INFLUENCE OF EMPLOYEE LOYALTY ON RETENTION IN PRIVATE SECURITY FIRMS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

The challenge of employee retention is a global problem that affects organizations in both developing and developed countries. Even though a lot has been done towards addressing the problem, the situation has continued to be experienced among private security firms in Nairobi City County, Kenya. The main objective of this study was to determine the influence of employee loyalty on retention in private security firms in Nairobi City County, Kenya. The work environment was used as a moderating variable. The study adopted a descriptive research design. The target population of this research was 50 private security firms in Nairobi City County registered with Kenya Security Industry Association. Primary data was collected using a close-ended questionnaire. Data was analyzed with the aid of SPSS version 25.0 and presented using descriptive and inferential statistics. Simple and multiple regression analysis was used to establish the relationship between variables and the t-statistic at a 95% significance level was adopted in testing the hypothesis of the study. The overall significance was tested using F-test. The study established a positive significant effect of employee loyalty on retention with a regression coefficient of 1.583 and a p-value of 0.000 implying that employee loyalty affected retention. The interaction between work environment and employee commitment had a regression coefficient of 2.330 and a p-value of 0.025 implying that work environment positively altered the relationship between employee loyalty and retention. The study recommends that private security firms ought to put strategies that encourage employees to remain loyal in performance of their work, to ensure increased employee retention. The findings of the research will contribute to theory, policy making, and understanding of human resource management practices to ensure an increase in employee retention.

Keywords: Employee Loyalty, Retention and Private Security Firms.
INTRODUCTION

Mathieu and Zajac (1990) defined employee loyalty as the attachment to and ownership of the organization’s goals and objectives. It may be termed as an emotive response, particularly when a worker trusts completely the firm’s values and objectives with a solid longing to preserve the organization’s secrets and be a good ambassador. According to Albrecht et al. (2015) loyalty is considered as a solid desire to keep as a member of the firm and an inclination to put in an increased level of energy. Employee loyalty encompasses the sense of dependency, increased want for continued membership, maintaining the firm’s secret, ownership of the firm’s goals, and obedience to the rules and procedures of the firm (Adler & Adler, 1988). Adedeji and Ugwumadu (2018) researched on factors that motivate employee loyalty, and determined that employee loyalty positively impacted employee willingness to continue working in their company for long. In another research, by Chikazhe et al. (2020) it was concluded that graduates ‘perceived service quality and loyalty positively influence graduates’ perceived job performance. These studies focused on employee loyalty and employee satisfaction whereas the current study focused on employee retention.

Work environment comprises all factors that affect employee productivity. It is the relationship that occurs between the worker and their work environment (Nasidietal., 2019). The work environment is made up of factors such as organizational support, supervisory support, peer support, and rate of pay (Cromwell & Kolb, 2004). A conducive supportive work environment is important in ensuring employees remain engaged and work in the organization for an extended period (Rhoades et al., 2001). A conducive work environment ensures employees stay engaged with an increased intention to remain in the firm for long, it improves the commitment and loyalty of employees in return, strengthening the workers’ mental connection with their organization (Rhoades et al., 2001). Past research has revealed that good organizational support results in increased employee involvement, and a firm’s commitment which further results in a decreased rate of turnover (Eisenberger et al. 2002). The study further concluded that negative supervision is related to employee low retention rate. It also stated that if employee perceives that organization value their contribution and that the management takes care of them, then they will be engaged and willing to stay for a longer period in their pace of work.

In a study by Mandhanya (2015), it was established that the work environment positively affected employee retention. The study also revealed that a conducive and responsive environment when provided at the place of work it enhances retention. A study by Bibi et al. (2016) revealed that the workplace environment altered the rate of pay and retention relationship. It was concluded that pay and security of tender had an imperative connection with employees' retention. The current study adopted the work environment as a moderator.
Retention of workers is an important aspect of a firm’s success (Ibrahim et al., 2019). It is the process whereby workers are encouraged to continue working for their organization for a long time possibly or pending the organization’s completion of its objectives and goals (Singh & Dixit, 2011). The Corporate Leadership Council (2004) in their research concluded that employee engagement reduces workers’ intention to leave. The study concluded that a great number of engaged workers were 87% less probable to move out of their current organization. The same study found that a hundred workplaces with a conducive environment had a normal voluntary exit that averaged a 13% rate as related to the average of 28.5% of extra firms in the same industries. Retention of employees is a great challenge to most organizations worldwide such that, organizations face increased costs, for example, recruitment costs, training, and development cost, increased organizational brain drain that is loss of well-experienced employees which may result in lowered morale for the remaining employee (Yazinski, 2009).

