MANAGEMENT OF PSYCHOCOLOGICAL CONTRACTS AND EMPLOYEE RETENTION IN ORGANISATIONS

CASE STUDY: FINCA UGANDA LIMITED

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DEDICATION

I dedicate this piece of work to my dear Late Dad Andrua M. Yickson who foresaw the treasure in education, encouraged and inspired me in my academic pursuits though unfortunately did not live to see the finished product. My mum, Elvis, my sisters and brothers who always encouraged me on this education journey.

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ABSTRACT

The general objective of the study was to investigate the effect of management of psychological contracts and employee retention, a case study of FINCA Uganda Ltd. FINCA Uganda Ltd was used as a case study for the research where Stratified random sampling was used to obtain a representative sample of 109 respondents selected for the study using simple random sampling and purposive sampling techniques. Both qualitative and quantitative research design methods were adopted and data was collected using self-administered questionnaires, interview guides and documentary sources and analyzed using SPSS.

The findings revealed that there is a statistically significant positive correlation between psychological contracts and employee retention. The research findings also revealed that transactional contracts were a moderate predicator of employee retention. It has also been proved from the results that there is a statistically significant positive correlation between leadership and employee retention.

This study recommended that for FINCA Uganda management to drastically improve the relational contracts and employee retention, focus on improving strictly defined set of working hours, provide bonuses when the organization performs well, offer promotional strategies based on performance to encourage employee stay.

FINCA management should also empower leaders because they hold the keys to processes staff to make them use their talent and efforts in order to achieve the organizational goals. FINCA Uganda should invest more in the leaders through training so that they can help mentor and inspire their subordinates this will help to manage employee retention in the organization.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

This study examines management of psychological contracts and employee retention in financial institutions with FINCA Uganda Ltd as a case study. This chapter contains an introduction, background to the study, problem statement, objectives, hypotheses, and scope of the study, justification and significance of the study, conceptual framework and definition of key term.

1.2. Background to the Study

Psychological contract is concept that has gained interest as a construct relevant for understanding and managing contemporary employment relationships, it refers to employees' subjective interpretations and evaluations of their deal with the organization (Rousseau, 1996; 2001; Turnley & Feldman, 1998).

The origins of the psychological contract go back thousands of years to the major world religions. One of the most important prayers in the Jewish faith for example, the Amidah, refers to the mutual expectations in essence managing the psychological contract between God and the Jewish people Wellin, (2007). Coyle-Shapiro et al, (2000) stated that, Argyris (1960) was one of the first writers to use the term psychological contract and he defined it as the implicit understanding between a group of employees and their foreman. Coyle-Shapiro et al, (2000), agree that psychological contracts and its early development can be traced to the work of Argyris (1960), Levinson et al. (1962) and Schein (1965).

The psychological contract was further refined by Schein (1965) in his seminal work on organizational psychology in the form it is used today by many human resource practitioners; he describes it as, “the unwritten expectations operating at all times between every member of an organization and the various managers and others in that organization their expectation about things like salary or pay rate, working hours, benefits and privileges that go with a job” Coyle-Shapiro et al, (2000).

While Argyris (1960) refers to a specific understanding between the workgroup and the individual foreman or team leader, Schein’s definition focuses on the high-level collective relationship, between the individual employees on the one hand, and management of the company on the other hand – in other words the organization Wellin (2007).

The term psychological contract (Argyris 1960, Schein 1980, Rousseau 1989) is referred to as a commonly used exchange concept providing a framework for understanding the 'hidden' aspects of the relationship between organizations and their employees Shore and Tetrick, (1994).

Wellin (2007), refers to psychological contracts as mutual expectations people have of one another in a relationship, and how these expectations change and impact their behavior over time. The term is currently used mainly to describe the expectations an employee has of the organization and the expectations the organization has of the employee. Psychological contracts are thought to be highly individualized, based on promises and relationships. They may vary across people, organizations and time. Two people in the same job working for the same organization may not have the same psychological contract.

Scholars like Agyris (1960), Levinson et al. (1962) and Schein (1965) in this field argue that in order for retention management to be effective it is important to manage employees’ relationships and expectations.

According to Shruthi and Hemanth (2012), when a psychological contract is violated, the responses are likely to be more intense than in the case of ‘unfulfilled expectations’. The intensity of the reaction is attributable not only to unmet expectations of specific rewards or benefits, but also to more general beliefs about respect for persons, codes of conduct, and other patterns of behavior associated with relationships (Rousseau, 1989).

When employees perceive that the contract has been broken, there exist various outcomes: Exit; often the last resort when dealing with contract violations. It entails voluntary termination of the violated relationship, voicing any feelings to help reduce losses and restore trust, silence which reflects a willingness to endure or accept unfavorable circumstances in the hope that they may improve or destruction or neglect; this can vary from neglect of one's duties to the undermining of the organization by performing counterproductive behaviors like vandalism, theft and work slowdowns Shruthi and Hemanth (2012).

Violation of the unwritten psychological contract can be even more destructive to the individual and the organization than breaking the formal agreement, Shruthi and Hemanth (2012) it is therefore vital that both parties be intentional in their expectations of one another. Otherwise violations of the psychological contract may result into employee leaving the oragnisation however, it is important to encourage employees to remain in the organization for a long period of time which is termed as employee retention (Das and Mukulesh, 2013).

In a business setting, the goal of employers is usually to decrease employee turnover, thereby decreasing training costs, recruitment costs and loss of talent and organizational knowledge. By implementing lessons learned from key organizational behavior concepts employers can improve retention rates and decrease the associated costs of high turnover. However, this isn't always the case. Employers can seek positive turnover, whereby they aim to maintain only those employees who they consider to be high performers (Hash and Susan, 2012). It is thus anticipated that presence of psychological contracts in the organization can help improve employee retention.

The study was based on Human's (1974) Social Exchange theory which explains how an individual feels about a relationship with another person and what they expect from the relationship. And the Adams' (1965) Equity theory which calls for a fair balance between an employee's inputs and outputs. Both theories were relevant to the study since they relate to what the study is about that is, relationships and expectations.

1.2.1. Background to Case Study

FINCA Uganda Ltd is affiliated to FINCA International with headquarters in Washington D.C., has affiliates in 21 countries worldwide, serving over 800,000 clients located in the following regions: Africa, Eurasia, Greater Middle East, and Latin America. FINCA Uganda Ltd. was the first affiliate to open in Africa, beginning operations in 1992.

In 2004, FINCA Uganda registered with the Bank of Uganda as a Microfinance Deposit-Taking Institution (MDI), and the first MFI Monetary Deposit taking Institution in Uganda. FINCA Uganda's mission is "To provide financial services to the country's lowest-income entrepreneurs so they can create jobs, build assets, and improve their standard of living".

FINCA Uganda is a service company that offers savings, loans, money transfers and customer support. It is a profitable and financially stable institution and all their operations driven by the economic principles of performance and sustainability. In 2012 FINCA Uganda celebrated 20 years of providing life-changing financial services. In the same year it also launched ATM services using the FINCA Access card to allow customers 24/7 access to their money through a multiplicity of Interswitch member Banks' ATMs across the country.

Today, FINCA offers Savings, Loans and Money transfer services to its clients across its 27 branches countrywide. It also has more than 700 employees and is still growing.

This therefore calls for enhanced strategies to retain staff hence improve performance in terms of service delivery, sales volume, client satisfaction and profitability. Despite the efforts such as customer reviews, creation of a strong client base among others made by FINCA Uganda Limited to improve performance the service levels are still poor as highlighted in the annual regional financial reports of 2011 and 2012. All this is negatively affecting the effective operations of the organization as well as causing concern for its sustainability in the highly competitive market.

1.2. Statement of the Problem

The SHRM studies predicts *"…that every time a business replaces a salaried employee, it costs 6 to 9 months' salary on average. For a manager making $40,000 a year, that's $20,000 to $30,000 in recruiting and training expenses.* While other studies predict that the cost is even more than losing a salaried employee costing as much as 2 times their annual salary, especially for a high-earner or an executive level employee…," hence affecting the performance of the organization. (Zane benefits, 2016).

Some of the psychological contracts provided by FINCA Uganda Limited to help motivate employees stay long in the organization include fair pay, medical benefits, bonuses, trust, loyalty, work safety, inspirational leaders, skills training and career development among others (FINCA Human Resource handbook, 2015).

Despite the presence of psychological contracts in financial institutions today employees have continued to move from one company to another thus affecting the performance of the organization.

This study therefore examined the role of psychological contracts on employee retention with case study of FINCA Uganda Ltd.

1.3 Objectives of the study

1.3.1 Major objective

The purpose of the study w to assess the effect of management of psychological contracts and employee retention using help of a case study of FINCA Uganda Limited.

1.3.2 Specific objectives

i. To establish the impact of transactional contracts on employee retention at FINCA Uganda Ltd
ii. To determine the effect of relational contracts on employee retention at FINCA Uganda Ltd
iii. To investigate how leadership skills can influence employee retention at FINCA Uganda Ltd

1.4 Research questions

1. What are the impacts of transactional contracts on employee retention at FINCA Uganda Ltd?
2. What are the effects of relational contracts on employee retention at FINCA Uganda Ltd?
3. How does leadership skills influence employee retention at FINCA Uganda Ltd?

1.5 Research Hypotheses

1. Transactional contracts positively contribute to employee retention at FINCA Uganda Ltd.
2. Relational contracts do not significantly contribute to employee retention at FINCA Uganda Ltd.
3. Leadership skills has a positive significant influence on employee retention at FINCA Uganda Ltd.

1.6 Scope of the Study

This will cover the boundaries of the study in terms of the content, geographical area and the time period.

1.6.1 Content Scope

The study area is management covering the fields of Human resource, Organization behavior and Psychology.

1.6.2 Geographical Scope

The study will be carried out from FINCA (U) Ltd Head Office located at Plot 11 A, Acacia Avenue, Kololo, P.O. Box 24450, Kampala. The study focused on the head office because recruitments and hiring of new staff is managed centrally.

1.6.3 Time Scope

The period of assessment will be from April 2009 to April 2013. This is because the selected time period covered the complete operation years for in which psychological contract and employee retention greatly affected FINCA (U) Ltd.

The actual study started in October 2015 and July 2016 is when the researcher hopes to complete the study.

1.7. Significance of the Study

The study may foster creation of new knowledge and awareness in the area of psychological contracts and the role it plays in managing employee retention in both private and public financial institutions.

The study will contribute a wealth of knowledge to employees and employers to increase their insight on psychological contracts and how they can be used help increase employee retention in financial institutions.

Policy makers in the human resources and human resource managers may use the findings to draw up policies in line with the different psychological contracts to enhance employee retention in financial institutions.

Finally, Scholars interested in carrying out further research in this area may use the results as a foundation and it will help in providing some empirical evidence on the effect of management of psychological contracts and employee retention in financial institutions.

1.8. Justification of the Study

To assess various factors that may influence the effectiveness of psychological contracts in the organization.

To determine how effective psychological contracts can help improve employee retention in the organization.

The findings of the study will help future academicians or and researchers to gain insight about psychological contracts and how it influences employee retention.

