

European Journal of
Business and Strategic Management
(*EJBSM*)

Strategy

**EFFECT OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES ON
ORGANIZATIONAL PERFORMANCE IN THE KENYAN PUBLIC SECTOR.**

1* BenaidaMaina

EFFECT OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE IN THE KENYAN PUBLIC SECTOR.

^{1*}BenaidaMaina
Post Graduate Student
KCA University
*benaida.maina@gmail.com

Abstract

Purpose: The purpose of the study was effect of strategic human resource management practices on organizational performance in the Kenyan public sector.

Methodology: The research design used a descriptive design. The target population of this study was the large manufacturing firms in Kenya which were members of Kenya Association of Manufacturers. The population was 108 large manufacturing firms. A sample size of 54 firms was taken. The study used both primary data and secondary data. Data was collected by use of questionnaire. Analysis was done by descriptive statistics using Statistical Package for Social Sciences version 21.0. Data was analyzed mainly by use of descriptive and inferential statistics. Descriptive statistics included mean and standard deviation. Data was also presented by use of graphs, pie charts and tables. Regression analysis was also used to show the sensitivity of financial performance, ROA to various independent variables.

Results: Following the study findings it was possible to conclude that all the Independent variables had an effect on a company's financial performance. This was supported by majority who concluded that independent directors had a mandate to decision making in financial performance, the Independent directors effectively monitor and control firm activities by reducing opportunistic managerial behaviors and expropriation of firm resources board committees. Enhance effective monitoring in financial performance, the board committees in our firm ensures that executive directors make decisions that are in the best interests of shareholders. Coordination and communication problems impede company performance when the number of directors' increases, overcrowded boards causes shareholders to lose money in the company, the post of the chairman is part-time and the main responsibility is to ensure that the board works effectively. Regression results indicated that there was a positive and significant relationship between independent directors, board committees, board size and CEO's dual role as a company's chairman on a company's financial performance and financial performance of manufacturing firms.

Unique contribution to theory, practice and policy: The study recommended that the firm should have nonexecutive directors who act as "professional referees" to ensure that competition among insiders stimulates actions consistent with shareholder value maximization, A company should have small boards so as to have more favorable performance, the appropriate board size should be 7 to 8 members and the post of the CEO/chairman should be full-time

Keywords: *Board, OECD Principles, the International Corporate Governance Network (ICGN), Stakeholders*

1.1 INTRODUCTION

Chang and Huang (2005) state that to compete effectively firms must constantly improve their performance by reducing costs, enhancing quality and differentiating their products and services. Due to the volatile state in the business environment as a result of political, economic, technology and other environmental factors, organizations have to be ready to engage their environment so as to remain relevant in the business arena. Studies over the past two decade have indicated that human resource may be seen as a source for sustained competitive advantage for organizations (Barney, 1991, 1995; Becker &Gehart, 1996).

Khatri (2000) argues that businesses need to focus even harder on their competitive strengths so as to develop appropriate long term strategies. Furthermore the competitive strengths revolve hugely on human resource as they are the executors of the strategies. With the world becoming a global village effective human resource is being sought after both in the national and international platform (Earle, 2003). The argument is that if companies are to survive in any economy, they require world class human resource competencies and processes for managing them (Khandekar& Sharma, 2005).The processes of managing human resource have come to be known as human resource practices. HRM practices can be engaged to create a source of sustained competitive advantage (Huselid, 1995).

Scholars such as Bowen and Ostoff, (2004); Singh, (2002); Katou and Budhwar, (2006); Dimba and K'Obonyo; (2009) have further cemented the above information. Such studies have generally been conducted in examining the effect of strategic human resource management practices on organizational performance mostly in the private sector and particularly in the manufacturing industry. Due to the fact that different business environments affect strategic human resource practices, studies cannot blindly rely on previous work and imitate them on other environments, (Dimba, 2010).

The public domain and its response to strategic human resource practices is still vague in this line of literature. This study will strive to fill the identified gap by evaluating the direct or indirect relationship between strategic human resource practices and its effect on the Kenyan commercial and manufacturing state corporations.

1.1.1 Strategic Human Resource Management Practices

According to Werbel and Demarie (2001), HRM practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizational competencies which support competitive advantage. Additionally, Pfeffer (1994) contends that HR practices of an organization are potentially the sole source of sustainable competitive advantage for a firm. This reveals the importance of HR practices and the role they play in any organization that wants to compete in both national and international business fields.

