3.2 Research Design

According to Cooper and Schindler (2014), research design is used to determine the analysis approach or strategy that a researcher used. Research design is also used as a blueprint or guide to collect and analyze data based on research questions (Saunders, Lewis & Thornhill, 2016). Research can be classified into two categories: qualitative and quantitative research design. According to Mugenda and Mugenda (2008), qualitative research focuses on designs, techniques and measures that do not produce discrete numerical data while quantitative studies are used to test objective theories by examining the relationship between variables through measurements. Quantitative research deals with numbers and anything that can be measured in a systematic an investigate phenomena and their relationships. It is used to answer questions on relationships within measurable variables with an intention to explain, predict and control phenomena (Leedy, 2010).

According to Zikmund and Babin (2012), descriptive research is a study concerned with the frequency with which something occurs or the relationship between two variables. Descriptive design is appropriate for this study because it utilizes data collection and analysis techniques that capture the measures of central tendency, variation, and correlation (Shajahan., 2009). Descriptive research design was used to describe specific characteristics. Descriptive research is used when there is a clear statement of the research problem, specific research questions and detailed information needed (Malhotra, Baalbaki, & Bechwati, 2010).
3.3 Population and Sampling Design

3.3.1 Population
A population is complete group of elements in which a researcher wishes to study (O’Gorman & MacIntosh, 2014). It is a collection of elements which researchers want to examine and make inference about. According to Mugenda and Mugenda (2012), target population is complete set of individuals, cases or objectives with similar characteristics. The target population was 218 employees of AAR insurance company. The study was conducted only in AAR insurance branch located in Real Towers in Nairobi because of the ease of access to information and time and cost constraints.

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Management level</th>
<th>Total Population</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Middle management</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Low management</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>Non-management</td>
<td>170</td>
<td>78</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>218</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


3.3.2 Sampling Design
Sampling is the process of selecting respondents for a study in such a way that the respondents selected are a representative of the whole population (Mugenda & Mugenda 2012). Sampling procedure may be defined as a systematic process of individuals for a study to represent the larger group from which they are selected (Cooper and Schindler, 2008). The sample is defined as the method of selecting a portion of the population for conducting a study in order to represent the population adequately.

3.3.2.1 Sampling Frame
A sampling frame is the representation of all elements of the population in which a sample is drawn (Saunders, Lewis, & Thornhill, 2011). The sample frame of this study
was 218 employees who worked at AAR Insurance located in Real Towers and this was acquired from the Human Resource office.

### 3.3.2.2 Sampling Technique

Cooper and Schindler (2011) a sampling technique is the process of picking out a representative portion from which to carry out a test from the population. Stratified sampling was used. According to Mbwesa (2006), stratified random sampling is the process of stratification of segregation of the population in homogenous groups (groups with the same characteristics). Simple random sampling was used to select a sample of 65 respondents within the strata. Simple random sampling is the process where every member of the population is given a chance of being selected (Cooper, Schindler, & Blumberg, 2014).

### 3.3.2.3 Sample Size

According to Lind (2008), a sample is a subgroup of the population whereas the number of observation obtained from a sample is referred to as a sample size. Mugenda and Mugenda (2012), a sample should compose of 10-30% of the population, and a good population sample should be at least 10% and not more than 30% of the entire population. The sample size of our study is 30% of the entire population that is 65.

### Table 3.2: Sample Distribution

<table>
<thead>
<tr>
<th>Management level</th>
<th>Numbers of employees</th>
<th>Sample ratio (0.3)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>6</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Middle management</td>
<td>14</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Low management</td>
<td>28</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Non-management</td>
<td>170</td>
<td>51</td>
<td>78</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>218</strong></td>
<td><strong>65</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
3.4 Data Collection Methods

Data collection can be defined as the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses and evaluate the outcomes (Cooper and Schindler, 2008). The study used both primary and secondary data. Primary data was collected using structured questionnaires. Mugenda and Mugenda (2012) state that questionnaires are commonly used to obtain important information about the population. Structured questions are designed to give respondents to select from a series of alternatives. The researcher is able to control the form, length and content of the possible answer. Structured questions are dichotomous, multiple-choice, checklist, rating, or raking response strategies (Cooper & Schindler, 2010). The questionnaire had a five-point Likert scale where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree. The questionnaire was divided into four sections; section I Respondents’ profile, section II Voluntary turnover, section III Involuntary turnover, section IV Mitigation strategies and section V Competitive advantage. Questionnaires were self-administered and picked after two weeks when completed.

3.5 Research Procedures

Research procedures is the detailed description of the steps to be taken. Moreover, the conduct of research should be provided for by the study. Five questionnaires were pre-tested to check for completeness, accuracy and clarity. A pretest of the questionnaire is the administration of the questions with a small set of respondents to identify problems and find possible corrections. Therefore, results based on pre-test were used to improve the questionnaire before administering it to the sample.

Reliability of research instruments refers to the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda & Mugenda, 2012). An introductory letter was obtained from USIU to enable the researcher get permission to collect data. Five-point Likert scale was used. Initially, respondents were given five days to answer the questionnaire and ask any relevant questions, but it had taken them two weeks to complete the questionnaires. Information reviewed was treated confidentially and used only for academic purpose. Mugenda and Mugenda (1999)
noted that validity is the degree to which results obtained from the analysis of the data actually represent the variables of the study.

3.6 Data Analysis Methods

Wagner, Halley and Zaino (2011) data analysis is the process of cleaning, analyzing transforming and modeling data collected. Quantitative technique was used to analyze data. Data collected from the field was analyzed and coded. Quantitative data collected was analyzed by the use of inferential statistics using Statistical Package for Social Sciences and presented through tables. Mean and standard deviation was used to present results. Correlation analysis was done to determine if there is a relationship between the variables and regression to find out the type of relationship. According to Cooper and Schindler (2014), a correlational research design is used to describe a phenomenon or features associated with a population and also to find out if there is a relationship among these different variables. Results were presented using table and figures.

