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Management Style and Employee Turnover in the Insurance Industry in Kenya

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ABSTRACT

Purpose: To establish the influence of management style on employee turnover in the insurance industry in Kenya

Methodology: The study applied descriptive explanatory research design. The target population was 404 senior staff drawn from 48 insurance companies in Kenya. The sample size for this study was 197 respondents determined using Krejcie and Morgan sample size determination formula. Stratified random sampling technique was used to select 197 managers. The study collected both primary and secondary data where questionnaires were used to collect primary data. The study carried out both descriptive and inferential analyses. Results from analysed data were presented in tables.

Results: The results obtained from correlation analysis revealed a negative significant correlation between management style on employee turnover in the insurance industry in Kenya at $p<0.05$. The findings show that management style and employee turnover in the insurance industry in Kenya had a strong negative and significant relationship ($r= -0.574$, $p<0.05$). The relationship was considered significant since the p-value (0.000) was less than the selected level of significance (0.05). The model summary results show that the R-squared is 0.733 which suggests that 73.3% of all variation in employee turnover in the insurance industry in Kenya are explained by changes in management style.

Unique contribution to theory, practice and policy: Maslow's (1943), hierarchy of needs theory used in this study may be used to anchor future studies on describing how employees' needs are placed into five progressive categories, beginning with basic physical needs and progressing up to needs for personal growth. The study recommends that the management of insurance companies should always involve staff in making organizations decisions and programs and ensures getting their approval in important matters before going ahead. According to the study, policy makers should formulate policies that will ensure that insurance companies embrace appropriate management styles.

Keywords: *Organizational determinants, Employee turnover, Management style, Insurance industry*

1.0 BACKGROUND OF THE STUDY

The most valuable asset available to an organisation is its people, and therefore, retention of staff in their job is essential for an organisation. Indeed, there is a paradigm shift from human resource to human capital which consists of the knowledge, skills and abilities of the people employed in an organisation which is indicative of their value (Meudell & Rodham, 2018). Employee turnover is an important issue that possesses a significant challenge for organizations. Since human capital is central to an organization's performance, workforce attrition can have a profound impact on an organization's performance, growth and general business outcomes (Jyoti & Venketesh, 2016). When employees leave their jobs, it is often a sign that something is going wrong. Allen and Helms (2014), contends that poor job retention among employees lead to many costs associated with employee turnover which include additional burden on remaining staff, recruitment and training costs, lost productivity, loss of clients and loss of intellectual capital.

Lee & Jimenez, (2011) states employee turnover as a serious issue, particularly in the area of human resource management. A high percentage of casual or seasonal workers may be the cause of a high employee turnover rate, as many variables like low pay, unpleasant working conditions, or both. On the other hand, a high level of turnover may be associated to a high level of demand for skills where workers are induced to change employers in a wage (Mayhew, 2017). Poor job feedback, job dissatisfaction, unmet job expectations, performance problems, situational constraints, socialization difficulties, greater degrees of job stress, and a lack of career advancement opportunities among others as causes of employee turnover (Arnold, 2015). According to Arianto (2018), better pay and prospects, personal reasons, career-related issues, company-related issues, market factor, job-related issues are the main reasons for employees to leave their organization. As Shukla and Dr Sinha (2016) stated, relationship between employees and management or the nature of the management is also another reason for most employees to quit. A poor relationship with the management can be an important reason for the employees to leave their jobs. Employer-employee relationship plays a vital role on turnover.

The insurance sector in Kenya is one of the fast-growing sectors of the economy and has been growing at a rate of between 18% – 25% within the last decade. The industry also contributes to close to 4% of the country's Gross Domestic Product (GDP) (Mwangi, 2016). The industry therefore greatly contributes to high growth and employment opportunities as they are basically human intensive, and human resources act as an undoubted differentiator. According to Insurance and Technology (2018) the global employee turnover rates within the industry is in excess of 26 percent. This turnover rate makes it difficult to sustain efforts to increase sales and can cost the organization money when employees leave before they get the full benefit of the training provided. Quality manpower and employee retention acts as a litmus test to the performance of specific companies within the industry. This could be greatly attributed to organization determinants like management style (Syahrizal, 2018). Employee turnover brings about not only discernible financial consequences but also non-tangible costs related to knowledge and productivity. Every time an insurance company needs to fill a vacancy, it faces both direct and indirect costs (Ng'ethe, 2013).