Lowers and Associates (2019) reported a global employee turnover rate at 9.6 %, with the highest turnover in the functions of finance 12.7%, sale12.6 %, and HR 12.6 %. In Kenyan, more than 68% of organizations are experiencing retention problems with a greater number of employees moving from one organization to another (PWC, 2013). Due to the continued competition in the labor markets and high demand for talents, the management is faced with the obligation of designing strategies to ensure increased retention. Sutanto & Kurniawan, (2016) stated that an employee retention rate of 90% or more is termed good for the organization. Khalid and Nawab (2018) concluded that employee participation influences employee retention positively. A study by Bala (2017) stated that employee involvement, training, motivation, good employee-employer relationship, conducive environment, and job security positively affected workers’ retention.

Private security companies were registered in Kenya in the 1960s on large industrial sites. Increases in insecurity rates coupled with incapability of public safety services to ensure enough protection have been the two key contributing aspects toward the massive growth of private security firms (Abrahamsen & Williams, 2005). Diphoorn, (2016) in their study, indicated that there are nearly 2000 private security companies in Kenya, with many of them based in Nairobi City County Kenya. A study by Zheng and Xia (2021) approximated that there exist around 300,000 private security workers employed by around 600 firms that are actively operating in Kenya. According to Kenya Security Industry Association (2020), Nairobi City County, Kenya has 50 security firms being the county with the largest number of registered firms with the association.

Despite the continued progress of the security sector, there remains an outstanding low retention rate of private security employees who view their occupation as a stepping stone for absorption into different jobs. The employee retention rate in these firms remains below 5% per year. This
low rate of retention has caused private security firms to offer poor services while others have been forced to close down due to poor performance (Zheng & Xia 2021).

According to Kenya National Private Security Workers Union (2020), employee retention in these firms remains below 5% with Nairobi City County, Kenya not being an exemption. In Kenya, 50% of private hospitals experienced a high challenge of staff turnover, Kenyan banks 10-15% annually (PWC 2013) while the teacher's service commission of Kenya reported 45% of teacher’s intention to quit (Kamau 2021). Private security employees’ unconducive working environments with minimal wages has brought about decreasing rates of employee retention by security firms (Minnar&Ngoveni, 2004). Nasir and Mahmood (2018) stated that an employee can remain and be loyal, committed, and accountable if they feel valued by the management of the firm they are working for. A low employee retention rate leads to increased operating costs for the organization, low morale for remaining employees, loss of customers, and poor performance and productivity. The retention of well-qualified employees guarantees continued improved performance, customer fulfillment, contented workmates, and timely achievement of organizational goals and objectives. In addition, it encourages operative succession planning, leading to an engaged organization (Chumba, 2016).

Book et al. (2019) researched on the influence of management satisfaction on worker’s loyalty, engagement, and retention in the hospitality industry in the Southwestern United States and concluded that workers who are greatly engaged in their duties are highly loyal to the organization which further influences their willingness to stay in the firm longer. The research established that a positive leader/subordinate relationship is essential to achieving good performance. The research adopted a descriptive research design whereby primary data were collected through online data collection managed by the firm’s communication team and administration of questionnaires. The above study investigated the effect of leadership satisfaction on employee engagement while the present research focused on the influence of employee loyalty on retention.

Basheer et al. (2019) researched on the role of worker engagement to improve the effect of spiritual intelligence, emotional intelligence, and flexible working plans toward staff loyalty in the proton automotive industry in Malaysia and concluded that, enhanced employee loyalty results in retention through improved employee engagement strategies and practices. The research results indicated that contented workers have a tendency to be devoted and committed to their place of work and contributed positively to the firm’s performance. It was also established that staff engagement is an important element to improve worker allegiance through spiritual intelligence, emotional intelligence, and flexible working arrangements. The research used a cross-sectional research design and a quantitative technique. Data were collected by the use of questionnaires via email survey. Data were analyzed using Smart PLS (structural
equational modeling). This research used a cross-sectional research design and quantitative technique and primary data was collected by the use of an employee questionnaire via email survey while the current research used a descriptive research design while the questionnaire were administered through drop and pick method.