3.7 Chapter summary

This chapter discusses research methodology that was used in the study. In addition, it also highlights research design, the population, sampling frame, sampling technique, sample size, data collection methods used to efficiently collect data for the study and data analysis methods that were used. The next chapter presents the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
The purpose of this study was to determine the effects of employee turnover on competitive advantage of insurance companies. The chapter covers results based on data analysis that was done. Moreover, the chapter also discusses results based on demographics factors (age, gender, marital status, level of education, management level, number of years in the organization). Findings have also been presented based on research questions: effects of employee turnover on competitive advantage, effects on involuntary turnover on competitive advantage and mitigating strategies used to gain competitive advantage. Bar charts, Pie charts and table have been used to present the data analysis.

4.1.1 Response Rate
A response rate refers to the extent to which the final set of questionnaires collected from respondents is calculated against the number of questionnaires received back from the respondents interviewed in the study (Bacon, Johnson, Stewart, 2016). It measures the statistical power of a research and the higher the rate, the better. In this study, a total of 65 questionnaires were issued and a total of 63 were filled and returned giving a response rate of 97% as shown in Table 4.1.

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and returned</td>
<td>63</td>
<td>97</td>
</tr>
<tr>
<td>Non-responded</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Demographical Factors
The demographic factors of the respondents for this study comprise: gender, age, marital status, level of education, management level and years of work in the organization.
4.2.1 Age

Age analysis revealed 14% of respondents are 41 years and above, 8% are between 36-40 years whereas 19% are between 31-35 years. Findings also showed that 44% are between 26-30 years whereas 13% are below 25 years and 1% of the respondents did not respond. This implies that the organization has a lot of as mature employees as shown in Figure 4.1.

![Age Analysis](image)

**Figure 4.1: Age**

4.2.2 Gender

To analyze the gender of the respondents, findings showed that 54% of the respondents were male and 44% were female and 2% did not respond. This shows that both genders were adequately represented in the study.

![Gender Analysis](image)

**Figure 4.2: Gender**
4.2.3 Marital Status

The study sought to find out marital status of the respondents. It was revealed that 52% of the respondents are single, 45% are married and 3% are divorced. It shows that marital status of the respondents was sufficiently represented in this study as shown in Figure 4.3.

![Figure 4.3: Marital Status](image)

4.2.4 Academic Qualification

The analysis of academic qualification revealed that none of the employees has a PhD, 10% of respondents have a master, 65% have a degree, 21% have a diploma and 5% have a certificate. This shows that the organization had well educated employees who are able to contribute positively in the organization as shown in Figure 4.4.

![Figure 4.4: Academic Qualification](image)
4.2.5 Management Level

The study sought to establish management level of the respondents. The results were shown in Figure 4.5. The study revealed that 29% are in the non-management position, 24% are working in low management position, 43% of respondents are working in middle level position and 5% are in senior level position.

![Management Level Chart](image)

**Figure 4.5: Management Level**

4.2.6 Number of Years in the Organization

The study sought to establish number of years in the organization. Results were shown in Table 4.2. The study showed that 19% have worked in the organization for less than 1 year, 57% of respondents for 1-5 years, 16% have worked in the organization for 6-10 years, 5% for 11-15 years and 3% of the respondents have been work for more than 15 years in the company.

**Table 4.2: Number of Years in the Organization**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency (n)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>1 – 5 years</td>
<td>36</td>
<td>57</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
4.2.7 Cases of Employee Turnover

The study sought to find out if the organization has experienced cases of employee turnover. Findings revealed that 10% of respondents said that the organization very rarely experiences cases of employee turnover, 33% said rarely, 30% said very often and 27% said often as shown in Figure 4.6.

Figure 4.6: Cases of Employee Turnover

4.3 Effects of Voluntary Turnover on Competitive Advantage

The first objective set to study the effects of voluntary turnover on competitive advantage of insurance companies. Respondents were asked a set of questions to indicate to what extent they agree or disagree with the statement. The study used a five point Likert scale where 1 - Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- Strongly Agree.

4.3.1 Descriptive on Voluntary Turnover on Competitive Advantage of Insurance Companies

The results established that respondents could not reach an agreement on AAR experiences voluntary turnover 3.89, voluntary turnover occurs frequently at AAR 3.24, voluntary employee turnover at AAR occurs due to low salary and lack of benefits 3.30, voluntary employee turnover at AAR occurs due to entrepreneurship 3.16, high rate of voluntary turnover has affected AAR performance and effectiveness 3.02 and voluntary turnover has a negative effect on AAR competitiveness 3.18.
Moreover, respondents disagreed on voluntary turnover occurs due to life time decisions or circumstances for instance family moves, serious illness and death 2.95, voluntary employee turnover at AAR occurs due to unattractiveness of the job 2.97, higher rate of voluntary turnover has lowered work productivity at AAR 2.98 and voluntary turnover had affected organizational profitability 2.95 as shown in Table 4.3.

On analysis of the standard deviation, voluntary turnover had affected organizational profitability had the highest deviation value of 1.486. This means that there was a bigger variation between those who agreed, disagreed and were neutral. Whereas AAR experiences voluntary turnover had the lowest standard deviation value of 0.935, implying that there was little variation between those who agreed, disagreed and were neutral.

**Table 4.3: Descriptive on Voluntary Turnover on Competitive Advantage of Insurance Companies**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR experiences voluntary turnover.</td>
<td>3.89</td>
<td>0.935</td>
</tr>
<tr>
<td>Voluntary turnover occurs frequently at AAR.</td>
<td>3.24</td>
<td>1.210</td>
</tr>
<tr>
<td>Voluntary turnover occurs due to life time decisions or circumstances for instance family moves, serious illness and death.</td>
<td>2.95</td>
<td>1.184</td>
</tr>
<tr>
<td>Voluntary employee turnover at AAR occurs due to low salary and lack of benefits.</td>
<td>3.30</td>
<td>1.375</td>
</tr>
<tr>
<td>Voluntary employee turnover at AAR occurs due to entrepreneurship.</td>
<td>3.16</td>
<td>1.089</td>
</tr>
<tr>
<td>Voluntary employee turnover at AAR occurs due to unattractiveness of the job.</td>
<td>2.97</td>
<td>1.367</td>
</tr>
<tr>
<td>Higher rate of voluntary turnover has lowered work productivity at AAR.</td>
<td>2.98</td>
<td>1.476</td>
</tr>
<tr>
<td>High rate of voluntary turnover has affected AAR performance and effectiveness.</td>
<td>3.02</td>
<td>1.442</td>
</tr>
<tr>
<td>Voluntary turnover had affected organizational profitability.</td>
<td>2.95</td>
<td>1.486</td>
</tr>
<tr>
<td>On overall, voluntary turnover has a negative effect on AAR competitiveness.</td>
<td>3.18</td>
<td>1.454</td>
</tr>
</tbody>
</table>
4.4 Effects of Involuntary Turnover on Competitive Advantage

The second objective set to effects of involuntary turnover on competitive advantage of insurance companies. Respondents were asked a set of questions to indicate to what extent they agree or disagreed with statement. The study used a five point Likert scale where 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4 - Agree 5 - Strongly Agree.