1.1 Problem Statement

According to Meudell and Rodham (2018), employee turnover is an important issue that possesses a significant challenge for organizations. Since human capital is central to an organization's performance, workforce attrition can have a profound impact on an organization's performance, growth and general business outcomes. Human resource is considered the canter of all development processes of economy. However, today's competitive business scenario is deteriorating social conditions of human resources, hence causing employee turnover (Shukla & Sinha, 2013). In the insurance industry in Kenya, employee turnover is costly, causing workforce instability, reduced efficiency, lower effectiveness, and negative impact on the bottom line (Maaitah, 2018). However, there seems to be a reluctance to invest resources to retain top talent. Part of this hesitancy comes from a sense that counter-turnover efforts do not make a difference as employees leave anyway (Lyengi, 2014). Ignoring employee turnover however, would not help. The risk of doing nothing is great. The loss of customers, supplier confidence, investor support, and employee morale can be very expensive. According to Mwilu (2016), the Kenyan insurance industry is currently undergoing a period of rapid change concerning separation of life insurance from general insurance. As a result, the insurance firm are facing extreme challenges in the current competitive environment since the changes and new services have become the base of marketing (Lee & Jimenez, 2011). The performance of the entire categories of products offered by insurance sector in Kenya is beset with some common challenges and bottlenecks. Low penetration and uptake of insurance is one major setback the insurance industry development is encountering in particular market share, diversification of products among other measures (Ng'ethe, 2013). The growth of insurance uptake in year 2019 in Kenya has been at slow pace which was estimated to be at 2.84% as in contrast to 2.63% in 2018, this in comparison with South Africa which registered a growth of 12.9% in the same year and both countries boasts of above 40 million populations. The survey conducted by National financial access in the country (2018) indicated that 6.8% of population in Kenya made a purchase of insurance services with a huge 91% of Kenyans not embracing insurance services both in life and property (Fanou, 2018). In view of this concept insurance sector has to devise robust competitive strategies to enable credible market share. The empirical studies of Aldarmaki and Kasim (2019) in their findings, established that management styles influences employee turnover in an organization. Empirical studies reviewed were limited to other institutions other than insurance industry and hence their findings were not generalizable to Insurance industry in Kenya. Further the studies covered different concepts. This study, therefore, sought to establish the influence of management style on employee turnover in the insurance industry in Kenya.

1.2 Objective of the Study

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To establish the influence of management style on employee turnover in the insurance industry in Kenya.

1.3 Research Hypothesis

$H_{0:}$ Management style has no significant influence on employee turnover in the insurance industry in Kenya.

2.0 LITERATURE REVIEW

2.1 Maslow's Hierarchy of Needs Theory

Maslow's (1943) hierarchy of needs theory places employees' needs into five progressive categories, beginning with basic physical needs and progressing up to needs for personal growth and career development (Redmond, 2010). According to this theory, one will have to pass the lower level of satisfaction before entering the higher level. The theory is strong as it claims that employers must motivate the employees through meeting each level of employees' needs for employees to truly commit themselves to workplace goals (Gagné & Deci, 2005). According to this theory, failing to meet employee's needs at any level in the hierarchy can create a lack of fulfilment in employees' professional lives, causing them to eventually try to fulfil these needs on their own, possibly by finding a new employer who provides better opportunities (Trevor, 2011). This theory does not consider that human needs are endless and in actual facts the organizations cannot meet every need of its employees. In some organizations, there are employees from the better rewarded positions who are still quilting their jobs (Fanou, 2018). This means human needs are endless and there is no clear point showing that this is the highest level of satisfaction. Therefore, this theory was adopted to guide this study in determining the influence of management style on employee turnover in the insurance industry in Kenya.