Scholars (Huselid, 1995; MacDuffie, 1995; Arthur, 1994) argue that numerous HR practices affect performance. Other studies (Singh, 2003; Liao 2005; Katou and Budhwar, 2006) affirm this stand. Moreover strategic human resource practices improve internal performance by reducing shrinking and enhancing retention of quality employees and hence improve external performance (Jones & Wright, 1992). Katou and Budhwar (2006) assert that SHRM practices are

not standardized and they only differ according to the aims of each individual research. Furthermore they use a mediating model which adopts two systems of SHRM practices that are almost present in all works. The first bundle is resourcing and development which aim at attracting, recruiting and developing human resource. The second is rewards and relations aiming at retaining and motivating the human resource.

The bundles that show that recruitment and selection, training and development, and compensation and performance appraisal are the most common seen combination of practices that positively affect organization performance. Becker and Huselid (1998); Wall and Wood (2005);Dimba and K'Obonyo (2009), support the argument that the mentioned bundles of SHRM practices influence organizational performance. Although extensive support is given to Katou and Budhwar (2006), other studies (Guest,1997), assumes that such bundles are not the only agreed upon combination of SHRM Practices that can yield positive impact on organizational performance.

Due to the fact that there is not any agreed upon bundles that can effectively influence organization performance, this study will be use Recruitment and Selection, training and development, performance appraisal, compensation and job flexible so as to find out the direct effect towards organizational performance in the manufacturing and commercial state corporations. This has been done due to the fact that this study has been carried out in a developing country and in the public sector which is an area that has not exhausted in research. Thus all the elements have been used so as to find out their relation toward organizational performance in the Kenyan public sector.

1.1.2 Organizational Performance

Organizational performance is defined as the outcome that reflects the organizations efficiencies and inefficiencies in terms of corporate image competencies and financial performance (Khandekar& Sharma, 2005). Dreikoin (1995) defines organizational performance as a method of measuring the success of an organization to ensure that it achieves its goals.

The question on how a researcher can measure performance in an organization has been largely debated on. Traditional methods of measuring a firm's performance based purely on financial outcomes have over the years been deemed not holistic as non- financial variables are affected by SHRM practices and result in outcomes that can be compared to the financial reports of a firm (Kaplan & Norton, 1996). This is because financial measures are more concerned with physical assets ignoring perspectives of customers, internal business process and learning and growth. The study further argues that non-financial measures of performance are more traceable to strategy.

1.1.3 Kenyan Public Sector

Kenya's Vision 2030 manifesto, explains that the public service plays a central role in any country's socio-economic development Service has been affected by globalization, public sector reforms, regional and international partnerships, climate change, Information, Communication and Technology (ICT) and Human Resource Development (HRM), among other factors (Office of the president 2010). Furthermore in an increasingly changing global environment, the

mandate, structure and operations of public service must be reshaped and productivity enhanced to make it more focused, efficient and responsive to the needs of those it serves as shown herein. Kenya's goals are to make its government institutions and its Public Sector more effective in achieving results and delivering services to its citizens, to take maximum advantage of new technologies and models of Public Service organization, and to make Government and Public Service more open and accountable to an increasingly informed and engaged citizenry. Achieving the ambitious future for Kenya set out in *Vision 2030* platform will require no less.

1.2 The Problem Statement

Qureshi, Tahir, Syed, and Mohammed, (2007), pointed out that the study of SHRM practices has been a critical and significant area in management and organizational performance in the last several years. Influence of human resource management practices on organizational performance has been a significant area of research in the past 25 years indicating positive relationship between SHRM practices and organizational performance.

Most studies have been conducted in developed countries, thus it is worthwhile to carry out research on the influence of SHRM practices on employee's performance and consequently organizational performance (Katou and Budhwar, 2007; Priem and Butler, 2007). To fill this gap and to further examine the process through which HRM policies impact organizational performance, it is important to conduct analysis in non-US/UK context. Though studies have been conducted in China (Syed, Daniel and Gloria, 2008) and also in Kenya (Dimba and K'Obonyo, 2009) they have been carried out on the private sector. This shows that little or no literature has been gathered in the public sector field in the Kenyan context.