4.4.1 Descriptive on Involuntary Turnover on Competitive Advantage

The results established that respondents could not reach an agreement on involuntary turnover or discharge has occurred at AAR due to an employee violating workplace policies (discipline issues) 3.17. Additionally, it was also revealed respondents disagreed on AAR experiences involuntary turnover 2.75; involuntary turnover occurs frequently at AAR 2.42, involuntary turnover is due to employee’s death or family issues 2.53 and involuntary turnover is due to business slowdown or economic necessity 2.73. Respondents disagreed also on employees have left AAR or been discharged due to performance problems 2.60, AAR has used re-organization or restructuring (downsizing) strategy to cut costs 2.60, AAR has used downsizing to raise profitability at AAR 2.38, downsizing has improved organizational effectiveness and efficiency at AAR. 2.24, Involuntary turnover has positively affected productivity 2.25 and through involuntary turnover, AAR was able to achieve competitive advantage 2.41 as shown in Table 4.4.

On analysis of the standard deviation, Involuntary turnover is due to employee’s death or family issues and AAR has used re-organization or restructuring (downsizing) strategy to cut costs had the highest deviation value of 1.251 meaning there was a bigger variation between those who agreed, disagreed and were neutral responding to the questions. Involuntary turnover occurs frequently at AAR had the lowest deviation value of 0.879.
Table 4.4: Descriptive on Involuntary Turnover on Competitive Advantage of Insurance Companies

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR experiences involuntary turnover.</td>
<td>2.75</td>
<td>1.150</td>
</tr>
<tr>
<td>Involuntary turnover occurs frequently at AAR.</td>
<td>2.42</td>
<td>.879</td>
</tr>
<tr>
<td>Involuntary turnover is due to employee’s death or family issues.</td>
<td>2.53</td>
<td>1.251</td>
</tr>
<tr>
<td>Involuntary turnover is due to business slowdown or economic necessity.</td>
<td>2.73</td>
<td>1.133</td>
</tr>
<tr>
<td>Involuntary turnover or discharge has occurred at AAR due to an employee violating workplace policies (discipline issues).</td>
<td>3.17</td>
<td>1.185</td>
</tr>
<tr>
<td>Employees have left AAR or been discharged due to performance problems.</td>
<td>2.60</td>
<td>1.171</td>
</tr>
<tr>
<td>AAR has used re-organization or restructuring (downsizing) strategy to cut costs.</td>
<td>2.60</td>
<td>1.251</td>
</tr>
<tr>
<td>AAR has used downsizing to raise profitability at AAR.</td>
<td>2.38</td>
<td>1.113</td>
</tr>
<tr>
<td>Downsizing has improved organizational effectiveness and efficiency at AAR.</td>
<td>2.24</td>
<td>.995</td>
</tr>
<tr>
<td>Involuntary turnover has positively affected productivity.</td>
<td>2.25</td>
<td>.915</td>
</tr>
<tr>
<td>Through involuntary turnover, AAR was able to achieve competitive advantage.</td>
<td>2.41</td>
<td>.927</td>
</tr>
</tbody>
</table>

4.5 Mitigating Strategies to Gain Competitive Advantage

The third objective set to determine mitigating strategies used to gain competitive advantage. Respondents were asked a set of questions to indicate to what extent they agree or disagreed with statement. The study used a five-point Likert scale where 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4 - Agree 5 - Strongly Agree.

4.5.1 Descriptive on Mitigating Strategies to Gain Competitive Advantage

The results established that respondents agreed that they are aware of the company’s mission and vision 4.13. However, respondents could not reach an agreement on leadership style at AAR has positively influenced employee productivity 3.98, transactional leadership style develops standards, policies, procedures, regulations and use reward and punishment 3.89, AAR uses job satisfaction strategies such as reward systems, performance pay, training and career development 3.87. Moreover,
respondents could not agree on organizational culture at AAR has influenced employee commitment and job satisfaction 3.83, the organizational culture at AAR has influenced employee performance 3.77; organizational culture has positively affected profitability at AAR 3.67 and organizational culture is an essential source of sustainable competitive advantage at AAR 3.59. Respondents could not also agree on organizational culture highly influences employee retention 3.52, charismatic leadership style encourages employees to be more creative and innovative 3.47 and transformational leader style uses values and principles to motivate its followers to accomplish their performance 3.43. Additionally, there was no agreement on leadership style at AAR has positively influenced employee performance 3.29 and leadership style at AAR has positively influenced employee retention 3.17. as shown in Table 4.5.

On analysis of the standard deviation, whereas Leadership style at AAR has positively influenced employee productivity had the highest deviation value of 5.167, the organizational culture at AAR has influenced employee performance had the lowest, 1.486.
Table 4.5: Descriptive on Mitigating Strategies and Competitive Advantage of Insurance Companies