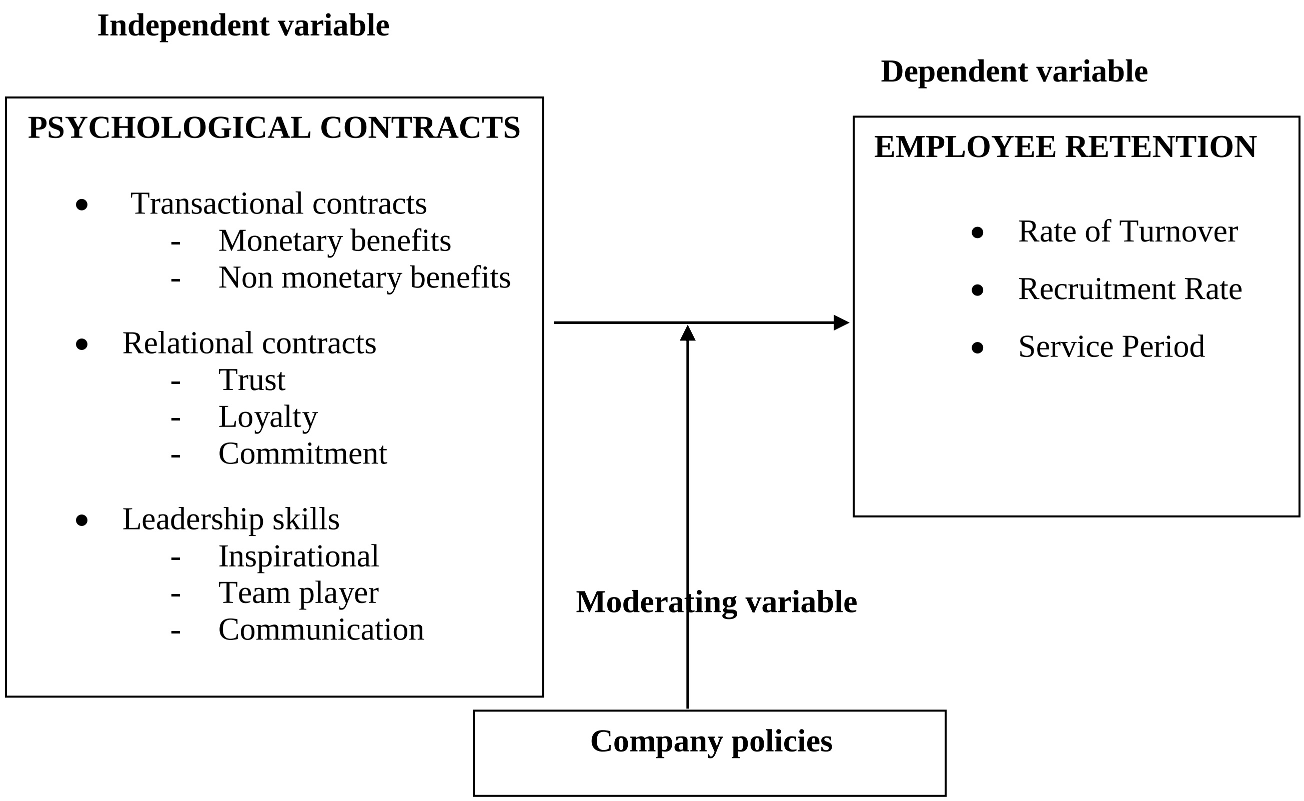
1.9. Conceptual framework

Psychological contracts seek to clarify understanding between employees and the company that is; what the company expects and what you as an employee can expect from the organization, it is thus based on an exchange of promises Wellin (2007). These included exchanges for hard work, accepting training or transfers can be offered in exchange for promises, either implied or stated, of pay, promotion, growth or advancement Rousseau and Robinson (1994). Once these promises are fulfilled by both parties it can result into retention of employees and better performance of the organization.

Kazlauskait and Buciunien (2008) refer to psychological contracts as a critical aspect to acquiring sustainable competitive advantage across organizations. They argue that psychological contracts together with a combination of knowledge skills ability and human resource practices create a formula for successful, satisfied employees. The psychological contract plays an important role in helping to define and understand the contemporary employment relationship Rousseau (2000), Shore and Coyle-Shapiro (2003), Turnley and Feldman (1998).

The inducements employees receive from their organization in view of previously made promises and that this evaluation leads to a feeling of psychological contract fulfillment or breach Turnley and Feldman (1998). In turn, a feeling of contract breach has a negative impact on employees’ willingness to contribute to the organization and on their intentions to stay with the organization.

Figure 1: Conceptual Framework: Psychological Contracts and Employee Retention



Source: Adopted and modified from Restubog et al. (2008), Argyris (1960), Schein (1980), Rousseau (1989) and Roger Herman (1980).

In the Conceptual frame work above, it denotes the way psychological contracts influence employee retention in organizations. The dependent variable is employee retention which is measured against psychological contracts. The variance is explained by three dimensions of the independent variable; financial, relational contracts and leadership which are all related to the dependent variable. The company policies are the moderating variables which has a significant impact on both the dependent variables and the independent variables hence proper management of psychological contracts (independent variable) will positively result into employee retention in the organization.

1.10 Definition of key terms

Psychological contract

Psychological contract is defined as a combination of unique beliefs held by an individual (employee) and his employer about what they expect of one another (Armstrong, 2006).

Psychological contracts have also been defined as "…*the perceptions of the two parties, employee and employer, of what their mutual obligations are towards each other…"* (CIPD 2010)

Employee retention

It refers to the ability to hold onto those employees you want to keep, for longer than your competitors (Johnson, 2000).

List of Abbreviations

CIPD -	Chartered Institute of Personal Development
FINCA -	Foundation for International Community Assistance
SHRM -	Society for Human Resource Management

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the view of the selected existing knowledge from literature on psychological contracts and employee retention. It depicts the theoretical and concepts for different authors and what they say about management of psychological contracts and employee retention and the different categories of psychological contracts and their influence on employee retention. This chapter also shows the relationship between the dependent variable and independent variable as illustrated by the conceptual framework. This chapter presents the introduction, theoretical framework, actual review of objectives and the conclusion.

Psychological contract refers to people's mental beliefs and expectations in relation to their mental obligation in a contract relation between a person and another person such as an employer (Leimeister, 2010). The contract is termed psychological because it reflects each party's perceptions of the relationship and promises involved.

Rousseau, (1995) argues that, an individual's understanding of mutual obligations is thought to evolve on the basis of promises that one of the two parties has made explicitly, on the basis of observing how others in the organization have been treated or on experiences with organizational systems and culture.

However, a Psychological contract is quite different to a physical contract or document; it represents the notion of relationship or trust or understanding which can exist for one or a number of employees, instead of a tangible piece of paper or legal document which might be different from one employee to another. The psychological contract is thus an increasingly relevant aspect of workplace relationships and wider human behavior (Shruthi et al, 2012).

2.1 Theoretical Review

This study was based on by Humans' 'Social exchange theory of elementary social forms' (Humans, 1974); and Adams' equity theory (Adams, 1965), amongst others. In recent years, one of the most ambitious sociological, particularly socio-psychological, theories has been social exchange theory (Alexander, 1990; Cook, 2000), in turn a subset of the rational choice model predicated on a "paradigm of rational action borrowed from economics" (Coleman, 1986), viz. expected utility models imported from microeconomics (Macy and Flache, 1995).

Both theories assume an exchange relationship between employer and employee, in which the specific expectations and obligations of both parties involved need to be taken into consideration if one is to determine whether there is an agreement or disparity of opinion. This is however immediately problematic because the expectations of the different levels that is organizational and individual are compared. Moreover, on the part of the organization, there is the problem of who or what represents the organization; an organization can hardly be considered as a uniform set of expectations Schalk and Freese, (1993); rather it is a multiple collective of diverse and differing expectations held by a whole set of actors.

Social exchange theory asserts that employees' perception of psychological contracts will likely affect the level of their organizational commitment and consequently, impact on the general performance of the organization Behery et al, (2012). When organizations show care and support for employees by providing favorable contracts and working conditions, employees normally reciprocate with increased organizational commitment Passarelli, (2011). When employees do not perceive such care and support, the result is lower levels of trust, loyalty and commitment Passarelli, (2011).

While Adams' Equity theory calls for a fair balance to be struck between an employees' inputs these include hard work, skill level, tolerance, enthusiasm, and so on and an employee's outputs which include salary, benefits, intangibles such as recognition, and so on. According to the theory, finding this fair balance serves to ensure a strong and productive relationship as achieved with the employee, with the overall result being contented, motivated employees Kaur (2014). It is important to also consider the Adams' Equity Theory factors when striving to improve an employee's job satisfaction, motivation level and what can be done to promote higher levels of each this can be through considering the balance or imbalance that currently exists between your employee's inputs and outputs.

The approaches to the psychological contract assume an exchange relationship between employer and employee, in which the expectations and obligations of both parties involved need to be taken into consideration if one is to determine whether there is an agreement or disparity of opinion. This is immediately problematic because expectations of the organization and individual are compared.

Moreover, on the part of the organization, there is the problem of who or what represents the organization; an organization can hardly be considered as a uniform set of expectations (Schalk and Freese, 1993), rather it is a multiple collective of diverse and differing expectations held by a whole set of actors. Rousseau (1990), therefore, introduced a narrower definition of the psychological contract where she conceives the psychological contract to be the individual's beliefs about mutual obligations, in the context of the relationship between employer and employee (Rousseau, 1990).

By using this definition, the perspective shifts from a bilateral relationship between two parties at the individual and organizational level to the unilateral, singular level of the individual. The psychological contract in this view is subjective of individual perception of obligations of the employee towards the organization and of the obligations of the employer towards the employee (Schalk and Freese, 1993). That two different conceptualizations of the concept exist, can lead to confusion and misunderstanding, and this must be kept in mind when looking at the literature on psychological contracts.

The Social exchange is characterized by unspecified personal obligations and trust as well as intrinsic in conjunction with extrinsic rewards, thus occupying the middle ground between pure calculation of advantage and pure expression of love (Blau, 1994). The persistence and extension of social exchange are conditioned by bonds based on personal trust, unlike economic transactions that rely on impersonal markets and legal regulations. Moreover, unlike economic exchange, this bond created by reciprocal benefits of extrinsic character is the principal output rather than side effect of social exchange (Blau, 1994). Hence, exchange theory is said to center on enduring long-term social relations, as distinguished from "one-shot transactions" in the market realm (Cook, 2000).

According to psychological contract theory, they are predicated on the perception that a promise has been made of employment or career opportunities and a consideration offered in exchange for it like accepting a position, foregoing other job offers (Rousseau, 1998). As cited by McInnis (2012), through continuous interactions, numerous exchanges will take place, with both parties giving and receiving Blau, (1994), Cropanzano and Mitchell, (2005), Herriot and Pemberton, (1997). With the general consensus that psychological contracts are individually held beliefs or perceptions, there does not necessarily need to be an agreement between the two parties about what the exchange terms include (Dabos and Rousseau, (2004), Rousseau, (1990), Robinson and Rousseau, (1994), but there does need to be recognition that such an exchange exists.

The work on social exchange theory shares some common elements with psychological contract theory. First and foremost, both view exchange relationships as comprising of tangible and intangible resources governed by the norm of reciprocity. Second, each party brings to the relationship a set of expectations/obligations that they will provide in return for what they receive. However, the other party to the exchange that is the organization received more explicit consideration by psychological contract researchers while the norm of reciprocity was more prominent and theoretically refined by social exchange theorists Coyle-Shapiro et al (2008).

Both theories were relevant for the study because they based on relationships and expectations of what both parties will provide in return for what they receive; which actually relates to the definition of psychological contracts. However, the theories are based on an exchange process, that is, "you give" and "you get"; but how much do you give and how much do you get is very hard to balance and quantify.

There are two distinct types of psychological contracts: transactional and relational (Behery et al, 2012). Transactional contracts are mainly specified short term monetary exchanges with specified performance terms (Rousseau, 2007). Relational on the other hand are often imprecise long term contracts which do not only involve financial reward, but also social-emotional exchanges based on trust, respect and loyalty (Rousseau, 2007).

However, it is also necessary to include leadership as an important element of psychological contracts because a leader in an organization may influence an employee negatively or positively. It is important for organizations to understand how their leaders in particular may be violating psychological contracts (Mashigo, 2012). A leader is required to manage perceptions on a continuous basis. Leaders tend to have the ability to influence environment factors, and therefore experiences for employees. Rousseau and Robinson (1994) highlighted the results of psychological contract violation as distrust, dissatisfaction, and possibly the dissolution of the relationship itself. As such leaders, needed to be aware.

2.2 Transactional contracts and Employee Retention

Transactional psychological contracts are characterized by a short-term employment relationship in which the performance requirements or mutual obligations can be unambiguously specified (Janssens et al, 2013). They are fairly specific and economic in nature. Transactional emotional contract is defined as a market contract between the parties covering a certain period of time and temporary employment and including economic and monetary dimensions (Rousseau, 1990). Employees are very sensitive organizations fairness issue by transactional dimensions (Elsevier, 2013).

Transactional contracts/rewards, or the provision of an attractive remuneration package, are one of the most widely discussed retention factors, since they not only fulfill financial and material needs. They also have a social meaning, with the salary level providing an indication of the employee's relative position of power and status within the organization (Vos et al, 2006). However, research shows that there is much individual variability in the importance of financial rewards for employee retention Pfeiffer, (1998). For instance, a study conducted by the "Institute for Employment Studies” Bevan, (1997) reveals that only ten percent of people who had left their employer gave dissatisfaction with pay as the main reason for leaving.