Njiru (2008), states that the background of economic growth that started from an all-time low of – 0.3 %GDP in 2001, Kenya has been experiencing positive growth rate that is still not good enough especially with its ambitious vision 2030. At its current economic growth there is still need for boosted strategies to achieve sustained growth of 10%. One of the factors that are and have a great potential to facilitate growth will be the state corporations. Public Investment Committee reports of 2002, out of 130 reports examined by the Auditor General –Corporations, only 23 managed a clean bill of health. The state corporations have a reputation of loss, fraud, theft and gross mismanagement.

An extract from the World Bank (2004) article stated as follows: "A key area for corruption-busting reform is the parastatal sector. When compared to similar economies, Kenya has an overabundance of state corporations many of which are a drain on public resources; more to the point, they have been the locus of corruption that thrives in public monopolies, especially when coupled with lax oversight, management and fiduciary control procedures. An area of parastatal dominance that cries out for reform is the financial sector. For years the financial sector was the vehicle for illegal and corrupt transactions, not to mention mismanagement the result is that the public sector banks are left holding loans, up to 30 percent of which are non-performing, with the result being restricted credit availability to honest individuals'. As heavily implied the human resources who are the employees that head and run these corporations are to blame for their poor image and governance.

Katou and Budhwar (2007) and other studies argue that human resource practices do not have a direct impact on organizational performance but rather through variables such as motivation and the mediating model on human capital then positive organization performance is fostered. Dimba (2010) contradicts by naming four SHRM practices that do indeed have an effect on the organizational performance. Dimba (2010) study was carried out on large foreign manufacturing multinational firms while this study has looked into the Kenya public sector and specifically the commercial and manufacturing state corporations so as to establish a link between SHRM practices and organizational performance.

This study will therefore aim to contribute to the field of research by analyzing and propel an understanding of the relationship between precise SHRM practices and organizational performance.

1.3 Research Objectives

- a. To identify the strategic human resource practices being used in the Kenya's commercial and manufacturing state corporations.
- b. To establish the effects of SHRM practices and organizational performance in the Kenya's commercial and manufacturing state corporations.
- c. To examine the challenges of implementing SHRM practices in the commercial and manufacturing state corporations

2.0 LITERATURE REVIEW

2.2.1 Recruitment and Selection

Huselid (1995) explains that recruitment and selection procedures that are valid and reliable result in gaining a talented workforce which possesses new ideas and skill that aid an organization achieving its short and long term goals. William and Dobson (1997) argue that where SHRM strategies are aligned to current and future business strategy, personal selection will make a significant contribution to organizational performance. This is to show that recruitment and selection is not just about hiring people but it has evolved to fit into firm's strategy so as to propel an organization to achieve its goals. Millmore and Baker (1996) assert that employee attributes have to align with an organizations strategic plan. This will provide a long term focus for an organization as it will develop the attributes to achieve its goals and thus in turn be a true reflection of its mission and vision statements.

2.2.2 Training and Development

Training and development are designed to help an organization satisfy its skill requirements and to ensure that employees continuously develop themselves (Huang, 2000). Researches such as Iftikhar, Ahmad and Siraj-ud-din, (2009); Dimba (2010); Dimba and K'Obonyo, (2009), have all come to the consensus that training and development increases employee performance. The studies carried out by the mentioned researches have been carried out in the health and manufacturing industries and in both instances training and development has been strongly and positively correlated to organizational performance. This can be used to deduce that training and development does play a crucial role in performance.

Arnoff (1971) observes that training and development foster the initiative and creativity of employees and help to prevent manpower obsolescence, which may be due to age, attitude or the inability of a person to adapt him or herself to technological changes. According to Obisi (2001) training is a process through which the skills, talent and knowledge of an employee is enhanced and increased. He argues that training should take place only when the need and objectives for such training have been identified.

Scott, Clothier and Spriegel (1977) agree that training is the corner-stone of sound management, for it makes employees more effective and productive thus resulting in positive effects on organizational performance. According to Mamoria (1995) training is a practical and vital necessity because; it enables employees to develop and rise within the organization and increase their market value, earning power and job security. Mamoria explains that training helps to mould employees' attitudes and help them to contribute meaningfully to the organization. The organization benefits because of enhanced performance of employees.

2.2.3 Compensation Systems

Past researchers (e.g., Prasnkar, Ferligoj, Cirman, & Valentincic, 1999) have found that there is a strong relationship between management incentives and risk-taking which would subsequently lead to better firm performance. Other studies that concur with this conclusion include (Cappelli, 2008; Holtom, Mitchell & Lee, 2005; Woodruffe, 1999) who argue that compensation systems remain a method to commit employees to their organizations. Ian, Jim and Will (2004) concurred that incentives should be incorporated to organization strategies as seen as a technique which organization can apply in order to achieve higher productivity in accordance with goals.