In their study, Varma *et al.* (2017) examined the effect of job satisfaction and worker loyalty in Unilog Content Solution Pvt. Ltd. Mysore, posited that there existed a positive connection between job satisfaction and worker loyalty. The research identified management support, professional development, and work security as the vital determiners of Job Satisfaction and Employee Loyalty. The research employed Exploratory and descriptive research design. Primary data was collected from 100 employees and was analyzed through correlation and regression analysis. Grønholdt and Martensen (2016) in their journal whose main aim focused to develop and use a model of worker’s loyalty and the factors of worker loyalty concluded that to increase employee loyalty the industry should concentrate and vital consideration of some factors such as individual development, leadership job content, creativity, and innovation. The above two studies examined how employee satisfaction influences worker loyalty hence the need to investigate how employee loyalty affects retention. Varma *et al.* (2017) study employed a mixed research design whereas the present study used a descriptive research design.

In a study by Chikazhe *et al.* (2020) on the impact of alleged service quality, satisfaction, and loyalty on work performance in universities in Zimbabwe, it was concluded that graduates’ alleged service quality and loyalty significantly influenced graduates’ perceived work performance. The research employed a cross-section research design with primary data was collected from a sample size of 430 university graduates. Structural equation modeling was employed for testing research hypotheses. The context of this research was in Zimbabwe focusing on job performance while the current study will focus on employee retention. This study used service quality and satisfaction as independent variables while the current research used employee engagement as an independent variable.

Lady *et al.* (2018) studied work satisfaction and its effects on work loyalty and commitment in the financial, mining and manufacturing sectors and found that job satisfaction had a positively impacted on loyalty and commitment in the mining and manufacturing sector. The research also found a significant connection between the human resource strategies, job satisfaction, loyalty, and commitment in the various sectors. The research employed a descriptive and exploratory research design. A census of all employees from the mining, financial, and manufacturing industries was done. The study used a mixed research design while the present research adopted a descriptive research design.
Adedeji and Ugwumadu (2018) researched on the elements motivating worker loyalty and retention in credit banks in Nigeria and established a positive connection between employee retention and loyalty factors. The result also indicated that, ensuring workers are trained and offering development opportunities to them led to increased levels of worker loyalty which results in an improved retention rate. The research adopted a descriptive research design whereby data was sampled from 190 employees from four banks randomly selected. The context of this study was in Nigeria deposit banks while the present research in private security firms in Nairobi City County.

Linn, (1992) posited that an employee who is disloyal to the organization will taint the reputation of the organization to the outside and this may cause the organization’s inability to attract highly qualified employees. Employee loyalty is the ability of the worker to remain longer in their organization and their willingness to own the organization’s goals. Silvestro (2002), stated that loyalty is ability of an individual to stay long in his or her place of work and it is founded on the time spent by the employee in the company. Masoodulet al. (2013) poised that a worker’s perceived loyalty can be enhanced by empowering the employee for example by involving them in goal setting which leads to increased ownership of goals by the employee.

Similarly, Zakaria et al. (2019) concluded that increasing employee loyalty is important in ensuring retention of competent employees and this can be done through, improved job analysis, training and development of employees, improved compensation management and good employee- management relations. Firms’ management will not be willing to let go employee who keep its secrets and good ambassadors in that the always speak for the organization. These employees are a good asset for the firm’s success.

In a study by Bushiri (2014) which intended at assessing the effects of the working environment on workers’ performance at the school of finance management in the Dar es Salaam section, it established that a firm’s working environment had an effect on workers. It was also concluded that workers will be willing to actively carry out their duties, especially when, they perceive that the management is concerned with solving the problems and challenges faced in the process of working. The study employed a descriptive research design and simple random sampling to choose the respondents for the research. Primary data was collected from 50 respondents composed of 25 senior workers and 25 junior workers by use of structured questionnaires. This study used the work environment as an independent variable while the present study used the work environment as a moderator.

Similarly, Raziq and Maulababakh (2015) researched on the effects of the working environment on job satisfaction in various sectors in Pakistan and posited that work environment affected employee performance and positively affected job satisfaction. The research employed
quantitative methodology and collected data using questionnaires from 210 employees by simple random sampling. In a study by Nanzushi (2015) also concluded that work environment affected employee performance. Raziq and Maulababakh (2015) research used stratified random sampling while the current study employed the census technique.

Msengeti and Obwogi (2015) researched on the effect of Salary and Work environment on staff retention in the hotel industry in Mombasa County and established that, salary had a little effect on staff retention whereas work environment had a positive impact on staff retention. The research recommended that management should deal with problems associated with pay in order to remain competitive in their industry. The research employed a correlational research design and collected primary data by use of questionnaires. This study focused on management and non-management employee within the hotel industry. The study’s population was 3639 employees of the hotels within Mombasa County and from the population, a sample size of 347 employees was picked. This study employed a correlation research design whereas the present study adopted a descriptive research design to establish if the results would differ.