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional leadership style develops standards, policies, procedures,</td>
<td>3.89</td>
<td>1.127</td>
</tr>
<tr>
<td>regulations and use reward and punishment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformational leadership style uses values and principles to motivate</td>
<td>3.43</td>
<td>1.217</td>
</tr>
<tr>
<td>its followers to accomplish their performance.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charismatic leadership style encourages employees to be more creative</td>
<td>3.47</td>
<td>1.194</td>
</tr>
<tr>
<td>and innovative.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am aware of the company’s mission and vision.</td>
<td>4.13</td>
<td>1.198</td>
</tr>
<tr>
<td>Organizational culture at AAR has influenced employee commitment and</td>
<td>3.83</td>
<td>1.115</td>
</tr>
<tr>
<td>job satisfaction.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture has positively affected profitability at AAR.</td>
<td>3.67</td>
<td>1.122</td>
</tr>
<tr>
<td>The organizational culture at AAR has influenced employee performance.</td>
<td>3.77</td>
<td>1.039</td>
</tr>
<tr>
<td>Organizational culture highly influences employee retention.</td>
<td>3.52</td>
<td>1.105</td>
</tr>
<tr>
<td>Organizational culture is an essential source of sustainable competitive</td>
<td>3.59</td>
<td>1.265</td>
</tr>
<tr>
<td>advantage at AAR.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership style at AAR has positively influenced employee productivity.</td>
<td>3.98</td>
<td>5.167</td>
</tr>
<tr>
<td>Leadership style at AAR has positively influenced employee performance.</td>
<td>3.29</td>
<td>1.263</td>
</tr>
<tr>
<td>Leadership style at AAR has positively influenced employee retention.</td>
<td>3.17</td>
<td>1.277</td>
</tr>
<tr>
<td>AAR uses job satisfaction strategies such as reward systems, performance</td>
<td>3.87</td>
<td>1.100</td>
</tr>
<tr>
<td>pay, training and career development.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR uses job satisfaction strategies such as good working conditions.</td>
<td>3.75</td>
<td>1.177</td>
</tr>
<tr>
<td>Employee job satisfactions at AAR has influenced performance and</td>
<td>3.62</td>
<td>1.170</td>
</tr>
<tr>
<td>productivity.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through involuntary turnover, AAR was able to achieve competitive</td>
<td>3.60</td>
<td>1.302</td>
</tr>
<tr>
<td>advantage.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.6 Competitive Advantage

The study sought to establish the effects of competitive advantage. Respondents were asked several questions and were expected to rate them with the highest being strongly agree (5) and the least being strongly disagree (1).

4.6.1 Descriptive on Competitive Advantage

The results established that respondents agreed that access to highly trained and skilled employees has helped AAR achieve a competitive advantage 4.06. However, respondents could not reach an agreement on access to new innovative procedures has contributed to achieve competitive advantage at AAR 3.89. AAR has sustained its competitive advantage over years 3.43. Additionally, respondents could not agree on AAR branches are strategically located in order to achieve competitive 3.95. Competitive advantage is driven by workforce productivity and creativity at AAR 3.90. AAR has used a new product/service processes to achieve competitive advantage 3.89. AAR offers product/services that have unique attributes 3.84; access to new technologies has contributed to achieve competitive advantage at AAR 3.82. Finally, they could not agree on AAR operates with enough branches in the city to gain competitive advantage 3.81, AAR offers an added value products/services 3.76 and AAR has achieved competitive advantage 3.65 as shown in Table 4.6.

On analysis of the standard deviation, the access to new technologies has contributed to achieve competitive advantage had the highest deviation value of 1.248 meaning there was a bigger variation between those who agreed, disagreed and neutral. Whereas AAR has achieved competitive advantage had the lowest deviation value of 0.936. This implies that there was little variation between those who agreed, disagreed and neutral.
Table 4.6: Competitive Advantage

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR has achieved competitive advantage</td>
<td>3.65</td>
<td>0.936</td>
</tr>
<tr>
<td>AAR has sustained its competitive advantage over years</td>
<td>3.71</td>
<td>1.099</td>
</tr>
<tr>
<td>Competitive advantage is driven by workforce productivity and creativity at AAR.</td>
<td>3.90</td>
<td>0.953</td>
</tr>
<tr>
<td>The access to highly trained and skilled employees has helped AAR achieve its competitive advantage.</td>
<td>4.06</td>
<td>0.948</td>
</tr>
<tr>
<td>The access to new technologies has contributed to achieve competitive advantage at AAR.</td>
<td>3.82</td>
<td>1.248</td>
</tr>
<tr>
<td>The access to new innovative procedures has contributed to achieve competitive advantage at AAR.</td>
<td>3.98</td>
<td>1.055</td>
</tr>
<tr>
<td>AAR offers product/ services that have unique attributes.</td>
<td>3.84</td>
<td>0.971</td>
</tr>
<tr>
<td>AAR offers an added value products/ services.</td>
<td>3.76</td>
<td>1.027</td>
</tr>
<tr>
<td>AAR has used a new product/ service processes to achieve competitive advantage.</td>
<td>3.89</td>
<td>1.002</td>
</tr>
<tr>
<td>AAR operates with enough branches in the city to gain competitive advantage.</td>
<td>3.81</td>
<td>0.998</td>
</tr>
<tr>
<td>AAR branches are strategically located in order to achieve competitive advantage.</td>
<td>3.95</td>
<td>0.974</td>
</tr>
</tbody>
</table>

4.7 Correlation between Employee Turnover on Competitive Advantage of Insurance Companies

The study undertook a correlation to analyze the relationship between employee turnover on competitive advantage of insurance companies. The findings revealed that there was a strong positive correlation between mitigation strategy and competitive advantage ($r = 0.585^{**}$, $p<0.00$) whereas, there was a negative relationship between voluntary turnover and competitive advantage $r= -0.265^{*}$, $p<0.05$ and a negative
relationship between involuntary turnover and competitive advantage ($r = -0.283^*$, p<0.05). This indicates an increase in mitigation strategy will lead to an increase in competitive advantage as shown in Table 4.7. For all the variables, the P value was less than 0.05 therefore the relationships were statistically significant.

<table>
<thead>
<tr>
<th></th>
<th>Competitive Advantage</th>
<th>Voluntary Turnover</th>
<th>Involuntary Turnover</th>
<th>Mitigation Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td>1</td>
<td>-.265*</td>
<td>-.283*</td>
<td>.585**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.036</td>
<td>0.025</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td>-0.265*</td>
<td>1</td>
<td>.323**</td>
<td>-0.223</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.036</td>
<td>0.01</td>
<td>0.078</td>
<td></td>
</tr>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td>-0.283*</td>
<td>0.323**</td>
<td>1</td>
<td>-0.207</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.025</td>
<td>0.01</td>
<td>0.104</td>
<td></td>
</tr>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td>0.585**</td>
<td>-0.223</td>
<td>-0.207</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.078</td>
<td>0.104</td>
<td></td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

4.8 Regression Analysis of Employee Turnover on Competitive Advantage

The study was set to analyze the effects of employee turnover on competitive advantage. For the purpose of this study, Statistical Package for Social Sciences (SPSS) version 21 was used. The findings between employee turnover and competitive advantage had a significant correlation, the relationship was subject to regression analysis to determine the percentage contribution to the significance. Regression
analysis was done to determine if employee turnover has an impact on competitive advantage. The variables were coded, entered and computed the measurements of multiple regression.