2.2 Conceptual Framework

The conceptual framework was used to provide a diagrammatic presentation of a theory and it is presented as a model when research variables and their relationship are translated into a visual picture to demonstrate the interconnectivity between the independent and the dependent variables (Luft & Shields, 2014). It illustrates how dependent and independent variables are related. Management style was the independent variable while employee turnover in the insurance industry was the dependent variable.

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Management Style

- Communication
- Supervision
- Management support

Employee Turnover

- Employee turnover rate
- Intention to leave
- Number of new employees

Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

2.3 Research Gaps

The influence of management style on employee turnover has been the subject of numerous research. In the chosen Kenyan public universities, Perez (2014) studied the impact of nurse managers' leadership styles on staff nurses' intent to turnover. This study focus was on staff nurses' intent to turnover while the current study focus is on employee turnover in the insurance industry. Ayres (2018), studied the impact of managerial styles and job satisfaction on employee turnover in the hospitality industry employee turnover in the hospitality industry. This study focus was on employee turnover in hospitality industry while the current study focus is on employee turnover in the insurance industry. Maaitah (2018), studied the role of leadership style on turnover intention. Aldarmaki and Kasim (2019), researched on leadership style and turnover intention: the moderating role of supervisor trust public sector in UAE. According to research by Mutunga (2019), on the connection between management style and employee turnover in the telecommunications sector, employment benefits and career advancement are not the only factors that affect employee retention. The reviewed studies conducted have covered different concepts and were conducted in different organizations, which have different operating environment compared to the insurance industry. The current study aimed at looking at the management styles and how they influence employee turnover in the insurance industry in Kenya. It is against this background that the study sought to establish the influence of management style on employee turnover in the insurance industry in Kenya.

3.0 METHODOLOGY OF THE STUDY

This research design used in this study was a descriptive explanatory research design. The study targeted 404 senior staff working in the Insurance companies in Kenya as the target population. The sampling frame involved the list of all employees in the insurance companies in Kenya. The sample size for this study was 197 respondents determined using Krejcie and Morgan sample size determination formula. Stratified random sampling technique was used to select 197 managers. The study's sample size was reached at using Krejcie and Morgan sample size determination formula. The respondents were selected using purposive sampling. The 197 managers were chosen with the help of stratified random sampling technique. This sampling technique divides the population into groups or strata. Primary and secondary data was collected by the researcher for the study. A questionnaire which is a form of quantitative data collection tool was used to collect primary data. Secondary data was collected by use of a data extraction tool. Data extraction tool was used to collect information needed from online sources and organization reports. The data collection tool in this study was a checklist. Questionnaires helped to collect data from managers. The structured questions were useful as they enabled easy analysis of data and reduced the time and resources needed for data collection. The unstructured questionnaires helped the researcher get in-depth responses from the respondents as they give a chance to them provide views and suggestions on the various issues.

Quantitative and qualitative data were generated from the closed-ended and open-ended questions, respectively. Qualitative data was analysed on thematic basis and the findings presented in a narrative form. Inferential and descriptive statistics were employed for analysis of quantitative data with the assistance of Statistical Package for Social Sciences (SPSS Version 25). Descriptive statistics such as frequency distribution, mean (measure of dispersion), standard deviation, and percentages were used. Inferential data analysis was conducted by use of univariate regression analysis, Pearson correlation coefficient was done to establish the relationship among variables, and multiple regression analysis. Inferential statistic was used to make judgments about the probability that an observation is dependable or one that happened by chance in the study. Before conducting inferential statistics, the researcher conducted diagnostic tests. The analyzed data was presented in form of tables.

4.0 RESULTS AND DISCUSSION

4.1 Descriptive Analysis of Management Style

The sample size for the study was 197 senior employees of 48 Insurance companies in Kenya. The returned questionnaires were crosschecked for accuracy and completeness and 169 were found to be valid and reliable and could be used for further analysis and reporting. The returned questionnaires formed a response rate of 85.8%. The study sought to assess the influence of management on employee turnover in the insurance industry in Kenya. Respondents were, therefore, asked to indicate their level of agreement on statements about the influence of management style on employee turnover in the insurance industry in Kenya. Table 1 presents summary of the findings obtained.