According to Armstrong (2008) rewards system consist of an organization’s integrated policies, processes and practices for rewarding its employee in accordance with their contribution, skills, competence and their market worth. Furthermore, Armstrong (2002) contends that reward is all about how people are rewarded in accordance with their value to the organization. The concerns of rewards are transactional and relational and this embraces the philosophies, strategies, polices, plans and processes used by organizations to developed and maintain reward systems. However, from Maicibi (2007), rewards systems are strategies by an organization in formulation and implementation of policies that aim at rewarding people justly, fairly, equitably but also differentially and consistently in accordance with their experience and value to the organization.

Bratton and Gold (2007) said reward refers to all monetary and psychological payments that an organization provides for its employees in exchange for the work they perform. The mix of both extrinsic and intrinsic rewards is what is termed as rewards system. Jacob, (2005) cited Vandef (1997) postulates that organization’s reward system should be perceived by employees as implying that employees are good performers and are direly needed as assets in the organization. This relationship creates a linkage between rewards and retention.

Rewards system can be meaningful to an employee and therefore very motivating for performance, inculcating of confidence in the employee and satisfaction (Keller, 1999) and also retaining top performing workers Jimenez, (1999). Maicibi (2004) agreed with other researchers and complimented that rewards which are material and psychological payoffs to employees to catalyze their impulse to work vibrantly. They have the potency to increase the frequency of employee action towards accomplishment of set goals and this is what Pratt and Benet (1979) referred to as a motivational force. Among the many goal of reward system, Maicibi (2004) noted increment of employees' retention as managers tend to use reward to be among other variables for employee retention. Lawler (1984) consented that rewards system attract and retain the most performing workers. The type of payment system impacts positively on recruitment because it attracts many applicants which gives a greater choice of selection and hiring decisions which in turn may reduce labor turn over, and performance based reward system are more likely to attract high performers.

Gardner et al., (2004) were of the view that pay is considered as a motivator as well as employee retention technique. Milkovich and Newman (2004) also clearly stated that among all types of reward, monetary pay is considered one of the most important and significant factor in retention.

Rewards systems are comprised of both intrinsic and extrinsic rewards as noted by Bratton and Gold (2007). Intrinsic rewards are kind of motivations that come from inside an individual, minor as a smiley face to something major like fame. Intrinsic rewards are satisfactions one gets from the job and they are self-initiated as noted above like one having pride in his or her work, having a feeling of being part of the highly performing team. Intrinsic rewards are psychological rewards that employees get from meaningful work and performing it well.

Consequently, according to the social exchange theory, when an employee receives rewards whether it is extrinsic or intrinsic or recognition from their organization, they will feel obliged to exercise a fair exchange by responding with higher engagement levels. It is positively related to organizational commitment and negatively related to intention to quit which implies retentions, per the researcher, intrinsic reward will include certificates, recognition, membership of a club, and vacation trips among others.

Extrinsic rewards are tangible mostly financial in nature such as pay rise, bonuses and benefits given to employees. They are called extrinsic because they are external to work itself. Extrinsic rewards as per this research will include, basic pay, accommodation, transportation, medical cover, allowances and among others. Extrinsic rewards though insignificant are a necessity in one's endeavor and play a dominant role in an organization where work is generally more routine and bureaucratic in nature. This however can lead to reduction in intrinsic rewards thus super justification. Pay is most vital for workers in accepting a job, unfair pay can be a strong de-motivator for both casual employees and retention.

In research by Moncraz, et al (2009) it was concluded that although compensation was not one of the top factors influencing non-management turnover but compensation can act as a critical factor in reducing managerial turnover and increasing commitment.

Employees with a transactional psychological contract may expect financial and material exchanges for their work and have a short-term commitment to their obligations. This financial incentive motivates employees to perform well in a short period of time but generally does not result in high performance in the long term Ballou, (2013). A transactional psychological contract does not vary over time, has a narrow scope, is public and observable by others, and tends to be associated with careerist motivations on the part of the employee Rousseau, (1990).
Employees whose psychological contracts are portrayed as transactional base their contracts on financial rewards, money, and being paid on time Bellou, (2009), De Cuyper and De Witte, (2006), De Hauw and De Vos, (2010).

Transactional psychological contracts are close-ended, specific, and are based on extrinsic and economic factors employees with this type of contract generally do not envision themselves working for their current organization in the long-term Ballou, (2013). The short-term perspective is due to the fact that employees with a transactional psychological contract are not driven by factors that facilitate loyalty to the organization rather the financial reward thus when an employee is offered more money by another organization, he or she is bound to quit easily.

The transactional personal deal involves the company employing the individual as long as there is a need, and the employee remains with the organization only as long as it suits them Wellin, (2007).

In addition, Rousseau (2004) observes that transactional psychological contracts include terms as narrow duties and are limited to short term duration. Workers with transactional contracts tend to adhere to its specific terms and to seek employment elsewhere when conditions change or when employers fail to live up to their agreement Wangithi and Muceke, (2012). Transactional contracts shift the risk associated with economic uncertainties from the employer to workers.

On the other hand, trust has been seen as related to transactional contracts in the form of cognitive trust, or closer to relational contract in the form of affective trust Atkinson, (2007). Atkinson (2007) claims that, cognitive trust in the monetary exchange, which is the basis of a transactional contract, creates an opportunity for emotional trust to develop and subsequently lead to a relational contract. This is similar to the continuum explained by Rousseau (2007) above. Atkinson's (2007) claim also appears to agree with Maguire's (2002) three-tier model of psychological contract. The model shows that employees' psychological contract begins with transactional components, which requires reasonable levels of responsibility from them and they are rewarded appropriately, either by pay or good working conditions, by employers in return (Maguire, 2002). It moves up to career aspects where employees show more commitment to the organization and are rewarded by training to increase their level of employability Maguire, 92002). This leads to the relational aspects where employees develop high trust in the organization and they are given the opportunity for organizational input, which creates a sense of belonging Maguire, (2002).

Although Maguire’s (2002) model appears straight forward, it may not be the same in reality. This is because an employee could be on the career aspects level with high job commitment, and at the same time, his or her employer may be on the transactional components level, providing reasonable pay and good working environments, instead of the corresponding career aspects level with training to increase employability. It could be the other way round. In the case of short term and temporary employees, in accordance with Maguire’s (2002) model, they are likely to remain transactional. This is because such employment would not last long enough for employees to climb up to the career aspects and relational aspects. The same can be said of Rousseau’s (2007) continuum as short term or temporary employment would not provide the opportunity for employees to move from transactional level and through to relational level. As a result, actual psychological contract could arguably, be seen as non-existent for temporary employments. They could be seen as only transactional, which according to Rousseau (2007), involves specified performance terms and short term monetary exchanges.

In conclusion therefore transactional contracts are short term in nature once the employers fail to live up to their agreement the employee is bound to leave the organization and seek employment elsewhere.

2.3 Relational contracts and employee retention

Relational psychological contracts are defined by Petersitzke (2009), as the kind of involvement that is not only economic but also emotional and holistic. The involvement may last for long periods of time and employee obligations may be partly implicit and subject to change. They may include aspects of personal and family life and may be difficult to observe for a third party. Relational contracts are characterized by long-term employment relationships in which the mutual obligations cannot be unambiguously specified Janssens, (2003).

The term relational emotional contract is open-ended and undefined contracts that is used to describe a relationship non-monetary situation such as hard work, loyalty, self-being and reliable that based on the exchange of change O'Donohue and Nelson, (2009), Elsevier, (2013).

Freese and Schalk (2008) also introduced the concept of unilateral and bilateral views to psychological contracts. These views were centered on the individual's interaction with the psychological contract. The unilateral view was more based on the individual's view of mutual expectations and obligations in the context of a relationship, whereas the bilateral view was useful in organizational settings and clarifying differences in perspectives between employees and supervisors.

Rousseau (2004) asserted that when employees are confident that their employer will reciprocate their end of the deal, then psychological contracts motivate workers to fulfill commitments. However, she further stated that employers in turn also have their psychological contract with employees based on individual competence, reliability and importance of the employee to the firm's operations. Cullinane and Dundon (2006) noted that overall it appeared that definitions and measurements of psychological contracts vary with some authors emphasizing importance of obligations of one or both parties.

More recently, Winter and Jackson (2006) revisited the concept of perceived organizational support and aligned this to the psychological contract based on the common view that employees would improve on their contribution to the organization when they perceive that their interests and welfare are also a priority to the organization. The principle of reciprocity ran high in the understanding of the nature of psychological contracts. It appeared that these scholars emphasize how employers tend to keep employees motivated through long-term promises, and in return motivate the employees and increases their level of engagement.

Relational contracts are often imprecise long term contracts which do not only involve financial reward, but also social-emotional exchanges based on trust, respect and loyalty Rousseau, (2007). Relational contract reflects employees' effective involvement and belief in organizations, because organizations not only provide necessary material reward in return to employees, but also provide guarantees for employees' work safety, skill training and career development Zhou et al, (2014).

Schalk and Roe (2007) also clarified in their definition of the psychological contract that it makes actions predictable and helps parties to attain their goals. This includes a dynamic process that impacts the evolution of the employees' motivations, career aspirations and commitment. They further added the need for collective negotiation of contracts to ensure that all parties are pleased.

Cutler (2001) was of the view that one of the most important demands on management today in any organization is keeping the most vital and dynamic human resources motivated and dedicated. It is not important to see who the organization hires but what counts is that who are kept in the firm. Steel, Griffeth, and Hom (2002) added to this view that the fact is often overlooked, but the reasons people stay are not always the same as the reasons people leave.

Maguire (2002), pointed out that the transactional and relational components of the psychological contract interact. Commitment, loyalty and trust are some of the elements that make up the relational aspects from employees as a satisfied response to management. She concluded that this can be influenced by changes in the transactional terms of the contract that may weaken or strengthen the obligations perceived by the employee. She further showed that it is this kind of interactivity between transactional and relational components which has the potential to create problems for organizations in times of change.

Relational psychological contracts include such terms as loyalty and stability. Workers with relational contracts tend to be more willing to work overtime whether paid or not, to help coworkers on the job, and to support organizational changes that their employee deems necessary. Although workers with a relational contract are likely to be particularly upset when it is violated, the commitment embedded in such contracts often causes workers to seek remedies that will maintain the relationship with the employer Wangithi and Muceke, (2012). Failure to find a remedy to the situation typically leads to turnover or if the employee remains, to reduced contributions and further erosion of the employment relationship. Chew (2004) observes that relational include long term job security, career development, training and development opportunities and support with personal problems.

Employees with a relational psychological contract may believe that there is more to their relationships with their organizations than economic exchange. A relational psychological contract is developed through non-economic, socio-emotional, and intrinsic factors founded on trust and organizational commitment Ballou, (2013). A relational psychological contract is open-ended, indefinite, dynamic, and has a broad scope De Cuyper and De Witte, (2006) Rousseau, (1990).

Employees whose psychological contracts are portrayed as relational may base their contracts on status, recognition, the chance to be creative Bellou, (2009), job security, work lifestyle balance, training De Hauw and De Vos, (2010), career development Bellou, (2009), De Hauw and De Vos, (2010), and promotions Alcover et al., (2012), Kickul and Lester, (2001), Rousseau, (1995). Some employees base their psychological contracts on status or recognition, which may simply mean that the employee expects a “good job” or a congratulatory email from his or her boss when a major project has been successfully completed.

Cappelli (2001) as cited in Vos et al, (2006), states that loyalty to the organization is a thing of the past, but that loyalty to one’s colleague’s acts as an effective means of retention. When an employee decides to leave the organization, this also means the loss of a social network. Some research suggests that social contacts between colleagues and departments are an important factor for retaining talent. Organizations can contribute to the creation of a positive social atmosphere by stimulating interaction and mutual cooperation among colleagues and through open and honest communication between management and employees Roehling *et al.*, (2000).

Relational contract reflects employees’ affective involvement and belief in organizations because organizations not only provide necessary material reward in return to employees, but also provide guarantees for employees’ work safety, skill training and career development. Many empirical studies have supported these two dimensions of psychological contract Zhou et al (2014).

Relational psychological contracts also include aspects such as loyalty and stability. Workers with relational contracts tend to be more willing to work overtime whether paid or not, to help coworkers on the job, and to support organizational changes that their employee deems necessary Wangithi and Muceke, (2012). Rousseau (2004) argues that workers favor employers who offer them a relational psychological contract as opposed to the more limited transactional type. In turn, employers are likely to offer relational contracts to particularly valued workers than to workers who contribute less.

In conclusion, relational contracts concern long-term exchanges that maintain the employee-employer relationship and are less specific in nature they are very vital for employee stay thus organizations should ensure to incorporate them in their human resource policies.

2.4 Leadership skills and Employee Retention

There are many definitions and interpretations of leadership. Although no unanimity exists on a particular definition, there are common schools of thought on the concept of leadership.