### 4.8.1 Model Summary

The results established that the coefficient of determination $R^2$ was 0.378 which indicates that 37% of Competitive Advantage is determined by employee turnover as illustrated in Table 4.8

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$R$ Square</td>
</tr>
<tr>
<td>1</td>
<td>.615$^a$</td>
<td>.378</td>
<td>.347</td>
<td>.63956</td>
<td>.378</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), mitigation strategy, involuntary turnover, voluntary turnover*

### 4.8.2 ANOVA

An ANOVA analysis was done between employee turnover and competitive advantage and at 95% confidence level, the $F$ value=11.966, $P<0.000$) therefore it is established that employee turnover has a significant effect on competitive advantage. The results are shown in Table 4.9.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>$F$</th>
<th>Sig. $b$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regression</td>
<td>14.683</td>
<td>3</td>
<td>4.894</td>
<td>11.966</td>
<td>.000</td>
</tr>
<tr>
<td>1 Residual</td>
<td>24.133</td>
<td>59</td>
<td>.409</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>38.816</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: competitive advantage
b. Predictors: (Constant), mitigation strategy, involuntary turnover, voluntary turnover*
4.8.3 Coefficients of Employee Turnover on Competitive Advantage

The findings in Table 4.10 indicates that only mitigation strategy has a positive effect on competitive advantage \( \beta_3 = 0.487, p<0.00 \) whereas, voluntary turnover \( \beta_1 = -0.106, p>0.363 \) and involuntary turnover \( \beta_2 = -0.181, p>0.207 \) have negative effect.

**Table 4.10: Coefficients of Variables of Employee Turnover on Competitive Advantage**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.872</td>
</tr>
<tr>
<td></td>
<td>Voluntary turnover</td>
<td>-.106</td>
</tr>
<tr>
<td></td>
<td>Involuntary turnover</td>
<td>-.181</td>
</tr>
<tr>
<td></td>
<td>Mitigation strategy</td>
<td>.487</td>
</tr>
</tbody>
</table>

a. Dependent variable: Competitive Advantage

As per Table 4.10, the equation \( (Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3) \) becomes:

\[
Y = 2.872 - 0.106X_1 - 0.181X_2 + 0.487X_3
\]

Where

- \( Y \) – Competitive advantage (dependent variable)
- \( X_1 \) – Voluntary turnover (independent variable)
- \( X_2 \) – Involuntary turnover (independent variable)
- \( X_3 \) – Mitigating strategies (independent variable)

The regression equation illustrated in Table 4.10 has established that taking all factors (voluntary turnover, involuntary turnover, mitigating strategies) into account and all other factors held constant, competitive advantage increased by 2.872. Findings also showed that with all other variables held at zero, a unit change in voluntary turnover would result in 0.106 decrease in competitive advantage while a unit change in involuntary turnover would lead to 0.181 decrease in competitive advantage. But a unit change in mitigating strategies would lead to 0.487 increase in competitive advantage. All variables were significant \((p>0.05)\), therefore in the equation there was a positive
relationship between mitigating strategies and competitive advantage but a negative relationship voluntary turnover, involuntary turnover and competitive advantage.

4.9 Chapter Summary

This chapter discusses results obtained from data analysis. It has also presented data on employee demography and specific research questions. The chapter also presents results on regression and correlation analysis. Chapter five presents discussions, conclusions and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter explained discussion, conclusions and recommendations. It looked at the results and findings obtained from the study based on Effects of employee turnover on competitive advantage: A case of AAR insurance company. Discussions were based on research questions which were required to determine effects of voluntary turnover on competitive advantage, involuntary turnover on competitive advantage and mitigating strategies used to gain competitive advantage. The chapter looked at the researcher’s discussion on the findings of the study as compared to the literature review. Conclusions and recommendations were made.

5.2 Summary

The purpose of the study was to establish the effects of employee turnover on competitive advantage of AAR insurance company. The study was guided by the following research questions: What are the effects of voluntary turnover on competitive advantage of insurance companies? What are the effects of involuntary turnover on competitive advantage of insurance companies? What are the mitigating strategies to gain competitive advantage?

A descriptive research was used. The target population was 218 employees who work at AAR. The study was conducted in AAR located in Real Towers (Nairobi). Stratified random sampling was used to select a sample of 65 employees. Primary data was collected using a structured questionnaire. Data collected from the field was coded and analyzed using Statistical Package for Social Sciences (SPSS) version 21 data. Quantitative technique was used to analyze data. Inferential statistics was done using regression and correlation analysis to determine relationship between the variables. Out of 65 questionnaires distributed to the AAR employees, 63 were received back. Results of the findings were presented using table, and figures. On whole, while there was a positive relationship between mitigating strategies and competitive advantage, findings
revealed that there was a negative relationship between voluntary and involuntary turnover and competitive advantage.

The first objective set to establish effects of voluntary turnover on competitive advantage. It was revealed that respondents could not reach an agreement on AAR experiences voluntary turnover, voluntary turnover occurs frequently at AAR, voluntary turnover at AAR occurs due to low salary and lack of benefits, voluntary employee turnover at AAR occurs due to entrepreneurship. They could also not agree on high rate of voluntary turnover has affected AAR performance and effectiveness and voluntary turnover has a negative effect on AAR competitiveness. However, respondents disagreed on voluntary turnover occurs due to life time decisions or circumstances for instance family moves, serious illness and death, voluntary employee turnover at AAR occurs due to unattractiveness of the job. They also disagreed on higher rate of voluntary turnover has lowered work productivity at AAR and voluntary turnover had affected organizational profitability.

The second objective set to establish effects of involuntary turnover on competitive advantage. Respondents could not reach an agreement on involuntary turnover or discharge has occurred at AAR due to an employee violating workplace policies (discipline issues). However, findings revealed that respondents disagreed on AAR experiences involuntary turnover, involuntary turnover occurs frequently at AAR, involuntary turnover is due to employee’s death or family issues, involuntary turnover is due to business slowdown or economic necessity. Moreover, they did not agree on employees have left AAR or been discharged due to performance problems, AAR has used re-organization or restructuring (downsizing) strategy to cut costs, AAR has used downsizing to raise profitability. Additionally, they disagreed on downsizing has improved organizational effectiveness and efficiency at AAR, involuntary turnover has positively affected productivity and AAR was able to achieve competitive advantage through involuntary turnover.