Respondents gave their level of agreement on the statements about the influence of management style on employee turnover in the insurance industry in Kenya. On communication measure of management style, the respondents agreed that in their organization, communication is two ways, employees are provided with the information they need and also the management listens to them (M= 3.982, SD= 0.339); and that in their organization, the management gives consideration to employees' suggestions to make them feel valued (M= 3.889, SD= 0.341). They also agreed that in their organization, employees are provided with feedback about their work to help them improve and also correct mistakes (M= 3.777, SD=0.311). Regarding supervision as measure of management style, the respondents agreed that through supervision, employees in their organization are held accountable of their results (M= 3.948, SD= 0.310); that in their organization, employees are given specific instructions on their roles and responsibilities (M= 3.738, SD= 0.322); and that in their organization, managers interact with employees to review their work and encourage them to improve (M= 3.698, SD= 0.326). Respondents further agreed on management support that in their organization, managers support employee growth by providing them with training opportunities to enhance their skills and knowledge (M= 3.915, SD= 0.331); that in their organization, managers help employees in solving problem they experience while carrying out their duties (M= 3.863, SD= 0.327); and that in their organization, the managers support employees creativity and innovations to ensure that they are fully implemented (M= 3.836, SD= 0.299).

From the findings above, it is evident that communication, supervision, and management support affected employees. Also, the aggregate mean value of 3.850 (SD= 0.323) supports the findings that management style influences employee turnover in the insurance industry in Kenya. The findings agree with Nowack (2016), that effective leadership is required for employees to realise their full potential and value. Managers who can build an all-inclusive work climate have an invaluable effect on employee commitment to an organisation and the productivity generated. It also concurs with Boswel (2016) that good managers are a catalyst for improved employee performance, a brand image for the organisation, the reason for customer loyalty and consistent financial results year on year. Ayres (2018), studied the impact of managerial styles and job satisfaction on employee turnover and found that decreased performance occurs with increased role ambiguity, and that as role conflict increases so does job performance. In his study, Mutunga (2015) found that leadership emerged as a significant factor that contributed to employee turnover and its related impact on organisational performance which agrees with present study findings.

Table 1: Descriptive Statistics on Management Style

Statements	Mean	Std. Dev.
Communication		
In our organization, communication is two way, employees are provided with the information they need and also the management listens to them	3.982	0.339
In our organization, employees are provided with feedback about their work to help them improve and also correct mistakes	3.777	0.311
In our organization, the management gives consideration to employees suggestions to make them feel valued	3.889	0.341
Supervision		
In our organization, employees are given specific instructions on their roles and responsibilities	3.738	0.322
In our organization, managers interact with employees to review their work and encourage them to improve	3.698	0.326
Through supervision, employees in our organization are held accountable of their results	3.948	0.310
Management Support		
In our organization, managers help employees in solving problem they experience while carrying out their duties	3.863	0.327
In our organization, the managers support employee's creativity and innovations to ensure that they are fully implemented	3.836	0.299
In our organization, managers support employee growth by providing them with training opportunities to enhance their skills and knowledge	3.915	0.331
Aggregate Score	**3.850**	**0.323**

Respondents were also asked their opinion on how management style influences employee turnover in the insurance industry in Kenya. Most agreed that managers who effectively leverage employee strengths and rally individuals around team goals achieve a more favourable performance outcome than those who withhold feedback or provide little support to team members. A person's management style can also impact overall employee engagement. This agrees with Mugove (2018), research that managers account for 70 percent of the variance in employee engagement, and can adversely or positively impact employees' commitment to their work and the company. Also, leaders play a great role in motivating employees, developing skills, and providing a conducive work environment. These elements help improve employee job satisfaction, which leads to lower turnover intention (Lee & Jimenez, 2011).