Hollander (1978) began with the basic requirements for leadership to exist, he pointed out that leadership is a dynamic phenomenon that involves the leader, followers and the situation. With these elements in mind, Bass (1985) refers to the variety of definitions of leadership that exist and the many variables that these definitions are based on such as behavior, traits, position, style or process.

The view around behavior as a key differentiator exists amongst many scholars such as Rowden (2000) who defined leadership as the behavior that an individual when they coordinate and direct work towards a particular goal. Kotter's (1988) definition is aligned to this view in that he sees leadership as involving the coordination and motivation of followers towards the attainment of goals that have long term benefits.

While leadership skills are the strengths and abilities individuals demonstrate that help the oversee processes, guide initiatives and steer their employees toward the achievement of goals (techtarget, 2016).

Leadership skills are an essential component in positioning executives to make thoughtful decisions about their organization's mission and goals, and properly allocate resources to achieve those directives. Valuable leadership skills include the ability to delegate, inspire and communicate effectively. Other leadership traits include honesty, confidence, commitment and creativity, problem solver, drives for results, innovative, develops others, champions change, profession expertise and builds relationship (Economy, 2014).

Leadership and Management are concepts that tend to be used interchangeably. Some scholars prefer to distinguish between the two. Kotter (1990) is one such author who distinguishes; management entails planning, budgeting, and organizing, staffing, controlling and problem solving. However, leadership is all about establishing direction which encompasses developing a vision and strategies to get there by alignment of people which includes communicating the direction and securing cooperation, motivating and inspiring through appealing to the human needs of employees, values and emotions. Both effective leadership and effective management is vital and essential for proper performance and retention of organization Wendell, (1997). Strong leadership and strong management have to be in place. For leadership style requires production centered behavior (assigning tasks, establishing deadlines, and reviewing deficient work) and this calls for interactive process and it cannot be done in isolation. That is why personal traits are very central like intelligence, physical attractiveness and self-confidence.

Best and Kellner, (1991) contented that management is open to many interpretations and it can make sense to us through discussing our perceptions about management over time. Leadership styles are characteristic ways of making decisions and relating to subordinates. This idea was further developed by Tannerbaum (1958) and Schmidt (1973) who argued that the style of leadership depended upon the prevailing circumstances, therefore leaders need to exercise a range of leadership styles and should organize them as appropriate. In an organizational context, leadership style can be defined as the processes used to manage others to accomplish a specific objective.

It includes setting a clear vision for your employee, communicating that vision and resolving obstacles and conflicts that may impede the achievement of such a vision.

Wendell (1997) defined leadership styles as a process of influencing the behavior of others in a direction of goal or set of goals or more broadly, toward a vision of the future. A constructive leadership style provides vision and direction and furthers cooperation and productive group effort, which is essential to effective organizational performance and employee retention.

Bass (1985), Avolio, Waldman, and Yammarino (1991) identified leadership in terms of styles or approaches transformational, transactional and lassies faire. Good leaders use all the three styles; depending on the need in the pure organization setting and the reverse is true to bad ones. If every move of an employee is subjected to scrutiny and that the manager always tells them how to do even the simplest tasks they would definitely be unhappy.

On the other hand, a complete lack of direction from hands off manager may result into frustration. The middle of the road approach where employees feel that they have the needed direction to accomplish their task but are also empowered to use their own judgment to determine how to go about their jobs, is likely to result in the most employee contentment and consequently resulting into retention.

Management has had a focus on the maintenance of the organization while, the focus on leadership has been on the creation of an organization. As such the main responsibilities of a leader are to create a good climate for creating growth and success across the organization, whilst giving strategic direction. Ulrich and Smallwood (2004) emphasized this together with the consideration that assets like leadership, talent and speed create value for organizations in the respective markets that they compete.

There is agreement and recognition that all managers need to acquire and demonstrate leadership ability to better the interests of the organization. Abbasi and Hollman (2000) wrote about the need for today's managers to provide strong leadership in an environment where technology is growing at a fast pace, change is constant and uncertainty is never ending. Therefore, hiring, training, motivating and retaining the right people with the right skills becomes a combined management and leadership duty.

Abbasi and Hollman (2000) warned that the work environment of any organization is a reflection of the personality and philosophy of its leadership. It then means that the loyalty, performance and satisfaction of employees is influenced directly by the leadership of that organization.

Where leadership is not transparent, employees have no reason to trust the employer, and according to human nature, will tend not to be open and trusting in return. Trust is crucial for a healthy Psychological Contract Chapman, (2015). Lack of leadership transparency is a particularly daft failing where clear explanation of organizational position provides real objective justification for a particular organizational action or inflexibility. Chapman (2015), agrees that transparency helps to kick-start a 'virtuous circle' within the psychological contract, as well as giving employees reliable facts about their situation. The 'virtuous circle' enables trust, openness and tolerance to develop. Reliable facts replace faulty assumptions and unhelpful perceptions.

Lack of transparency among leaders in the organization results into distrust and secrecy. Employer - employee communications will tend to be closed, not open. Fear and suspicion on both sides increase, particularly in employees, whose perception of the contract worsens as a result, in turn increasing animosity and fear.

Transparency tends to be a matter of leadership policy, style, by which clear facts about an organization's position, activities and decisions are made available to its employees and ideally also to its customers Chapman, (2015). Openness refers to the flow of communications in all directions within the organization, here especially the feelings, ideas and needs of employees. Good general levels of openness in communications may have no influence at all on improving leadership/organizational transparency, especially if the organization chooses not to be very transparent. Transparent organizations find it much easier to foster open communications.

According to the Devi, (2009) employee retention and talent management are fundamental parts to sustain their leadership and growth in the industry. High potential employees and great leadership attributes have positive correlation to the retention of the employee to stay with the company Kyndt et al (2010). Having a cooperative and supportive leadership style as a retention and commitment strategy has been put forth Leidner, (2013).

The most important and critical idea for staff retention and commitment goes by the ways of an effective leadership setup in the company. Leaders with their management games and ice breaking sessions along with an effective and well thought of plan as to how to and what kind of information to reveal is necessary to retain top talent within the organization. Leaders help in keeping the culture and team building of the organization intact Mehta et al, (2014). Thus it's very important to expose the right financial and operational information to them and informing the key indicators of future performance so that the workforce knows exactly what is it that is expected out of them and what are their deliverables Cottrell, (2012).

In conclusion, leadership skills are very important in employee long stay in the organization great leaders create a vision of the future that is vivid and compelling, and that motivates employees want to achieve it. As a leader, you are best able to help the members of your team connect what they do to the impact it has on customers and communities.

2.5 Summary of literature review

It is paramount for Human Resource managers to take note that psychological contracts play a very important role in employee retention in organizations. Organizations need to respond effectively and efficiently and embrace the use of Human Resource Management (HRM) practices and develop psychological contracts to improve on employee relationships hence employee long stay. Employees are one of the main assets of the organization on which they invest a lot of money and time in recruiting, selecting, training and development. Workers qualities, attitudes and behavior in the workplace together with other factors such as psychological contract play an important role in determining an organizations performance hence success or lack of it Wangithi and Muceke, (2012). Henceforth the kind of psychological contracts that organizations build with the employees will have a vital influence on the performance of the organization and employee retention.

Lessner and Akdere (2008), agree that psychological contracts are essential in the relationship between an employer and an employee. As such, organizations should have a deeper understanding of the nature of this relationship to better design and implement programs in the workplace. Hence, psychological contracts can be considered as the blueprints of an organization's employee profile and the culture under which the business is conducted.

Managers need to examine the causes of poor employee retention and recommend the best approach, so that they can be in position to retain employees in their organization to enhance their competitiveness in the global world. Managers must understand that employees' in the organizations must be treated as the most liquid asset of the organization which would make the organization to withstand the waves of globalization.

However, a gap remains in terms of understanding the impact of psychological contracts in organizations. Therefore, there is an urgent need for this study to get closer to establishing more information in relation to psychological contracts and employee retention.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

This section will present a detailed plan and methods of systematically obtaining data for the research. The section will cover; the research design, the study population, the sample size and selection of sample, the sampling techniques and procedures, the data collection methods, the procedures of data collection, the data analysis, and the measurement of variables.

3.1. Research design

The study was carried out using case study design. Yin, (1994) argues that case study research strategies are appropriate for investigation especially when the concern is to study contemporary issues over which the researcher has no control. It's advantageous because it is affordable, time conscious and gives room for assessment within real life content.

Both quantitative and qualitative approaches were employed during the assessment. These approaches were used because they establish a clear and objective orientation, a vigorous, disciplined and systematic procedure, and a reality bound methodology, which allows arriving at a theory that is free from vague and sloppy approaches, speculative thoughts about reality, and a theory that should be distinguished from a social philosophy, abstract speculation and everyday assumptions (Stergios1991; Vlahos, 1984).

3.2. Study population

Saunders and Lewis (2012) define the population as "the complete set of group members. The population need not necessarily be people or employees; it can, for example, be organizations or places" Saunders and Lewis, (2012. This was confirmed by Banerjee and Chaudhury, (2010), they defined study populations by geographical location, age, sex, attributes and variables such as occupation, religion and ethnic group.

The study covered a population of 145 respondents, constituting of senior, middle and lower level managers at FINCA Uganda Limited. These included chief executive officer, department heads, banking officers, credit officers, Information system officers, administrative officers, human resource officers, and customer care staff.

3.3 The sample size and selection

Saunders and Lewis (2012) define a sampling frame as the complete list of all members of the total population. You select a sample from this list when using probability sampling.

Table 1: Determining Sample Size from a Given Population

Category	Sample Size	Sampling Technique
Top management	9	Purposive sampling
Middle management	14	Purposive sampling
Lower management Employees	86	Simple Random Sampling
Totals	**109**	

Source: FINCA Uganda Ltd Staff List, 2016

The study sample size will be determined using Krejcie and Morgan tables 1970 as cited by Amin, (2005). The samples to be used in the study will be selected using the simple random sampling and purposive sampling. The sample size was 109 respondents.

3.4 Sampling Techniques and Procedures

According to Sekaran, (2003) sampling is the process of choosing the research units of the target population, which are to be included in the study. A probability sampling method is where all elements have an equal chance of being selected Mellenbergh and Adder, (2003). This entails purposive sampling and simple random sampling.

3.4.1 Purposive sampling

Purposive sampling technique under non-probability sampling will be used to select Staff at middle, and top management. This technique will be used because the focus of the researcher is to get in-depth information and not simply make generalizations. Those selected will provide the required information in-depth since their selection will be based on their appropriateness to give the required information.

3.4.2 Simple Random Sampling

Simple random sampling techniques are flexible and give equal chances to respondents to be in a sample Amin, (2004).In a simple random sample of a given size; all such subjects of the frame are given an equal probability. Each element of the frame thus has an equal probability of selection; the frame is not subdivided or partitioned. This minimizes bias and simplifies analysis of results. In particular, the variance between individual results within the sample is a good indicator of variance in the overall population, which makes it relatively easy to estimate the accuracy of results. This method will be used to sample the employees in various departments.

3.5. Data Collection Instruments

3.5.1. Questionnaire

Adopted from Mugenda and Mugenda (2003) collection of data involves use of a researcher administered questionnaire which contains both structured closed-ended and structured open-ended questions. The advantages of close-ended questionnaires is that they are analyzed with more ease since they are presented in an immediate usable form (Mugenda & Mugenda, 2003). The questions were accompanied by a list of all possible alternatives from which the respondents selected the answer that best describes their situation (Mugenda & Mugenda, 2003). The Likert rating scale with the five category response continuum was used, that is, 5= strongly agree, 4= Agree, 3= Undecided, 2= Disagree, 1= strongly disagree). The numerical scales help to minimize subjectivity and enable the use of quantitative analysis (Mugenda & Mugenda, 2003).

3.5.2. Interview schedule

Mugenda and Mugenda (1999), defines an interview guide as a set of topics or questions an interviewer poses to the interviewee. The instrument will enable the researcher to conduct interviews on the basis of what the researcher wants to know and also giving guidance to generate effective feedback from the respondents. The researcher employs an Interview Schedule containing open-ended questions to be asked during face-to-face interviews with key informants. During the interviews, the researcher asks standard questions and nothing more based on Leedy and Ormrod (2001).

3.5.3 Documentary Review

This method was used in gathering secondary data. It was envisaged that it would be helpful in analyzing information of other scholars which was related to the study variables. According to Moser and Kalton (1979), it is improper to go to the field without a critical review of past and present investigation of relevance. The review thus helped the researcher to understand the background information and literature which was used to inform the study. This method drew its data from journals, research and annual reports and other publications.