The third objective set to establish mitigating strategies used to gain competitive advantage. Findings revealed that respondents agreed that they are aware of the company’s mission and vision. However, respondents could not reach an agreement on organizational culture at AAR has influenced employee commitment and job satisfaction, organizational culture has positively affected profitability at AAR,
organizational culture at AAR has influenced employee performance, organizational culture highly influences employee retention and organizational culture is an essential source of sustainable competitive advantage at AAR. Moreover, they could not agree on leadership style at AAR has positively influenced employee productivity, transactional leadership style (develops standards, policies, procedures, regulations and use reward and punishment) is adopted, charismatic leadership style (encourages employees to be more creative and innovative), transformational leader style (uses values and principles to motivate its followers to accomplish their performance), leadership style at AAR has positively influenced employee performance, and leadership style at AAR has positively influenced employee retention. Respondents could not reach an agreement on AAR uses job satisfaction strategies such as reward systems, performance pay, training and career development, AAR uses job satisfaction strategies such as good working conditions, employee job satisfaction has influenced performance and productivity and finally, through job satisfaction, AAR was able to achieve a sustainable competitive advantage.

5.3 Discussion

5.3.1 Effects of Voluntary Turnover on Competitive Advantage

It was revealed that respondents could not reach an agreement on high rate of voluntary turnover has affected AAR performance and effectiveness. Similar to this, according to a study done by Jacob (2011) on the effects on performance of voluntary and involuntary labor turnover in an evolutionary signaling model; voluntary turnover has the expected negative effect on performance. Griffeth et al (2012) conducted a research on reviewing employee turnover; findings revealed that there was a negative relationship between job performance and voluntary turnover.

The study revealed that respondents could not reach an agreement on voluntary turnover at AAR occurs due to low salary and lack of benefits. According to Vuyisile (2013), in his study, it was revealed that staff turnover causes reduction in effective service delivery to the customers and reflects poorly on the image of the Department. It was recommended that the organization should pay its employees a marketable salary, reward and develop career advancement opportunities for its employee.
It was revealed that respondents disagreed on voluntary turnover has lowered work productivity at AAR. In contrast according to Oki (2014), voluntary turnover can have significant effects on the execution of business plans and may eventually cause a parallel decline in productivity. Ziel and Antointette (2013) states that the cost of voluntary staff turnover and the impact on productivity alone is enough to depress any human resource manager and the organization. Kimungu and Maringa (2010) in their study, it was established that high level of employee turnover has a negative effect on quality of service and consequently on the desired competitiveness of the hotel.

Findings showed that respondents disagreed on voluntary turnover had affected organizational profitability. According to a study done by Shaw (2011), it was established that turnover rate will decrease profitability and financial performance of the organization. Turnover rate of any organization will impact the organization’s operations, cost in investing trainings that are required for new employee and eventually will impact the end profit of the organization (Keni et al 2013).

Aman (2015) in his research on the causes and effects of employees’ turnover in Oromia water works design and supervision enterprise. It was revealed that due to employee turnover the organization will not be competitive in the market, it will incur cost of recruitment and training and loss of profit.

It was established that respondent disagreed that voluntary employee turnover at AAR occurs due to unattractiveness of the job. In contrast, Heneman et al (2012) asserts that employee might decide to leave an organization voluntarily because of getting a better job, changing career, or present job is unattractive because of poor working conditions, low pay or benefits, and bad relationship with supervisor.

It was revealed that there was a disagreement on voluntary turnover occurs due to life time decisions or circumstances for instance family moves, serious illness and death at AAR. This is in line with the study done by Sandra (2012) unavoidable turnover occurs due to life time decisions that are beyond an employer's control. It occurs when an employee moves to a new area or a job transfer for a spouse. Unavoidable turnover occurs due to family moves, serious illness, and death, over which the organization has little or no influence (Taylor & Finley, 2010). Those circumstances can make employees voluntarily resign from the job.
5.3.2 Effects of Involuntary Turnover on Competitive Advantage

It was revealed that respondents could not reach an agreement on involuntary turnover or discharge has occurred at AAR due to an employee violating workplace policies. This is as described by Mayhew (2017) in her study, involuntary turnover occurs when employers terminate an employee’s contract or ask an employee to resign. Involuntary turnover might occur when an employee violates workplace policies, performs poorly or in case of business slowdown. involuntary turnover might occur when an employee violates workplace policies, performs poorly or in case of business slowdown.

Findings revealed that respondents disagreed on employees have left AAR or been discharged due to performance problems. According to Shaw et al (2005), involuntary turnover is divided into discharge turnover and downsizing. Discharge turnover is the process where an employee leaves an organization due to performance problems or discipline. Involuntary turnover or discharge, is the process where an employer decides to terminate an employment relationship.

It was established that involuntary turnover is due to employee’s death or family issues. Heneman et al (2012), Aman (2015) noted that involuntary turnover might occur due to long term sickness, death, moving overseas or employers-initiated termination.

Findings also revealed that respondents disagreed that downsizing, has been used at therefore it has not improved organizational effectiveness and efficiency at AAR. In contrast, Omolo (2011) asserts that organizations use downsizing as a strategy of reducing employment cost hence, improve employee efficiency and effectiveness. Downsizing can be used as a cost reduction program to improve organizational effectiveness and increase shareholder value (Adnan, 2010). Zakira (2013) posits downsizing may occur intentionally as a strategic, proactive response designed to improve organizational effectiveness.

Findings revealed that respondents disagreed that AAR has used re-organization or restructuring (downsizing) strategy to cut costs and AAR has used downsizing to raise profitability. Miguda (2013) posits that downsizing eliminates redundancies and reduces employment costs; many executives believe that through downsizing
organizations are able to compete efficiently and improve profitability. Downsizing strategies are used to enhance performance in organizations.

It was established that respondents disagreed that through involuntary turnover, AAR was able to achieve competitive advantage and involuntary turnover has positively affected productivity. Chepkirui (2012) suggests that downsizing should be used by organizations as a strategic mean to increase productivity and efficiency. Zakira (2013) asserts that globally, companies have used downsizing to improve employee competitiveness, profitability, organizational effectiveness, efficiency as well as to reduce the size of their workforce.