A study by Mwangi (2017) on the effects of compensation on retention in jubilee insurance company limited Kenya. concluded that wages, salaries, and employee benefits influence employee retention. The research adopted a descriptive survey research design and a target population of 843 permanent employees of Jubilee Insurance Company Ltd, Kenya, questionnaire was employed to gather data from 168 workers. The research adopted descriptive statistics and inferential statistics to analyze data. The study further recommended that management should offer better fridge benefits, a good reward scheme, and increase staff participation in decision-making to enhance staff retention. This study used employee compensation as the independent variable and the present study used employee engagement.

Objective of the study

The objective of the study was to investigate the effect of employee loyalty on retention in private security firms in Nairobi City County and to assess the moderating effect of work environment on the relationship between employee loyalty and retention of private security firms in Nairobi City County. The null hypothesis was that there is no statistically significant relationship between employee loyalty and retention of private security firms in Nairobi City County and that there is no statistically significant moderating effect of work environment on the relationship between employee loyalty and retention of private security firms in Nairobi City County.
METHODOLOGY

The study adopted descriptive research design since it facilitated in choosing and grouping of the components and features of object. The study covered all the 50 private security firms in Nairobi City County. Census technique was used. Data was collected using a questionnaire. Descriptive and Inferential statistics were used to analyze data. Simple and Multiple linear regression analyses were then conducted using SPSS software version 25.0 in order to address study objective. Assumption of linear regression model of normality, multicollinearity and heteroskedasticity were tested before analyzing data.

RESULTS AND DISCUSSIONS

Diagnostic Tests

Test for Normality

Shapiro-Wilk Test and coefficient of skewness were used to test for normality (Aczel&Sounderpadian, 2002). The p-value of Shapiro Wilk Test was 0.186 which is greater than 0.05 (insignificant) hence a conclusion that the residual was normally distributed.

Multicollinearity Test

Incidence and degree of multicollinearity was tested using Variance Inflation Factor (VIF). The VIF value was 1.580 less than 10 therefore, multicollinearity was absent. Multicollinearity may lead to wrong results due to its effect of inflating the predictor variables (Cooper & Schindler 2011).

Heteroskedasticity Test

This study used P-P plot to determine if the residuals had constant variance because they are best in the presentation of spread of residuals. The results indicated no specific pattern and the widths were neither increasing nor decreasing as the variables rise. Therefore, heteroskedasticity is absent.

Employee Loyalty and Retention

Employee Loyalty was measured in terms of maintaining organization secrets, trustworthy and ownership of organization goal. Work environment was measured using organization support, supervisor’s support and rate of pay while retention was measured using length of service, rate of voluntary exit and termination rate. Descriptive statistics such as mean, standard deviation, range, minimum and maximum for employee loyalty, work environment and retention were carried out. The summary of descriptive statistics is shown in Table 1.
Employee loyalty had a mean of 3.0876 which implies that private security firms benefit from loyal employees. As shown in Table 1, the mean for retention was 3.8334 for all the private security firms which represents the average private security firm’s retention. Work environment had a mean of 4.0837 and a standard deviation of 0.5980 implying less deviation from the mean showing that an increase in work environment affects the relationship between employee loyalty and retention.

**Pearson Correlation between the Study Variables**

Correlation determines the direction of a relationship between any two variables (Table 2).

<table>
<thead>
<tr>
<th>Variables</th>
<th>R</th>
<th>EL</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>EL</td>
<td>0.832</td>
<td>1</td>
</tr>
</tbody>
</table>

The results in Table 2 show that employee loyalty had a Pearson correlation of 0.832 with a p-value of 0.000<0.05 implying a positive and statistically significant relationship between retention and employee loyalty. This is because when employees are loyal to their job they will be highly retained in their jobs. This suggests that an increase in employee loyal would lead to statistically significant increase in retention.

**Multiple Linear Regression**
This study determined the significance of employee loyalty on retention in private security firms in Nairobi City County. A multiple linear regression was used to examine the relationship between employee loyalty and retention. A multiple linear regression analysis is represented in Table 3.