3.6 Methods of Data Collection

3.6.1 Questionnaire Method

Basing on the nature of the topic, it was realized that questionnaire method was the main and the most appropriate instrument to be used, it carefully followed the research objectives guiding the study. Neuman (2003) defined a questionnaire as a survey in which the researcher conceptualizes and operationalizes the variables and questions. Questionnaires were very appropriate for collecting information regarding surveys that deal with the perception of the variables. The questionnaires were self-administered to the respondents who were able to read and answer questions without being influenced by the interviewer. The main advantage of self-administered questionnaires is that the researcher or member of the research team can take control and ensure that all the completed questionnaires are completed within a short period of time Sekaran (2003).

A semi- structured questionnaire was the main instrument of data collection for the study. A Likert type of questionnaire was designed for staff at middle and other employees as respondents to explore their responses regarding the different statements describing the key variables of management of psychological contract and employee retention with the case study of FINCA Uganda limited.

3.6.2 Interview View Guide method

This is a method of data collection where the investigator is given a chance to gather data through direct verbal interaction with participants Amin, (2005). The researcher used an oral face to face dialogue to collect data from selected key informants among the staff at top management at FINCA Uganda Limited. The researcher considered the above categories of respondents because they were key and central among the respondents.

An interview schedule consisting of open ended questions was designed which indirectly enabled probing thus obtaining of in-depth information. Information solicited by this instrument helped the researcher to enhance responses from the self-administered questionnaires and this made it possible for the researcher to cross examine some key issues in the research. Interviewing is a good method for producing data based on information priorities, opinions, and ideas based on informants. Thus, respondents have an opportunity to expand their ideas, explore their views and identify what they regard as their crucial factors Babbie (1990).

3.6.3 Document Analysis Method

This involved the review of primary and secondary sources of data that included the FINCA Uganda Limited Human Resource Manual, reports, strategic plan, and evaluation reports that helped supplement and substantiate data obtained from questionnaires.

3.7 Quality Control Methods

To ensure data quality in the study, both qualitative and quantitative methods were used to assist in countering the shortcomings of using one method. Quality control is vital while conducting any research to ensure a quality outcome. In this particular study, this was achieved through a number of measures; the researcher took the lead in all the data collection process and questionnaires were reviewed for any errors while still in the field in addition to triangulation so as to guard against instrument bias.

The questionnaires, interviews and documentary check list were designed with the assistance of the supervisor and assessed by the supervisor for validity and reliability.

3.7.1. Validity of the Research Instruments

In scientific research, validity refers to the extent to which the instruments are relevant in measuring what they are supposed to measure Amin, (2005). The researcher requests for two experts to score the content with the questionnaire and the average percentage of the score was be used to determine the Content Validity Index (CVI). In cases where the average percentage is found to be above 50%, the content was considered to be valid. The formula below was used to check for validity of the research questions:

$$CVI = \frac{R}{R+N+IR}$$

Where;

R is Relevant, N is Neutral, and IR is irrelevant. The closer the value is to 1, the more valid the instrument Amin, (2005).

Score from expert 1: R=70%, N=5%, IR=10% result= 82%

Score from expert 2: R=70%, N=5%, IR=15% result= 79%

From the two experts the average score was 80.5 % which made the questionnaire content valid.

The researcher used the same Interview Schedule on all the interviewees and cross check the answers with the organization's documents. According to Sarantakos (1993), validity is the property of a research instrument that measures its relevance, precision and accuracy. Validity tells the researcher whether an instrument measures what it is supposed to measure and whether this measurement is accurate and precise. It measures the quality of the process of measurement, and one that reflects the essential value of a study, and which is acceptable and accepted, respected and indeed expected by the researchers and users of research.

3.7.2. Reliability of the Research Instruments

Reliability established using SPSS Reliability Analysis Scale (Alpha coefficient). This is because of its easy and automatic applicability which fitted a two or more point rating scale. The instruments of the research were based on the Likert type five-point scale. The researcher used Alpha co-efficient because it is easy and automatic to apply.

The formula of Cronbach's Alpha Coefficient (α) to use;

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum SD^2 i}{SD^2 t}\right)$$

Where

α = Alpha coefficient

K = Number of items in the instrument

∑ = Sum

SD^2i = Individual item variance

SD^2t = Variance of total score

Table 2: Reliability of Questionnaire

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Transactional contracts	.414	.450	6
Relational Contracts	.740	.761	6
Leadership	.893	891	6
Employee Retention	.875	875	7

Source: Field Data (2016)

The instrument was found to be valid in this study at above 0 .73. The researcher used Alpha co-efficient to establish the degree to which the questions used in a survey elicit the same type of information each time they are used under the same conditions.

3.8. Data Management and Analysis

3.8.1. Quantitative Data Analysis

After obtaining quantitative data from close-ended questions, data was edited to remove any errors. Data was cleaned and coded according to themes derived from the research objectives. Quantitative data was edited. The process of cleaning the data was done to remove any errors and help improve the reliability of the data. Statistical packages of data analysis such as Excel and SPSS was employed to tabulate the raw data and provide comparisons that ease the analysis. The collected data was analyzed using quantitative analysis which majorly involves six major activities namely, data preparation, counting, grouping, and relating, predicting and statistical testing.

Data preparation involved all forms of manipulations that are necessary for preparing data for further processing such as coding, categorizing answers to open-ended questions, editing and checking as well as preparation of tables; counting, including the mechanical task of registering the occurrence and frequency of the occurrence of certain responses. Grouping and presentation involved ordering of similar items into groups. Data was then distributed and presented in the form of tables and graphs.

Establishing relationships involved cross-tabulation and statistical tests to explain the occurrence, direction and strength of relationships, while predicting - a process of extrapolating trends to be identified in the study into the future help the researcher to conduct statistical testing.

The researcher used the Pearson Correlation Co-efficient to determine the extent of the relationship between the two variables which can be positive or negative indicating a direction of either (-1.00 or +1.00). The researcher also used the regression analysis to test the hypothesis of the study and use the SPSS package to establish the effect of the independent variable on the dependent variable.

3.8.2. Qualitative Data Analysis

To analyze qualitative data, the researcher identified and transcribed the qualitative findings into themes. The themes were arranged into different categories from which lessons were deduced for reporting. Such reporting was done manually and written in paragraphs. The researcher used content comparisons, logical analysis, and expert judgment. Subjective analysis was also be used to enrich the information given with vivid reporting. This bridged the information gap on issues that the researcher was not being able to quantify, such as the perception of the interviewees.

3.9. Procedure for Data Collection

A letter of introduction was obtained from the faculty introducing the researcher to the field. The questionnaires were pre tested to check on the validity and reliability of the research instruments. Earlier notification was given to the respondents so as to make preparations to meet the researcher. The researcher then circulated the questionnaires to the respondents in their respective categories and a follow up was made on when to collect the completed questionnaires. Face to face interviews were also conducted upon making appointments with the managers. The raw data collected was then being grouped into quantitative and qualitative data from which meaningful conclusions was drawn.

3.10. Measurement of Variables

Measurement is defined by Amin (2005), as the process of transforming abstractly conceived concepts into numerical qualities. The researcher used the five point Likert scale. The Likert scale comprised of 5 codes namely; (5=strongly agree,4=agree,3 =uncertain,2=disagree and 1 =strongly disagree. The independent variable management of psychological contract was measured using the following constructs: transactional, relational and leadership. While the dependent variable employee retention was measured using the following parameters; trust, warmth and commitment

3.11. Limitations of the study and future research

The study had several limitations as stated below;

Most respondents were afraid to fill in the questionnaires being that the time the research was carried out the organization was undergoing restructuring thus the researcher was looked at as a spy by the respondents. Thereby compromising the sample size of the study; this was overcome by sensitizing respondents about the importance of the study and emphasizing that the research was academic.

Failure to find all respondents during the time of the study because most of them were too busy with the organization work. The researcher however planned an appropriate time table with the departments that was favorable for all the respondents during the process of data collection for reliable and valid information.

The time provided to the researcher was not enough to fully cover the planned scope of the study. The researcher was on full time employment and part time student so she had to balance both the job and research.

The period of study being too short, therefore the researcher was unable to cover fully all the specific objectives that intended to be studied and all the relevant information was not able to be provided from the suggested sources.

3.12. Conclusion

To sum it up, various and useful techniques or various forms were used to make sure that data was collected, analyzed, processed and interpreted to yield meaningful information to the researcher and FINCA Uganda Ltd.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS

4.0 Introduction

The chapter presents analysis results and discussion on psychological contracts and employee retention. The corresponding interpretations also followed each presentation. Data was collected using questionnaires and analyzed with SPSS, where raw data was analyzed inform of frequencies and presented in tables and graphs to measure the variations. The results of the study were presented according to the objectives and research questions. The objectives and research question were treated independently. The statistical data from the quantitative part of the questionnaire were supported by the qualitative data of the study from the questionnaire. The quantitative data was analyzed based on 1 – Strongly disagree to 5 – Strongly agree scale rate.

4.1. Response rate

With a sample of 109 staff 86 questionnaires were returned representing a response rate of 81% while 8 interviews were conducted giving a response rate of 80%.

Anderson (2006) asserts that for a study to score above 80%, it shows that the study was perfectly done meaning that all questions were perfectly understood by all the respondents from the study. The background was analyzed basing on the socio-demographic characteristics of the respondents namely; gender, age, education level, and years of service in the organization.

4.1.1 Sex of Respondents

The gender of respondents was analyzed and the findings are presented in Table 3.

The analysis showed that 57(66.3%) of the respondents were men while a total of 29(33.7%) were female. Table 3 below presents the result. This possibly means that during the research most of the respondents were male and these comprised of top managers, Information technology officers, credit officers and customer care managers. This probably meant that more male dominate top management and Information technology positions at FINCA Uganda.

Table 3: Sex of Respondents

		Frequency	Percent (%)	Cumulative Percent
Valid	Male	57	66.3	66.3
	Female	29	33.7	100.0
	Total	86	100.0	

Source: Field Data (2016)

4.1.2 Age Bracket of Respondents

Another demographic variable of the participants examined was the age of respondents. The results showed that 64(74.4%) of the respondents were adults above 18 years of age with ability to make sound decisions. This was followed by 20(23.3%) of the respondents and 2(2.3%). This shows that the employees were mature enough to analyze issues relating to financial services. The respondents adequately responded to the questions put forward and by virtue of their experience, their responses were sound enough as such the researcher was able to draw meaningful conclusions. This is shown in Table 4 below.

Table 4: Age Bracket of Respondents

		Frequency	Percent (%)	Cumulative Percent
Valid	20-29	64	74.4	74.4
	30-39	20	23.3	97.7
	40-49	2	2.3	100.0
	Total	86	100.0	

Source: Field Data (2016)

4.1.3. Education Level of Respondents

The researcher obtained data on the education level of respondents with an aim of establishing to whether they had acquired formal education. Details of the findings are presented in Table 5.

Table 5 : Education Level of Respondents

		Frequency	Percent	Cumulative Percent
Valid	Basic Education	42	48.8	48.8
	Bachelors	19	22.1	70.9
	Others	25	29.1	100.0
	Total	86	100.0	

Source: Field Data (2016)

Analysis above shows that, the majority of the respondents had basic education which included respondents with advanced certificates and diploma holders these were 48.8 %. While 22.1% respondents had bachelors; in addition, 29.1% of the respondents had others qualifications which included respondents with masters, PHD's, professional certificates.

With the statistics above, it can be concluded that since the majority of the respondents had attained formal education and fully understood the concept of psychological contracts and its effect on employee retention.

4.1.4. Years of Service at FINCA Uganda

The study established the duration employees have worked for and the findings of which are illustrated in Table 6.