5.3.3 Mitigating Strategies to Gain Competitive Advantage

Findings showed that respondents agreed on they are aware of the company’s mission and vision. Similar to this statement according to a study done by Edwinah (2012), on corporate culture and organizational effectiveness, it was determined that corporate culture influences organizational effectiveness. It was recommended that the organization should share their mission with their employees hence enable them to achieve their goals and employees should also be involved during decision making. Chepngenno et al (2012) investigated the effects of organizational culture on sustainable competitive advantage in state owned corporations in Kenya. It was established that organizational values affected sustainable competitive advantage.

It was established that respondents could not reach an agreement on organizational culture is an essential source of sustainable competitive advantage at AAR. Findings also revealed that respondents could not reach an agreement on organizational culture has positively affected profitability at AAR. Ames (2016) and Chepngenno et al (2012) in their research, findings revealed that there exists a strong and positive relationship between organizational culture and performance. Ames (2016) recommends that for an organization to achieve a sustainable competitive advantage, they should ensure that they have a good organizational culture in place and the culture should be aligned with their strategies and policies.
Findings revealed that respondents could not reach an agreement on organizational culture at AAR has influenced employee performance. Kotter (2012) suggests that through organizational culture, an organization is able to increase its performance, employee job satisfaction, and motivate employees to solve problems. Organizational culture is an essential ingredient of organizational performance and a source of sustainable competitive advantage. Organizational culture is used by organizations to combine various organizational cultures in the corporate group structure (Kenny, 2012).

It was revealed that leadership style at AAR has positively influenced employee productivity. According to a research done by Ojokuku et al. (2012), Amal and Nosheen (2014) and Munirat et al. (2014), it was revealed that there was a positive and significant relationship between leadership style and organizational performance and productivity. Munirat et al. (2014) recommended that leaders should adopt an appropriate leadership style that suits the organization.

Findings showed that respondents could not reach an agreement on AAR uses job satisfaction strategies such as reward systems, performance pay, training and career development. According to a research done by Yukon Government (2010), it was revealed that organizations use job satisfaction strategies such as; use of reward systems, performance pay, training and career development, high level of wage rate and empowerment in decision making. Through this organizations are able to reduce employee turnover rate and increase performance of the organization.

5.4 Conclusion

5.4.1 Effects of Voluntary Turnover on Competitive Advantage

Based on the findings, even though it is not significant, AAR has experienced voluntary turnover and it has occurred due to entrepreneurship, low salary and lack of benefits, unattractiveness of the job, due to life time decisions or circumstances for instance, family moves, serious illness and death. Therefore, voluntary turnover can affect performance, effectiveness and lower productivity and this may not help in sustaining competitive advantage.
5.4.2 Effects of Involuntary Turnover on Competitive Advantage

The study of involuntary turnover at AAR reveals that it has not occurred due to workplace policies or discipline issues, due to business slowdown or economic necessity, due to performance problems, employee’s death, positively affected productivity or family issues. Additionally, downsizing has not enhanced organizational effectiveness and efficiency and re-organization or restructuring was not used to cut costs. Therefore, involuntary turnover at AAR may have not affected the organization’s competitive advantage.

5.4.3 Mitigating Strategies to Gain Competitive Advantage

Based on the findings, employees are aware of company’s mission and vision. Leadership style used in AAR has not positively influenced employee productivity. Respondents could not really inform about the leadership style used at AAR: transactional leadership style (used to develop standards, policies, procedures regulations and use reward and punishment strategies) transformational leadership style (used to motivate employees to accomplish their performance and charismatic leadership style to encourage employees to be more creative and innovative. In addition, Organizational culture does not influence employee retention hence, affecting productivity and performance. Finally, the job satisfaction strategies used have not significantly affected employees’ performance and productivity. All this have not significantly affected competitive advantage at AAR.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Effects of Voluntary Turnover on Competitive Advantage

AAR can boost sustainable employee commitment, increase organizational effectiveness and gain a competitive advantage by reducing voluntary turnover. It should develop motivation strategies such as; offering pay raise, new assignment, effective communication better working conditions. It should also encourage work balance life and offer growth opportunities. Through this it will be able to increase employee job satisfaction and commitment hence raise profitability.
5.5.1.2 Effects of Involuntary Turnover on Competitive Advantage

AAR should develop policies and strategies that they can use in cases of involuntary turnover. They can use downsizing strategies such as; retrenchment, early retirement or casualization of staff. This will enable them to cut costs, reduce business slow-down, increase organizational effectiveness, efficiency and productivity therefore gain competitive advantage.

5.5.1.3 Mitigating Strategies to Gain Competitive Advantage

AAR should develop an organizational culture that is unique and will differentiate them from other organizations. Through this, they will be able to have leader who will be able to develop vision and personality to motivate employees. In addition, also develop rules that will provide employees with clear instruction, policies and procedures that they can use to achieve their goals and objectives.

5.5.2 Recommendations for Further Studies

The study recommends that since no study has been done on types of employee turnover and their effect on competitive advantage further studies ought to be done on other insurance companies and organizations.
REFERENCES


Lavania, D. (2011). Faculty recruitment and retention: A key for managing talent in higher education. . GLA University MathuraMathura Uttar Pradesh, India.


APPENDIX I: QUESTIONNAIRE

EFFECTS OF EMPLOYEE TURNOVER ON COMPETITIVE ADVANTAGE

This questionnaire assists in data collection for academic purpose. The research intends to give an analysis of the effects of voluntary and involuntary turnover on competitive advantage.

All information obtained will be handled with high level of confidentiality. Please do not incorporate identification or names in this questionnaire.

Please answer every question by using either a cross(x) or tick (√) in the option that applies.