Variables	Components	Measurability
Independent Variable: Strategic Human Resource Practices.	Training and development	<ul style="list-style-type: none"> • On job training schedules • Off-job training schedules
	Compensation	<ul style="list-style-type: none"> • Incentives • Insurances packages
	Performance Appraisal	<ul style="list-style-type: none"> • Clear performance targets • Number of performance appraisal exercises • Time frame of implementation in regards to results.
	Job flexibility	<ul style="list-style-type: none"> • Locational flexibility • Functional flexibility
	Quality of product/service,	<ul style="list-style-type: none"> • Certification by relevant bodies e.g. KEBS, ISO. • Customer satisfaction surveys.

Dependent Variable: Organizational Performance	Company image	<ul style="list-style-type: none"> • Brand recognition • Brand loyalty
	Interpersonal relations	<ul style="list-style-type: none"> • Absenteeism • Turnover • Individual or group performance

3.0 RESEARCH METHODOLOGY

The study has adopted a descriptive survey research design and inferential statistics. The study has collected data from employees of the commercial and manufacturing state corporations that have their headquarters in Nairobi bringing the number of corporations to 29. This will be the researchers study population. The study was carried out in all the 29 corporations thus making it a census survey. The selection of the target respondents will be done using convenience sampling method which will aid in giving a leveled representation of the sample group. It was ideal to use this type of sampling because of the samples availability. The 3 departments looked into in every state corporation include: 1) Human resource, 2) Performance, and 3) Strategy function. From each function only senior and middle managers were selected as respondents. The total target respondents are 116. The study will utilize the primary method of data collection which is questionnaires.

4.0 RESULTS AND DISCUSSIONS

4.1 Strategic Human Resource Management Practices

The study sought to identify the strategic human resource management practices used by manufacturing state corporations in Kenya. Results are presented in table 4.1 below. Results in table 4.1 revealed that majority 72.6% of the respondents indicated they use compensation, while 72.6% of the respondents indicated they use training and development and 68.4% indicated performance appraisal. In addition, 65.3% of the respondents indicated that they use recruiting and selection and 58.9% of the respondents indicated job flexibility.

The findings imply that the manufacturing firms in Kenya use several strategic human resource management practices. The finding also imply that manufacturing firms in Kenya do not rely on only human resource management strategies since there are gains to be made and advantages to be exploited when using different human resource management practices.

Table1: Strategic Human Resource Management Practices

Human resource practices	No	Yes
Recruiting and Selection	34.7%	65.3%
Training and Development	27.4%	72.6%

Compensation	27.4%	72.6%
Performance Appraisal	31.6%	68.4%
Job Flexibility	41.1%	58.9%

4.1.1 Extent to which strategic human resource management practices are used

The study sought to determine the extent to which each of the above strategic human resource management practices have been used. Results in table 4.2 revealed that majority 53.7% of the respondents indicated that recruiting and selection was used to a large extent, 63.1% of the respondents indicated training and development was used to a large extent and 78.9% of the respondents indicated compensation was used to a large extent.

Finally, the findings revealed that 84.2% of the respondents indicated that performance appraisal was used to a large extent and 62.1% of the respondents indicated that job flexibility was used to a large extent.

Table 2: Extent To Which Strategic Human Resource Management Practices Are Used

Human Resource Practices	Small extent	Moderate Extent	Large Extent
Recruiting and Selection	38.9%	7.4%	53.7%
Training and Development	29.4%	7.4%	63.1%
Compensation	13.7%	7.4%	78.9%
Performance Appraisal	6.4%	9.5%	84.2%
Job Flexibility	26.3%	11.6%	62.1%

4.1.2 Recruitment and Hiring

The study sought to determine the extent to which recruitment and hiring as strategic human resource management practices have been used. Results in table 4.3 revealed that majority 66.3% of the respondents indicated that heavy recruitment occurs at entry level was used to a large extent, 65.3% of the respondents indicated that vacant higher managerial and technical positions are exclusively filled from outside the organization was used to a large extent and 58.9% of the respondents indicated that vacant lower (manual and physical skills) are not based on job description and specification was used to a large extent. Furthermore, results indicated that 61.1% of the respondents indicated that vacant higher managerial and technical positions are exclusively filled from within the organization was used to a large extent and 77.9% of the respondents indicated that Job performance is a key factor as a condition for internal selection was used to a large extent.