Table 6: Years of Service at FINCA Uganda Ltd

		Frequency	Percent	Cumulative Percent
Valid	Less than 1 year	12	14.0	14.0
	1 – 3 years	32	37.2	51.2
	4 – 6 years	34	39.5	90.7
	7 – 10 years	6	7.0	97.7
	More than 10 years	2	2.3	100.0
	Total	86	100.0	

Source: Field Data (2016)

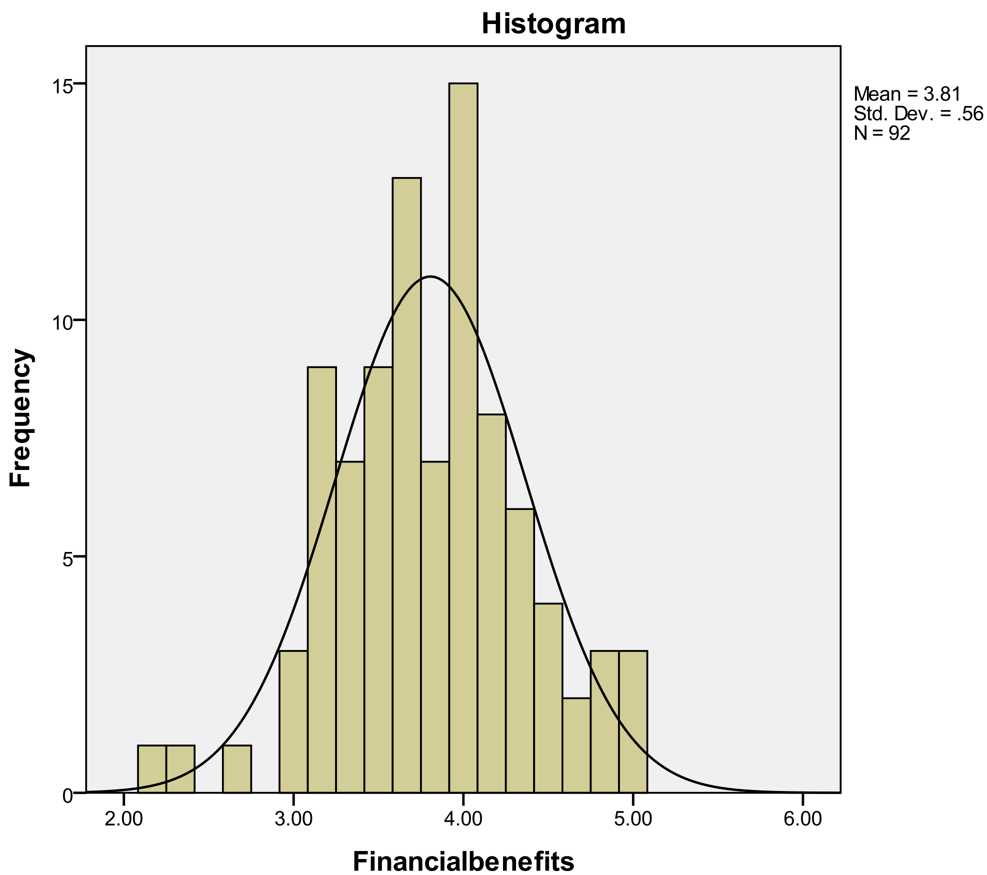
This was chosen so as to ascertain how long the respondents had worked with the organization. The results showed that, 12(14%) of the respondents had worked at FINCA for the period of Less than 1 year while a 32(37.2%) had worked with the bank for the periods ranging from 1 to 3 years. It was also found that, 34(39.5%) had worked at the bank for the past 4 - 6 years. And 6 respondents had worked at FINCA Uganda for a period of 7 – 10 years representing 6(7.0%) while lastly 2(2.3%) worked for more than 10 years.

The statistics above illustrate that most of the respondents had worked for a long period of time in FINCA Uganda and therefore had knowledge and presence of psychological contracts in the organization and their impact on employee retention.

4.2 Transactional contracts and Employee retention

The study wanted to establish how transactional contracts affect the employee retention at FINCA Uganda and this is illustrated in Graph 1.

Figure 2: Graphical representation of the transactional contracts on employee retention at FINCA Uganda Ltd



Source: Field Data (2016)

The graph above shows the respondents' views on how transactional contracts affect employee retention. The figure shows that the mean of the responses was 3.81 and the standard deviation was 0.56. Based on the scale of 1-strongly disagree and 5-strongly agree, (arithmetic mean 3), the data mean is above the scale mean. This implies that transactional contracts have a positive influence on employee retention. The hypothesis that transactional contracts positively contribute to employee retention should therefore be accepted.

The study further posed respondents to determine if opinion stated in Graph 1 was valid and the findings about their views are presented in Table 7

Table 7: Transactional contracts and Employee retention

Transactional contracts On Employee Retention At FINCA Uganda Ltd						
	N					
Attributes	Valid	Missing	Min	Max	Mean	SD
Transactional contracts Have An Effect On Employee Stay	86	1	1	5	4.39	.776
I Do This Job For The Salary	86	0	1	5	3.72	1.121
I Work For Strictly Defined Set Of Working Hours	86	1	1	5	2.64	1.443
I Am Provided With Medical Benefits	86	1	1	5	4.31	.851
I Am Provided A Fair Pay For The Work I Do	86	0	1	5	3.73	1.090
I Expect A Bonus When The Organization Performs As Expected	86	1	1	5	4.06	1.128

***Source:* Field Primary Data (2016)**

The respondents were asked whether transactional contracts have an effect on employee stay. The results from the study with (mean = 4.39 and SD=0.776) which implies that transactional contracts have a positive effect on employee stay in the organisation.

Moncraz et al, (2009) also agree, in relation to the above findings that although compensation was not one of the top factors influencing turnover it also acts as a critical factor in reducing turnover and increasing commitment.

In determining whether employees did the job for the salary, the study revealed a mean of 3.72 and Standard deviation of 1.121 which implies that majority of the employees did their jobs for the salary, which is an attribute that should be changed. However, the 3% who disagree is an indicator that psychological contracts exist and could be motivating factor to employees at FINCA to love their job. FINCA Uganda management should find out more from 11% so as to know what is on their mind otherwise they could be planning on leaving the organization.

In order to find out whether employees worked for strictly defined set of working hours, respondents were asked to state the degree to which they concurred with the above. Of the total respondents, the results from the study revealed mean = 2.64 and SD=1.443 which is below average level. Which implies that majority of the respondents including top and middle managers do not work for the exact set hours. Management needs to know that employees also need time off with their families so there is need to improve on working hours.

Respondents were also asked whether employees were provided with medical benefits; the results from the study revealed a mean of 4.31 and Standard deviation of 0.851 which implies that FINCA Uganda Ltd provides medical benefits to its employees.
The above results were in line with the views of Winter and Jackson (2006) that, employees would improve on their contribution to the organization when they perceive that their interests and welfare are also a priority to the organization. It is a good idea for management to consider providing medical benefits to all staff including non-permanent staff.

To establish whether employees were provided a fair pay for the work done; the results from the study revealed mean of 3.73 and Standard deviation of 1.090 which means that employees were provided a fair pay. Milkovich and Newman (2004) as cited by Das and Mukulesh, (2013) in their research that among all types of reward, monetary pay is considered one of the most important and significant factor in retention. Salary is a significant factor that affects a person's decision to stay or leave the company. Mehta et al (2014) are in agreement with the findings that a valued employee should be given a salary package at par or more than the existing industry average to get him/her to stay within the organization.

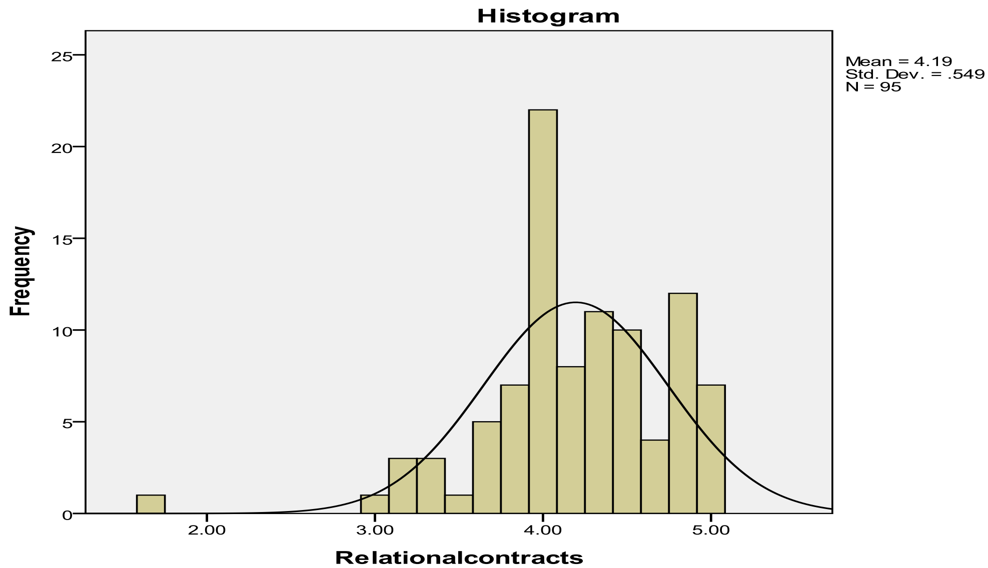
However, the results revealed some degree of variation in the findings thus the need for management to have them iron out. The remaining difference in the mean shows those respondents who were not sure these could probably include the respondents who disagreed to the question, "*…I do this job for the salary…"*.

In the question, on establishing whether employees received a bonus when the organization performed as expected, the results from the study revealed a mean of 4.06 and a Standard deviation of 1.128 which implies that a good number of staff were in agreement that they received bonuses when the organisation performed well in comparison to those who disagreed. The 8% who were not sure could have included the non-permanent staffs that are not entitled to bonuses.

4.3. Relational contracts on Employee retention

The study sought to determine whether relational contracts had an impact on employee retention at FINCA Uganda Ltd and the findings are illustrated in the graph.

Figure 3: Relational contracts and Employee retention



Source: Primary data, (2016)

Figure 3 shows the views from respondents' on whether relational contracts had an impact on employee retention at FINCA Uganda. The graph shows that the mean of the responses was 4.19 and the standard deviation was 0.549. Based on the scale of 1-strongly disagree and 5-strongly agree, (arithmetic mean 3), the data mean is above the scale mean.

This implies that the distribution curve is skewed to the right (strongly agree). The hypothesis that Relational contracts do not significantly contribute to employee retention at FINCA Uganda Ltd and thus should not be accepted. This therefore implies that relational contracts have a positive influence to employee stay in the organisation.

The study further probed that respondents determine if opinion stated in Graph 2 was valid and the findings about their views are illustrated in Table 8

Table 8: Relational contracts on Employee retention

Attributes	N	Missing	Min	Max	Mean	SD
My relationship with my employer motivates me to stay longer in the organization	86	0	1	5	4.24	0.94
I expect to gain a promotion with my length of service at FINCA Uganda	86	0	1	5	3.9	1.14
My employer values my contribution to the organization	86	0	1	5	3.92	0.87
I am loyal and committed to my employer	86	0	1	5	4.42	0.71
I love my job	86	1	1	5	4.46	0.66
I am provided with job assignments that can help to grow my career	86	0	1	5	4.28	0.79

***Source*: Field Primary Data (2016)**

In order to find out whether employee relationships with the employer motivated them to stay longer in the organization, the respondents were asked for their views on this and the results in the table above revealed (mean = 4.24 and SD=0.94) which implies above average level. This shows that the employees were motivated to stay longer in the organization.

In relation to the question on whether employees expected to gain a promotion with the length of service at FINCA Uganda. The results from the study revealed mean = 3.9 and SD=1.14) which implies above average level. This shows that the employees expected to gain a promotion with the length of service at FINCA Uganda.

In addition, the respondents were asked the question whether their employer valued their contribution to the organization and the response was affirmative with the results from the study revealed (mean = 3.92 and SD=0.87) which implies above average level This was affirmed by respondent who said "…*my manager most times says thank you for all my reports I send through and sometimes am accorded a gift after successful completion of a project,*" (Respondent B, 4th May, 2016).

From the statistics above the attribute of valuing the contribution of staff is very paramount to FINCA management this is an aspect which should be uphold because it is enhancement employee retention.

The study also sought to establish whether the employees were loyal and committed to their employer and their response as the results from the study revealed (mean = 4.42 and SD=0.71) which implies above average level. This showed that the biggest percentage were committed and loyal to their job which makes them stay longer at the organization and Maguire (2002), agrees that commitment, loyalty and trust are some of the elements that make up the relational aspects from employees as a satisfied response to management.