4.2 Descriptive Analysis of Employee Turnover

Respondents were therefore asked to indicate their level of agreement on the statements about employee turnover. Table 2 presents summary of the findings obtained. The findings show that the respondents agreed that the number of new recruitments has decreased in the organization (M= 3.994, SD= 0.332); that low new recruitments save costs for the organization (M= 3.981, SD= 0.339); and that the number of employees leaving the organization annually has reduced (M=

3.909, SD= 0.335). They further agreed that employees leave the organization voluntarily (M= 3.863, SD= 0.327); that employees leave the organization involuntarily (M= 3.836, SD= 0.299); and that employees leave the organization due to retirement (M= 3.836, SD= 0.351).

The findings are consistent with those of Aman (2015), that employee may leave an organization due to sickness, death, moving abroad or employers-initiated termination. Heneman, Judge and Kammeyer-Muelle (2012), also observed 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. In addition, Campbell, Ganco, Franco and Agarwal (2012), observed that employees leave an organization due to bad relationship in the workplace, being bored or unchallenged in the work itself and poor benefits.

Table 2: Descriptive Statistics on Employee Turnover

Management Style Indicators	Mean	Std. Dev.
The number of employees leaving the organization annually has reduced	3.909	0.335
Employees leave the organization voluntarily	3.863	0.327
Employees leave the organization involuntarily	3.836	0.299
Employees leave the organization due to retirement	3.836	0.351
The number of new recruitments has decreased in the organization	3.994	0.332
Low new recruitments save costs for the organization	3.981	0.339
Aggregate Score	**3.903**	**0.330**

4.3 Correlation Analysis

The findings show that management style and employee turnover in the insurance industry in Kenya had a strong negative and significant relationship ($r= -0.574, p<0.05$). The relationship was considered significant since the p-value (0.000) was less than the selected level of significance (0.05). This implies that management style has significant effect on employee turnover in the insurance industry in Kenya. The findings agree with Huang et al., (2016) that an organisation's ability to develop strong relationships between employees and the management will result in a supportive people culture which reduces employee turnover. It also agrees with Mutunga (2019), who found in his study that leadership emerged as a significant factor that contributed to employee turnover and its related impact on organisational performance.

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Table 3: Correlation Analysis

		Employee Turnover	Management Style
Employee Turnover	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	169	
Management Style	Pearson Correlation	-.574**	1
	Sig. (2-tailed)	.000	
	N	169	169

**. Correlation is significant at the 0.05 level (1-tailed).

4.4 Regression Analysis Results

The first specific objective of the study was to establish the influence of management style on employee turnover in the insurance industry in Kenya. The associated null hypothesis was that management style has no significant influence on employee turnover in the insurance industry in Kenya. A univariate analysis was conducted in which employee turnover in the insurance industry in Kenya was regressed on management style.

The R-Squared depicted the variation in the dependent variable that can be explained by the independent variables. The greater the value of R-squared the greater the effect of independent variable. The R Squared can range from 0.000 to 1.000, with 1.000 showing a perfect fit that indicates that each point is on the line. As indicated in Table 4, the R-squared for the relationship between management style and employee turnover in the insurance industry in Kenya was 0.339; this is an indication that at 95% confidence interval, 33.9% of variation in employee turnover in the insurance industry in Kenya can be attributed to changes in management style. Therefore, management style can be used to explain 33.9% of changes in employee turnover in the insurance industry in Kenya. However, there are other factors that can be attributed to 66.1% change in employee turnover in the insurance industry in Kenya other than management style.

Table 4: Model Summary for the Management Style on Employee Turnover

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.582[a]	.339	.335	.16950

a. Predictors: (Constant), Management Style

The analysis of variance was further used to determine whether the regression model is a good fit for the data. It also gave the F-test statistic; the linear regression's F-test has the null hypothesis that there is no linear relationship between the two variables. From the analysis of variance (ANOVA) findings in Table 5 the study found out that that Prob>$F_{1,167}$= 0.000 was less than the selected 0.05 level of significance. This suggests that the model as constituted was fit to predict

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employee turnover in the insurance industry in Kenya. Further, the F-calculated, from the table (85.484) was greater than the F-critical, from f-distribution tables (3.898) supporting the findings that management style can be used to predict employee turnover in the insurance industry in Kenya.