Table 3: Recruitment and Hiring

Statement	Small extent	Moderate Extent	Large Extent
Heavy recruitment occurs at entry level.	21.1%	12.6%	66.3%
Vacant higher managerial and technical positions are exclusively filled from outside the organization	18.9%	15.8%	65.3%

Vacant lower (manual and physical skills) are not based on job description and specification.	26.3%	14.7%	58.9%
Vacant higher managerial and technical positions are exclusively filled from within the organization	22.1%	16.8%	61.1%
Job performance is a key factor as a condition for internal selection	8.4%	13.7%	77.9%

The overall mean score of recruitment and hiring was 3.8. The standard deviation was 0.444. A means score of 3.8 indicated that recruitment and hiring was used to a large extent.

Table 4: Descriptive Statistics for Recruitment and Hiring

	N	Minimum	Maximum	Mean	Std. Deviation
Recruitment	95	2.80	5.00	3.8295	.44432

4.1.3 Training and Development

The study sought to determine the extent to which training and development as strategic human resource management practices have been used. Results in table 4.5 revealed that majority 80% of the respondents indicated that the organization enlists formal training for all employees was used to a large extent, 71.6% of the respondents indicated that new employees are fully oriented were used to a large extent and 57.9% of the respondents indicated that both job specific and general training are offered by the organization was used to a large extent.

Furthermore, results indicated that 58.9% of the respondents indicated that promotions and job development is highly dependent on training was used to a large extent, 60% of the respondents indicated that training and development is aimed at managerial succession was used to a large extent and 64.2% of the respondents indicated that training and development is equally available to all staff was used to a large extent.

Table 5: Training and Development

Statement	Small extent	Moderate Extent	Large Extent
The organization enlists formal training for all employees	7.4%	12.6%	80.0%
New employees are fully oriented.	14.7%	13.7%	71.6%
Both job specific and general training are offered by the organization.	29.5%	12.6%	57.9%
Promotions and job development is highly dependent on training	22.1%	18.9%	58.9%

Training and development is aimed at managerial succession	32.6%	7.4%	60.0%
Training and development is equally available to all staff	27.4%	8.4%	64.2%

The overall mean score of training was 3.68. The standard deviation was 0.499. A mean score of 3.68 indicated that training was used to a large extent.

Table.6: Descriptive Statistics for Training and Development

	N	Minimum	Maximum	Mean	Std. Deviation
Training	95	2.33	4.67	3.6824	.49959

4.4.4 Performance Appraisal

The study sought to determine the extent to which performance appraisal as strategic human resource management practices have been used. Results in table 4.7 revealed that majority (72.6%) of the respondents indicated that the aim of appraisals is to help determine reward outcomes was used to a large, 71.6% of the respondents indicated that staff development is not dependent on employee appraisals were used to a large extent and 56.8% of the respondents indicated that appraisals results are used to identify the higher and poorer performers so as to empower them in getting better was used to a large extent. Fifty six (56.8%) of the respondents indicated that appraisals results are used to promote higher performers and demotion dismiss or decrease in pay for poorer performers was used to a large extent and 60% of the respondents indicated that appraisal exercise is deemed to be linked directly to reward outcomes by employees was used to a large extent.

Table 7: Performance Appraisal

Statement	Small extent	Moderate Extent	Large Extent
The aim of appraisals is to help determine reward outcomes	16.8%	10.5%	72.6%
Staff development is not dependent on employee appraisals	20.0%	8.4%	71.6%
Appraisals results are used to identify the higher and poorer performers so as to empower them in getting better.	27.4%	15.8%	56.8%
Appraisals results are used to promote higher performers and demotion dismiss or decrease in pay for poorer performers.	29.5%	13.7%	56.8%
Appraisal exercise is deemed to be linked directly to reward outcomes by employees.	23.2%	16.8%	60.0%

The overall mean score of performance appraisal was 3.66. The standard deviation was 0.480. A mean score of 3.68 indicated that performance appraisal was used as a human resource practices to a large extent.