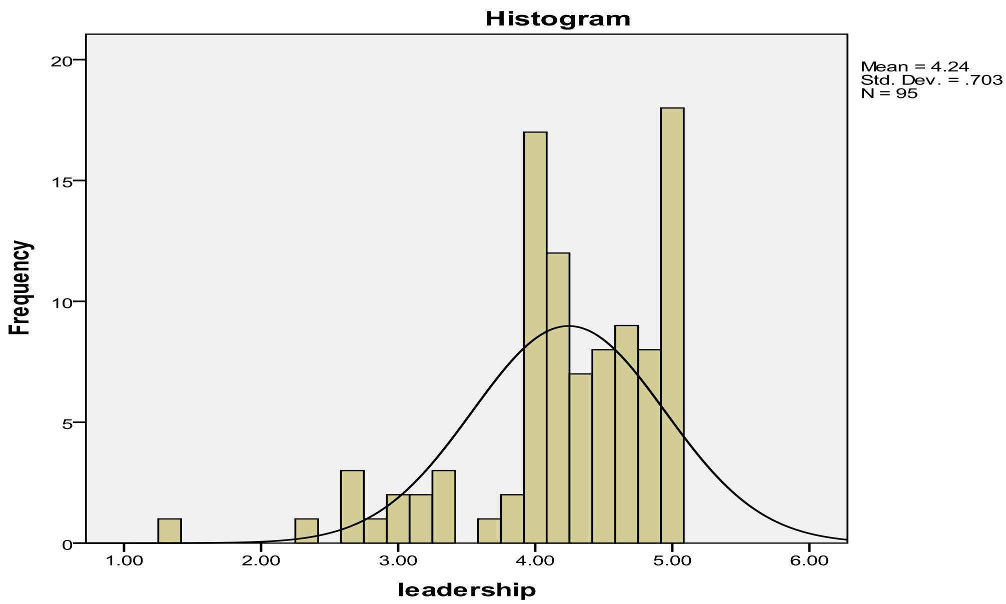
In addition, the respondents were also asked whether they loved their job at FINCA Uganda, the results from the study revealed (mean = 4.4 6and SD=0.66) which implies above average level these statistics are positive because if employees love their jobs they are bound to stay and work longer with the organization hence retention.

The findings from the research agreed to the question, "*Whether employees were provided with job assignments that helped them to grow their career*". The response from the study revealed (mean = 4.28 and SD=0.79) above average level thus was a positive response and indeed a great factor in retaining employees, Zhou et al, 2014 agree that organizations not only provide necessary material reward in return to employees, but also provide guarantees for employees' work safety, skill training and career development.

4.4. Leadership skills and Employee retention

The study that sought to establish how leadership influences employee retention at FINCA Uganda Ltd and figure 4 illustrates the findings.

Figure 4: Graphical representation of the leadership and employee retention



Source: Primary data, (2016)

The graph above shows the respondents' views on how leadership influences employee retention at FINCA Uganda. The graph shows that the mean of the responses was 4.24 and the standard deviation was 0.703. Based on the scale of 1-strongly disagree and 5-strongly agree, (arithmetic mean 3), the data mean is above the scale mean.

This implies that the distribution curve is skewed to the right (strongly agree). The hypothesis that Leadership has a positive significant influence on employee retention at FINCA Uganda Ltd should be accepted. Further, the study probed that respondents determine if opinion stated in Graph 3 was valid and the findings about their views are illustrated in Table 9

Table 9: Leadership skills and Employee retention

Attributes	N	Missing	Min	Maximum	Mean	SD
Inspires me to work harder	86	0	1	5	4.43	0.82
Provides me with opportunity to make decisions	86	1	1	5	4.19	0.99
Trusts my work	86	0	1	5	4.29	0.89
Spends time teaching and coaching me	86	0	1	5	4.03	0.95
Is a team player	86	0	1	5	4.28	0.98
Talks enthusiastically about the vision and mission of FINCA	86	0	1	5	4.33	0.79

***Source:* Field Primary Data (2016)**

The findings of Figure 3 and Table 9 are in conformity that mean = 4.43 and SD=0.82 respondents agreed that indeed bosses inspired them to work hard which means that leaders in FINCA Uganda inspired the employees to work hard. One of the respondent interviewed was in agreement and had this to say, "*…understanding the career ambitions of staff, motivating, enabling them to achieve both personal and company ambitions can influence employee retention…"* This is therefore in agreement with Kotter's (1988) definition of leadership, as involving coordination and motivation of followers towards the attainment of goals that have long term benefits.

Respondents were also asked whether their bosses provided them with opportunities to make decisions, the results from the study revealed mean = 4.19 and SD=0.99) which means that employees were given opportunities to make decisions. Noah (2008) view is in line with the results that, employee involvement in decision-making helps in creating a sense of belongingness among the employees, which helps in creating a good congenial working environment and contributes towards building a good employer-employee relationship.

Hewitt (2002) also agrees keeping employees well informed about all the important affairs of the business and involving them in decision-making at all levels can exploit the talents of its employees hence employee retention.

The study also sought to find out whether their bosses trust the work they do, the results from the study revealed a mean = 4.29 and Standard deviation = 0.89 which indicates that supervisors trusted the works of their subordinates. Brunetto and Farr-Wharton (2002) agree to the above results that supervision of employees by the immediate manager increases the level of job satisfaction in employees thus encouraging employee long stay in the organization.

The respondents were also asked whether their supervisors or managers spared some time to teach and coach them, their response from the results from the study revealed mean = 4.03 and SD=0.95) which means that their supervisors spared sometime to coach and train their subordinates. Handy (2008) agrees to the findings that proper innovation, and assimilation of new knowledge is essential for survival in any work environment and hence can result into employee retention.

The respondents were also asked whether they are team players, their response the results from the study revealed mean = 4.28 and SD=0.98 which indicates that the staff worked in teams thus building synergy amongst themselves resulting long stay in the organization.

The research also wanted to know from the respondents whether their bosses talked to them enthusiastically about the vision and mission of the organization. The results of the mean and standard deviation were 4.33 and 0.79 respectively which was above average and thus a positive remark that the bosses shared with the employee's enthusiastically about the vison and mission of FINCA Uganda Ltd. This indicated that leaders loved the organization and it showed a sense of attachment to the organization thus encouraging the employees to develop the same love for the organization which would lead to employee retention.

4.5. Descriptive Statistics on Employee Retention

Table 10: Employee retention

Attributes	N	Missing	Min	Maximum	Mean	SD
I will continue working with FINCA Uganda Limited even in the future	85	1	1	5	3.79	1.036
Employees are committed towards meeting organization's mission, goals and objectives.	85	1	1	5	3.93	0.842
Organization culture promotes longevity at work	85	1	1	5	3.62	1.069
Employees efforts are recognized	85	1	1	5	3.54	1.064
Employees are involved in decision making	85	1	1	5	3.44	1.017
Employees are rewarded fairly compared with other organizations performing similar jobs	85	1	1	5	3.40	1.054
I will recommend FINCA Uganda Limited as a work place for someone else	85	1	1	5	3.78	0.850

***Source:* Field Primary Data (2016)**

In order to find out whether the varying attitudes towards employee retention the respondents were asked will they continue working with FINCA Uganda Limited even in the future majority of respondents agreed mean = 3.79 and SD=1.036. This provided a critical understanding that the employees value their work place and they have a commitment of work in future at the same place.

Respondents were also asked whether Employees are committed towards meeting organization's mission, goals and objectives majority of respondents agreed mean = 3.93 and SD=0.842 which means that employees commitment is high. Noah (2008) view is in line with the results that, employee commitment in organization's mission, goals and objectives helps in creating a sense of belongingness among the employees, which helps in creating a good congenial working environment and contributes towards building a good employer-employee relationship.

In relation to the question on whether Organization culture promotes longevity at work. The results from the study revealed mean = 3.62 and SD=1.069) which implies above average level. This shows that the Organization culture promotes longevity at work when it blends all the employees.

In addition, the respondents were asked the question whether Employees efforts are recognized and the response was affirmative with the results from the study revealed (mean = 3.54 and SD=1.064 which implies above average level This was affirmed by respondent who said "…*my manager most times says thank you for all my reports I send through and sometimes am accorded a gift after successful completion of a project,*" (Respondent B, 4th May, 2016).

The study also sought to establish whether the Employees are involved in decision making and their response as the results from the study revealed (mean = 3.44 and SD=1.017) which implies above average level. This showed that the fair percentage of Employees are involved in decision making and Maguire (2002), agrees that commitment, loyalty and trust are some of the elements that make up the relational aspects from employees as a satisfied response to management.

In addition, the respondents were also asked whether Employees are rewarded fairly compared with other organizations performing similar jobs, the results from the study revealed (mean =

3.40 6and SD=1.054) which implies above average level these statistics are positive because if employees are rewarded fairly compared with other organizations performing similar jobs.

The findings from the research agreed to the question, "*Whether employees will recommend FINCA Uganda Limited as a work place for someone else*". The response from the study revealed (mean = 3.78 and SD=0.850) above average level thus was a positive response and indeed a great factor in retaining employees, Zhou et al. (2014) agree that organizations not only provide necessary material reward in return to employees, but also provide guarantees for recommendation to work in their organizations.

4.6. Correlation Analysis

The study did correlation analysis to determine the relationship between transactional contracts and Employee retention and the details of findings are illustrated in Table 11.

4.6.1 The relationship between transactional contracts and employee retention

In Table 10 below, it can be clearly seen that there is a positive significant relationship between transactional contracts and employee retention ($r=.377^{**}$; $p<0.01$). This means that transactional contracts have a positive influence on employee stay in the organisation.

Table 11: Correlational analysis between transactional contracts and employee retention

		Transactional contracts	Employee Retention
Transactional contracts	Pearson Correlation	1	$.377^{**}$
	Sig. (2-tailed)		.001
	N	86	86
Employee retention	Pearson Correlation	$.377^{**}$	1
	Sig. (2-tailed)	.001	
	N	86	86

Source: Field Data (2016)

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

The study results are consistent with Milkovich and Newman (2004) who stated clearly that among all types of rewards, monetary pay is considered one of the most important and significant factor in retention. The findings are also in collaboration with Vos et al. (2006), who stated that, "…despite the fact that some studies have shown that financial rewards or benefits are a poor motivating factor, it still remains a tactic used by many organizations to commit their employees to the organization by means of remuneration packages…" Cappelli, (2001), Mitchell et al., (2001).

For instance, Horwitz et al. (2003) in a recent study, found out that the most popular retention strategies reported by Human resource managers of knowledge firms, are still related to compensation. Richard a country director at FINCA also stresses that, transactional contracts are necessary but not sufficient to retain employees. He says the higher one goes up their career ladder, transactional contracts start to become less of their main considerations. Therefore, organizations should continue compensating their employees basing on the prevailing market pay comparing with similar institutions and what role.

However, another manager at FINCA Uganda stated that," *...it is not only transactional benefits that contributes to employee retention but other factors like company culture, trust, value, empowerment of employees have a positive effect…*".

4.6.2. The Relationship between Relational contracts and employee retention

Table 12 correlation analysis results indicated a strong and positive relationship between collective relational contracts and employee retention ($r=.618^{**}$; $p<0.000$). This indicates that relational contracts are key elements in employee retention.

Table 10: Correlation analysis between Relational contracts on Employee retention

		Relational contracts	Employee retention
Relational contracts	Pearson Correlation	1	.618**
	Sig. (2-tailed)		.000
	N	86	86
Employee Retention	Pearson Correlation	.618**	1
	Sig. (2-tailed)	.000	
	N	86	86

***Source*: Field Primary data(2016)**
****. Correlation is significant at the 0.01 level (2-tailed).**

The study therefore accepted the hypothesis that relational contracts do affect employee retention in FINCA Uganda. From the interview with the country director of FINCA Plus a sister company to FINCA Uganda was also in agreement, he mentioned that; "…*relational contracts are very key for career progress, enjoying the job and workplace hence may result into employee stay in the organization…". (Respondent A, 3rd June, 2016).* Key considerations should therefore be paid to relational contracts because they have a positive significant influence on employee retention.

The findings are in agreement with Rousseau (1990) as cited by Conway and Briner (2005) that relational contracts are characterized by trust and belief in good faith and fairness, and involve exchanges with longer-term time frames such as the exchange of employee commitment for job security, which eventually can result into employee retention.

4.6.3 The Relationship between Leadership skills employee retention

Table 13 correlation analysis results indicated a strong and positive relationship between leadership skills and employee retention ($r=.507^{**}$; $p<0.000$). Which means that as leadership skills in the organization improve, employee retention also improves. This was in agreement with Leidner, (2013), that having a cooperative and supportive leadership style is paramount in employee retention and commitment in an organization.