Table 5: ANOVA for Management Style on Employee Turnover

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.456	1	2.456	85.484	.000[b]
1	Residual	4.798	167	0.029		
	Total	7.254	168			

a. Dependent Variable: Employee Turnover

b. Predictors: (Constant), Management Style

From the results in Table 6, the following regression model was fitted.

$$Y = 1.431 - 0.312 X_1$$

(X_1 is management style)

The coefficient results showed that the constant had a coefficient of 1.431 suggesting that if management style was held constant at zero, employee turnover in the insurance industry in Kenya would be 1.431 units. In addition, results showed that management style coefficient was -0.312 indicating that a unit improvement in management style would result in a 0.312 decrease in employee turnover in the insurance industry in Kenya. It was also noted that the P-value for management style coefficient was 0.016 which is less than the set 0.05 significance level indicating that management style was significant. Based on these results, the study rejected the null hypothesis and accepted the alternative that management style has negative significant effect on employee turnover in the insurance industry in Kenya.

Compared with multiple regression results it was established that management style had a higher effect on employee turnover in the insurance industry in Kenya unilaterally (coefficient=-0.312) as opposed to when it was combined with other variables (coefficient=-0.159). The results suggest that in the presence of work environment, reward management, career development opportunities the effect of management style on employee turnover weakens. The descriptive findings showed that respondents agreed on average (Mean= 3.850) that management style affected employee turnover in the insurance industry in Kenya. On the other hand, correlation analysis results showed that management style had a strong negative relationship with employee turnover in the insurance industry in Kenya. This was also supported by the regression results which showed that management style had -15.9% influence on employee turnover in the insurance industry in Kenya when combined with other organizational determinants and on its own had a -31.2% influence on employee turnover in the insurance industry in Kenya.

The study findings are supported by Maslow's Hierarchy of Needs Theory developed by Maslow's (1943) which claims that employers must motivate the employees through meeting each level of employees' needs for employees to truly commit themselves to workplace goals. According to this theory, failing to meet employee's needs at any level in the hierarchy can create a lack of fulfilment in employees' professional lives, causing them to eventually try to fulfil these needs on their own, possibly by finding a new employer who provides better opportunities. The study findings also agree with Trevor (2011) that in autocratic leadership, employees are highly involved in the decision-making processes and managers encourage employees to participate and every individual strives to improve the organisational climate and performance. This management style reports the lowest employee turnover and allows for a good working relationship between employees and management and employees exhibit high degrees of responsibility and commitment which drives organisational performance. Overall employee productivity is high, leading to a higher financial return per employee and creates an innovative forum where employees and their managers exchange ideas, all improving the learning and growth perspective of the balance scorecard. It also agrees with Mutunga (2019) that leadership emerged as a significant factor that contributed to employee turnover and its related impact on organisational performance.

Table 6: Beta Coefficients for Management Style

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.431	0.512		2.795	0.006
	Management Style	-0.312	0.128	-0.216	-2.438	0.016

a. Dependent Variable: Employee Turnover

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study found that management style is statistically significant in explaining employee turnover in the insurance industry in Kenya. The influence was found to be negative. This means that unit improvement in management style would lead to a decrease in employee turnover in the insurance industry in Kenya. Based on the findings, the study rejects the null hypothesis and concludes that management style negatively and significantly relates with employee turnover in the insurance industry in Kenya. The study further concludes that a person's management style can also impact overall employee engagement. Also, leaders play a great role in motivating employees, developing skills, and providing a conducive work environment. These elements help improve employee job satisfaction, which leads to lower turnover intention.

5.2 Recommendations

The study recommends that it is important for insurance companies to always pay attention to the relationship between employees and superiors so that it continues to run well and harmoniously. Management support, communication and supervision aspects of managers and leaders in the organization will determine retention rate. This study recommends, leaders in insurance companies should consult the group managers, should tell employees what to do and how to do it. Managers need to assert themselves and serve as an example for the employees. Leaders need to promote and defend the interest of the group. The study further recommends that leaders need to involve staff in making organizations programs, gets group approval in important matters before going ahead and is friendly, supportive and considerate towards others.

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