SECTION A: RESPONDENT’S PROFILE

Please tick the most appropriate answer (✓/x)

1. Gender: Male [ ] Female [ ]

2. Age
   25 and below [ ]
   26-30 years [ ]
   31-35 years [ ]
   36-40 years [ ]
   41 years and above [ ]

3. Marital status: Married [ ] Single [ ] Widowed [ ] Divorced [ ]

4. Academic Qualification
   Certificate [ ] Diploma [ ] Degree [ ] Masters [ ] PhD [ ]

5. What is your management level?
   Senior [ ]
   Middle [ ]
   Low [ ]
   Non- management [ ]

6. How long have you been working in the organization?
   Less than 1 year [ ]
   1 – 5 years [ ]
   6 - 10 years [ ]
   11 - 15 years [ ]
   More than 15 years [ ]
7. Does the organization experience cases of employee turnover?
   - Very rarely
   - Rarely
   - Very often
   - Often
   - Never

SECTION B: Effects of Voluntary Turnover on Competitive Advantage

Voluntary turnover refers to termination initiated by employees because of getting a better job, changing career, or present job is unattractive because of poor working conditions, low pay or benefits, and bad relationship with supervisor or for circumstances like health, family reasons, death.

*Rate your level of agreement on effects of voluntary turnover on competitive advantage.*

(1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5- Strongly Agree)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>1   AAR experiences voluntary turnover</td>
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<td>2   Voluntary turnover occurs frequently at AAR</td>
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<td>3   Voluntary turnover occurs due to life time decisions or circumstances for instance family moves, serious illness and death.</td>
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<td>4   Voluntary employee turnover at AAR occurs due to low salary and lack of benefits.</td>
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<td>5   Voluntary employee turnover at AAR occurs due to entrepreneurship.</td>
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<td>6   Voluntary employee turnover at AAR occurs due to unattractiveness of the job.</td>
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<td>7   Higher rate of voluntary turnover has lowered work productivity at AAR.</td>
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<td>8   High rate of voluntary turnover has affected AAR performance and effectiveness.</td>
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<td>9   Voluntary turnover had affected organizational profitability.</td>
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<td>10  On overall, voluntary turnover has a negative effect on AAR competitiveness.</td>
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SECTION C: Effects of Involuntary Turnover on Competitive Advantage

Involuntary turnover occurs when management decides to terminate its relationship with an employee due to economic necessity, business slowdown; when employee violates workplace policies or performs poorly.

Rate your level of agreement on effects of involuntary turnover on competitive advantage.  (1- Strongly Disagree, 2- Disagree, 3-Neutral, 2- Agree, 1- Strongly Agree)

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<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
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<tr>
<td>1  AAR experiences involuntary turnover?</td>
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<td>2  Involuntary turnover occurs frequently at AAR?</td>
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<td>3  Involuntary turnover is due to employee’s death or family issues.</td>
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<td>4  Involuntary turnover is due to business slowdown or economic necessity.</td>
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<td>5  Involuntary turnover or discharge has occurred at AAR due to an employee violating workplace policies (discipline issues).</td>
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<td>6  Employees have left AAR or been discharged due to performance problems.</td>
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<td>7  AAR has used re-organization or restructuring (downsizing) strategy to cut costs.</td>
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<td>8  AAR has used downsizing to raise profitability at AAR.</td>
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<td>9  Downsizing has improved organizational effectiveness and efficiency at AAR.</td>
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<td>10 Involuntary turnover has positively affected productivity.</td>
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<td>11 Through involuntary turnover, AAR was able to achieve competitive advantage.</td>
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SECTION D: Mitigating Strategies and Competitive Advantage
There are strategies that can be used to curb employee turnover. Among others are organizational culture, leadership style and job satisfaction.

Identify type of leadership style at AAR

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<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
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<th>Agree</th>
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<tbody>
<tr>
<td>1 Transactional leadership style develops standards, policies, procedures, regulations and use reward and punishment.</td>
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<tr>
<td>2 Transformational leadership style uses values and principles to motivate its followers to accomplish their performance.</td>
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<td>3 Charismatic leadership style encourages employees to be more creative and innovative.</td>
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Rate your level of agreement on the effects mitigating strategies and competitive advantage. (1- Strongly Disagree, 2- Disagree, 3- Neutral, 2- Agree, 1- Strongly Agree)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
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<tbody>
<tr>
<td>1 I am aware of the company’s mission and vision.</td>
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<td>2 Organizational culture at AAR has influenced employee commitment and job satisfaction.</td>
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<tr>
<td>3 Organizational culture has positively affected profitability at AAR.</td>
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<tr>
<td>4 The organizational culture at AAR has influenced employee performance.</td>
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<td>5 Organizational culture highly influences employee retention.</td>
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<td>6 Organizational culture is an essential source of sustainable competitive advantage at AAR.</td>
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<tr>
<td>7 Leadership style at AAR has positively influenced employee productivity.</td>
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<td>8 Leadership style at AAR has positively influenced employee performance.</td>
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</table>
Statement | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
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| 1 | 2 | 3 | 4 | 5 |
| 9 | Leadership style at AAR has positively influenced employee retention. | | | | |
| 10 | AAR uses job satisfaction strategies such as reward systems, performance pay, training and career development. | | | | |
| 11 | AAR uses job satisfaction strategies such as good working conditions. | | | | |
| 12 | Employee job satisfactions at AAR has influenced performance and productivity. | | | | |
| 13 | Through job satisfaction, AAR was able to achieve a sustainable competitive advantage. | | | | |

**SECTION E: Competitive Advantage**

Competitive advantage is the process where a firm is able to achieve and sustain profit that exceeds what its competitors are achieving.

*Rate your level of agreement on the effects mitigating strategies and competitive advantage*

*(1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- Strongly Agree)*

| Statement | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
--- | --- | --- | --- | --- | --- |
<p>| 1 | AAR has achieved competitive advantage? | 1 | 2 | 3 | 4 | 5 |
| 2 | AAR has sustained its competitive advantage over years. | | | | | |
| 3 | Competitive advantage is driven by workforce productivity and creativity at AAR. | | | | | |
| 4 | The access to highly trained and skilled employees has helped AAR achieve its competitive advantage. | | | | | |
| 5 | The access to new technologies has contributed to achieve competitive advantage at AAR. | | | | | |
| 6 | The access to new innovative procedures has contributed to achieve competitive advantage at AAR. | | | | | |</p>
<table>
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<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
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<tr>
<td>7   AAR offers product/ services that have unique attributes.</td>
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<td>8   AAR offers an added value products/ services.</td>
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<td>9   AAR has used a new product/ service processes to achieve competitive advantage.</td>
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<td>10  AAR operates with enough branches in the city to gain competitive advantage.</td>
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<td>11  AAR branches are strategically located in order to achieve competitive.</td>
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THANK YOU FOR YOUR PARTICIPATION