Table 11: Correlation of Leadership skills and Employee retention

		Leadership	Employee Retention
Leadership	Pearson Correlation	1	.507**
	Sig. (2-tailed)		.000
	N	86	86
Employee Retention	Pearson Correlation	.507**	1
	Sig. (2-tailed)	.000	
	N	86	86

***Source:* Field Primary Data(2016)**

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

Winter and Jackson, (2006), also agrees that indeed leaders have a significant role to play in meeting the multiple needs and promises to employees by virtue of their roles in organisations. Kotter's (1988) as cited by Mashigo (2012), viewed leadership as involving the coordination and motivation of followers towards the attainment of goals that have long term benefits.

Avolio, et al. (2004) highlighted leadership skills as one of the personal and organisational factors that is considered a key determinant of organizational commitment. Basing on the above therefore if FINCA Uganda top managers have leadership skills like delegation, inspiration, communication, honesty, confidence among others they can motivate their subordinates into long stay in the organization.

4.7. Regression Analysis

A regression analysis was run to establish the predictive power of dependent variable (employee retention) in relation to the independent variable (psychological contracts).

Table 12: Multi Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.627[a]	.393	.371	.58460	.393	18.324	3	86	.000

***Source:* Field Primary Data(2016)**

a. Predictors: (Constant), Transactional contracts, Relational contracts and leadership skills

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.227	.554		.410	.683
	Transactional contracts	.223	.117	.172	1.910	.059
	Relational contracts	.636	.156	.476	4.076	.000
	Leadership	.105	.123	.099	.852	.397

a. Dependent Variable: employee retention

From the model summary in Table 14 above, it shows the coefficient of determination of adjusted R square ($R^2 = 0.371$) which shows transactional contracts, relational contracts and leadership skills influence on employee retention. In this case, the variation in psychological contracts explains the variation in employee retention up to (0.371*100%) = 37.1%.

The adjusted R^2 = 0.371 at significance 0.000 suggested that psychological contracts were moderate predicators on employee retention at FINCA Uganda but there are also other 62.9% variable factors not included in this study that explain employee retention. .

Likewise, Adjusted R square indicated how well the dependent variables were influenced by independent variables.

The corresponding coefficients for transactional contracts, relational contracts and leadership skills are 0.172, 0.476 and 0.099.

This is interpreted as a unit increase in transactional contracts would lead to an increase in employee retention by a factor of 0.172.

A unit increase in relational contracts would lead to increase in increase in employee retention by a factor of 0.476.

A unit increase in leadership skills would lead to an increase in leadership skills by a factor of 0.099.

This Model implies that the contribution of relational contracts is higher in explaining variation in employee retention, followed by transactional contracts then leadership skills.

4.8 Conclusion

The analysis of the primary data indicates that the independent variable Relational contracts significantly predicts employee retention while Transactional contracts and Leadership skills do not predict employee retention.

Further explanation and summary of findings is presented in Chapter Five.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter presents the summaries of the findings, conclusions derived from the findings, and the recommendations that will help in retention of employees at FINCA Uganda based on the findings of the study. Areas of further study are also suggested.

5.1 SUMMARY OF THE FINDINGS

The study established a number of findings, the summary of the findings is outlined here as thus:

The study was based on three psychological contracts attributes which included transactional contracts, relational contracts and leadership and the results indicated that, FINCA Uganda undertakes all these attributes as part of its psychological contract management. The study established that the relationship between psychological contract management and employee retention at FINCA Uganda was positive and significant. On the other hand, there are other factors that affect employee retention other than psychological contracts which include career development opportunities, job content, social atmosphere; work-life balance, participation in decision-making, promotion and opportunity for growth, work environment, job security, reward and recognition. FINCA Uganda Ltd as far as psychological contracts are concerned has provided employees with fair pay, medical benefits, bonuses, trust, loyalty, work safety, inspirational leaders, skills training and career development.

5.1.1 Transactional contracts and Employee retention

The first objective was to establish the impact of transactional contracts on employee retention.

Transactional contracts have a moderate and positive significant relationship on employee retention that is a change in transactional contracts ultimately leads to a change in employee retention. This implies transactional contracts is driver in measuring employee retention.

Transactional contracts was considered a moderate predicator of employee retention because employees do not only work because of a salary or financial compensation but other factors like career development, inspirational leadership, relational contracts among others act as motivating factors that employees on the job.

5.1.2 Relational contracts and Employee retention

The second objective was to determine the effect of relational contracts on employee retention. Relational contracts have a strong and positive significant relationship on employee retention. This implies that a change in relational contracts would greatly affect employee retention. Thus relational contracts have a positive influence on employee retention organizations should therefore ensure that factors like trust, empowerment, career growth, promotions, and value for employees are established in the organization to help encourage long stay or retention.

5.1.3 Leadership skills and Employee retention

The last objective was to investigate how leadership skills can influence employee retention. Leadership skills has a strong and positive significant influence on employee retention. This implies that leadership skills is necessary in encouraging employee retention in the organization.

5.3 Conclusions

Based on the findings of the study, it is concluded that there is a significant positive relationship between psychological contracts and employee retention.

The first study objective established a relationship between transactional contracts on employee retention at FINCA Uganda Ltd.

The study concluded that transactional contracts exist at FINCA Uganda and have a moderate effect on employee stay in the organization, however there are other attributes which FINCA Uganda management should augment on and these are;

Maintaining the medical benefits of staff, and the company should reward staff with bonus when it performs well. However, FINCA Uganda management needs to improve on working hours because some employees said that they did not work for strictly defined set of working hours, especially when it comes to end of month reports and when the organization performs well the staff are entitled to a bonus.

The second objective examined the effects of relational contracts on employee retention at FINCA Uganda Ltd. The study concluded with key lessons from the responses which were; a good relationship with employer – employee motivates staff to stay longer in the organization, employees expect a promotion after a long stay in the organization, employees need their contribution to be valued with the organization; for employees to love their jobs hinges around providing employees with assignments which help them to grow their career.

The final objective established the influence of leadership on employee retention at FINCA Uganda Ltd. During the study it was found out that there is a statistically significant positive correlation between leadership and employee retention which formed a basis of these conclusions. The following aspects should be done by FINCA management as they were key to employee commitment to the company;

Management should keep up with inspiring of subordinates to work harder, provide them with opportunities to make decisions, trust their subordinates work, managers should spend time teaching and coaching, and they should encourage teamwork among staff and should give encouragement talk about the vision and mission of the organization.

5.4 Recommendations

The study came up with the following recommendations based on the findings and conclusions above since there is a significant positive relationship between psychological contracts and employee retention;

It is recommended in this study that for FINCA Uganda management to drastically improve the relationship between transactional contracts and employee retention it should focus on Improving working hours because some employees said that they did not work for strictly defined set of working hours, especially when it comes to end of month reports and when the organization performs well the staff are entitled to a bonus.

The study recommended that the FINCA Uganda management should uphold the favorable work environment with social ties, a good relationship among employees and immediate supervisors motivates staff to stay longer in the organization. FINCA Uganda should have promotional strategies based on performance, career development plans to encourage employee stay in the organization and employees should be treated as a valuable resource to the organization.

The study also recommended that FINCA management should empower leaders because they hold the keys to processes to staff to make them use their talent and efforts of other group members to be able to reach the group's goals. FINCA Uganda should invest more in the leaders through training so that they can gain more skills to help mentor and inspire their subordinates this will help to manage employee retention in the organization.

5.5 Suggestions for further research

The researcher suggests the following areas for further research:

The independent variable in this study explained only 37.1% of variables for psychological contracts, other studies therefore should be carried out to explain other variables not included in this study; like work environment, work – life balance, career growth among others besides psychological contracts that can lead to employee retention in organizations.

There is need to conduct research on the impact of psychological contracts on employee performance.

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APPENDIX 1: QUESTIONNAIRE FOR RESPONDENTS

TOPIC: MANAGEMENT OF PSYCHOLOGICAL CONTRACTS AND EMPLOYEE

RETENTION

EMPLOYEE QUESTIONNAIRE

Dear respondent,

I am carrying out a research study on the Management of Psychological Contracts And Employee Retention Case study of FINCA Uganda. This questionnaire is intended for academic purposes only.

I would therefore like to assure you with the utmost confidentiality, the answers you give will not in any way be used against you.

Kindly spare some time to complete the questions below.

Thank you in advance.

These questions seek information regarding the Respondents' background, financial and relational contracts. Please read the guidelines carefully and provide responses honestly in the format requested. Kindly indicate your responses to the following questions by ticking (√) the appropriate boxes.

A. Background Information.

(i) Position held: ………………………………………………………………………………………...

(ii) Gender: ☐ Male ☐ Female

(iii) Age: ☐ 20-39 ☐ Over 40 years

3. Level of education

Basic Education ☐ Bachelors ☐ Others ☐

Please specify)……………………………………….

4. Years of service at FINCA Uganda

Less than 1 year ☐ 1 – 4 years ☐ 5 – 10 years Over 10 years ☐

SECTION B: TRANSACTIONAL CONTRACTS AND EMPLOYEE RETENTION

Please tick (√) the box with the corresponding number to indicate what your personal assessment is about the statements below.

SCALE.	**5**	**4**	**3**	**2**	**1**
	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

A	**TRANSACTIONAL BENEFITS**	**5**	**4**	**3**	**2**	**1**
A1	transactional benefits have an effect on employee stay					
A2	I do this job for the salary					
A3	I work for strictly defined set of working hours					
A4	I am provided with medical benefits					
A5	I am provided a fair pay for the work I do					
A6	I expect a bonus when the organization performs as expected					

Any other reason for the above

………

………

………

………

………

………

B	RELATIONAL BENEFITS	5	4	3	2	1
B1	My relationship with my employer motivates me to stay longer in the organization					
B2	I expect to gain a promotion with my length of service at FINCA Uganda					
B3	My employer values my contribution to the organization					
B4	I am loyal and committed to my employer					
B5	I love my job					
B6	I am provided with job assignments that can help to grow my career					
C	**LEADERSHIP**					
My manager ……..		**5**	**4**	**3**	**2**	**1**
C1	Inspires me to work harder					
C2	Provides me with opportunity to make decisions					
C3	Trusts my work					
C4	Spends time teaching and coaching me					
C5	Is a team player					
C6	Talks enthusiastically about the vision and mission of FINCA					

Any other reason for the above

………

………

………

SECTION C: EMPLOYEE RETENTION

D	**EMPLOYEE RETENTION**	**5**	**4**	**3**	**2**	**1**
D1	I will continue working with FINCA Uganda even in the future					
D2	Employees are committed towards meeting organization's mission, goals and objectives.					
D3	Organization culture promotes longevity at work					
D4	Employees efforts are recognized					
D5	Employees are involved in decision making					
D6	Employees are rewarded fairly compared with other organizations performing similar jobs					
D7	I will recommend FINCA Uganda as a work place for someone else					
E	**COMPANY POLICIES**	**5**	**4**	**3**	**2**	**1**
E1	Company policies promote long stay in the organization through improved financial and relational contracts					
F		**5**	**4**	**3**	**2**	**1**
F1	I am rewarded fairly for the work I do					
F2	I have a good relationship with my employer					

What is your opinion on transactional benefits and employee stay in organizations?

....

....

....

Thank you very much for your support towards my academic research.

APPENDIX II: INTERVIEW GUIDE

Dear respondent,

I am carrying out a research study on Management of Psychological Contracts and Employee Retention Case study of FINCA Uganda. This questionnaire is intended for academic purposes only.

I would therefore like to assure you of the utmost confidentiality; the answers you give will not in any way be used against you.

Please kindly spare some time to complete the questions below.

Thank you in advance.

TOPIC: MANAGEMENT OF PSYCHOLOGICAL CONTRACT AND EMPLOYEE RETENTION

1. What is your role in at FINCA Uganda?

……

2. How many years have you worked at FINCA Uganda? ☐ Years

Part One

To assess the effect of transactional contracts on employee retention at FINCA Uganda

a) Have you received any transactional benefits from FINCA Uganda? If yes, please mention.

………………………………………………………………………………………………..

………………………………………………………………………………………………..

b) What are the effects of transactional benefits on employee stay at FINCA Uganda?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………………………………………………………....

Part Two

To determine the effect of relational contracts on employee retention at FINCA Uganda

a) What are the effects of relational contracts on employee stay at FINCA Uganda?

………………………………………………………………………………………………………

b) Any relational contracts you have received from FINCA Uganda? If yes, please state them

……………………………………………………………………………………………..……………

Part Three

To investigate how leadership skills can influence employee retention at FINCA Uganda

a) How does leadership skills influence employee retention at FINCA Uganda?

………………………………………………………………………………………………………

……………………………………………………………….…………………………………………

Part Four

What is your opinion on transactional benefits and employee stay in the organization?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………………………………………………

END

Thank you