Table 3: Coefficients estimates of Employee Loyalty and Retention

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Correlations</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>T</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.036</td>
<td>.516</td>
<td>-2.006</td>
</tr>
<tr>
<td>Employee Loyalty</td>
<td>1.583</td>
<td>.161</td>
<td>9.825</td>
</tr>
</tbody>
</table>

\[ R^2 = 0.692 \]

Table 3 shows the value of \( R^2 = 0.692 \) and a probability value of 0.000, which is less than significance value of 0.05. This implies that 69.2% of the variations in retention can be explained by the independent variable employee loyalty while 30.8% of variations in retention is explained by random error or other factors not in the model such as training. Table 3 presents results indicating a statistically significant relationship between employee loyalty and retention (regression coefficient = 1.583, \( p = 0.000 < 0.05 \)) at a 5% level which means that one unit increase in employee loyalty results to a significant surge in retention rate by a factor of 1.583. The null hypothesis that there is no statistically significant relationship between employee loyalty and retention rate in private security firms in Nairobi City County, Kenya is not supported in the current study and therefore the null hypothesis is rejected. This infers that employee loyalty has statistically significant effects on retention. This is an indication that the respondents agreed that employee’s loyalty affects retention rate. The simple regression model for effect of employee loyalty on retention can be presented by the equation below.

\[ Y = -1.036 + 1.583 X_2 \]

Where:

\( Y = \) The dependent variable (retention)

\( X_1 = \) Employee Loyalty
−1.036 = 𝑦 − Intercept (constant). Estimate the expected value of retention rate when employee loyalty is zero (Constant).

1.583= an estimate of the expected increase in retention rate in response to a unit increase in employee loyalty.

The study found constant of regression was -1.036 implying that when other factors are held constant retention is equal to -1.036 units. The slope of regression model obtained was 1.583 and it implies that a raise in employee loyalty by one-unit results to 1.583 units raise in retention. The relationship between employee loyalty and retention rate was statistically significant with a regression coefficient of 1.583. the argument is that organizations will tend to keep employees whom they feel are loyal that is, are good ambassadors, keeps the secrets of the organization and own the organizations goals as their own. These results concur with Two Factor theory since employees have the feeling of belonging to remain in the firm for long. The results are consistent with Varma et al. (2017) and Barechet (2011) findings on employee loyalty.

Test of the Moderating Effect

Work environment was hypothesized as a moderating variable. Moderation implied an interaction effect, where introducing a moderating variable changes the direction or magnitude of the relationship between the two variables. The test of significance of the moderating variable is presented in Table 4. The results in Table 4 show that model 1 is significant at 5% significance level without the interaction effect since it had a t-statistic of -2.071 and a p-value of 0.045<0.005. Model 2 had a t-statistic of 2.330 with a p-value of 0.025< 0.05 which is significant at 5% significance level. Model 2 account for more variance change in the interaction between work environment and the relationship between employee loyalty and retention. Results imply that work environment has a predictive value on the relationship between employee loyal and retention and when combined with employee loyal it improves retention rate. The results concur with two factor theory and Theory X and Y in that job context, including such things as pay and working conditions relate to hygiene factors. This relates to the work environment in terms of supervisor’s support and organization support which encourages managers to have a good relationship with the employees to motivate them to work. These results concur with Raziq and Maulababakh (2015) and Bushiri (2014) findings on work environment having a moderating effect on the relationship between independent variable and dependent variable.

Table 4: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Std error</th>
<th>t-statistic</th>
<th>p-value</th>
</tr>
</thead>
</table>

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The results in Table 5 indicate that work environment alters the relationship between employee loyalty and retention. The regression equation for the model is:

\[ Y = 27.279 - 8.237X - 5.529M + 1.996 \times X \times M \]

There is an increase in adjusted R squared with a p-value of 0.025 < 0.005 indicating that there is potentially significant moderation between work environment and the relationship between employee loyalty and retention as shown in Table 5. This shows the effect of employee loyalty on retention depends on the interaction with the moderating variable whereas, the effect of work
environment on retention is dependent on employee loyalty. These findings are similar to a study by Mwangi (2017) on the effects of compensation on retention in jubilee insurance company limited Kenya which concluded that wages, salaries, and employee benefits influence employee retention.

**Discussion**

The objective of the study was to investigate the effect of employee loyalty on retention in private security firms in Nairobi City County. The finding of the study established that employee loyalty had a positive effect on retention. This implies that private security firms should invest in ensuring employees are loyal to their work since it increases retention of the employees.

**CONCLUSION**

The study concludes that there is a need for private security firms to develop human resource practices aimed at ensuring that their employees are loyal to the organization to encourage them to remain longer in the organization.

**RECOMMENDATIONS**

Consequently, this research calls for a more proactive effort to ensure an increase in employee loyalty by the human resource managers and other management staff. This effort will yield to a great extent in retaining employees.

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