Table 8: Descriptive Statistics for Recruitment and Hiring

	N	Minimum	Maximum	Mean	Std. Deviation
Performance Appraisal	95	2.80	4.80	3.6695	.48004

4.4.5 Compensation

The study sought to determine the extent to which compensation as strategic human resource management practices have been used. Results in table 4.9 revealed that 78.9% of the respondents indicated that pay structure is based on individual input was used to a large extent, 84.2% of the respondents indicated that bonuses should be distributed to all employees who have helped the organization achieve its goals were used to a large extent and 69.5% of the respondents indicated that employees should be paid for what they can do and how they successfully enlist their talents to achieve goals was used to a large extent. Furthermore, results indicated that 66.3% of the respondents indicated that employees should be given the same salary if they are on the same job group and attain satisfactory performance was used to a large extent and 62.1% of the respondents indicated that employees should be paid a salary that matches what similar organizations pay their employees in the same job group was used to a large extent.

Table 9: Compensation

Statement	Small extent	Moderate Extent	Large Extent
Pay structure is based on individual input.	8.4%	12.6%	78.9%
Bonuses should be distributed to all employees who have helped the organization achieve its goals	3.2%	12.6%	84.2%
Employees should be paid for what they can do and how they successfully enlist their talents to achieve goals	17.9%	12.6%	69.5%
Employees should be given the same salary if they are on the same job group and attain satisfactory performance	18.9%	14.7%	66.3%
Employees should be paid a salary that matches what similar organizations pay their employees in the same job group	23.2%	14.7%	62.1%

The overall mean score of compensation was 3.95. The standard deviation was 0.468. A mean score of 3.95 indicated that performance appraisal was used to a large extent as a human resource practice.

Table 10: Descriptive Statistics for Compensation

	N	Minimum	Maximum	Mean	Std. Deviation
Compensation	95	2.80	5.00	3.9537	.46809

4.4.6 Job Flexibility

The study sought to determine the extent to which job flexibility as strategic human resource management practices have been used. Results in table 4.11 revealed that majority 72.6% of the respondents indicated that the job allows you to plan how projects will begin and end in accordance to time constraints was used to a large extent, 60% of the respondents indicated that job is a 8.00am-5.00pm work shift or as long as your designated work is done one can come in when relevant were used to a large extent and 57.9% of the respondents indicated that job allows you to work from home or at least an arrangement can be worked on for one to work at home was used to a large extent. Finally results indicated that 72.6% of the respondents indicated that job allows for paid or unpaid work study leaves for examinations and classes was used to a large extent.

Table 11: Job Flexibility

Statement	Small extent	Moderate Extent	Large Extent
Your job allows you to plan how projects will begin and end in accordance to time constraints	17.9%	9.5%	72.6%
Your job is a 8.00am-5.00pm work shift or as long as your designated work is done one can come in when relevant	30.5%	9.5%	60.0%
Your job allows you to work from home or at least an arrangement can be worked on for one to work at home	31.6%	10.5%	57.9%
Your job allows for paid or unpaid work study leaves for examinations and classes	11.6%	15.8%	72.6%

The overall mean score of job flexibility was 3.62. The standard deviation was 0.783. A mean score of 3.62 indicated that job flexibility was used to a large extent.

Table 12: Descriptive Statistics for Job Flexibility

	N	Minimum	Maximum	Mean	Std. Deviation
Job_Flexibility	95	1.25	4.75	3.6263	.78371

The study sought to find out the level of performance for the firms which use the strategic human resource management practices. Results indicated that the overall mean score of organization performance was 3.49 (approximately 3.5). The standard deviation was 0.427. A mean score of 3.5 indicates that organization performance was high.

Table 13: Descriptive Statistics for Performance

	N	Minimum	Maximum	Mean	Std. Deviation
Average Performance	95	2.00	4.33	3.4982	.42700

4.5 Multi Variate Regression Analyses

Goodness of fit results indicates that the goodness of fit was satisfactory. An R^2 of 0.732 indicates that 73.2. % of variances in organization performance was explained by the independent variables.

Table 14: Regression Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855 ^a	.732	.717	.45335

a. Predictors: (Constant), Job Flexibility, Training, Recruitment, Compensation, Performance Appraisal

The overall model was significant as indicated by an f statistic of 48.5 p value of 0.000

Table 15: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49.870	5	9.974	48.530	.000 ^a
	Residual	18.292	89	.206		
	Total	68.162	94			

a. Predictors: (Constant), Job Flexibility, Training, Recruitment, Compensation, Performance Appraisal

b. Dependent Variable: Average performance

The regression model in table below indicated that the relationship between recruitment and financial performance is positive and significant (beta=0.534, p value=0.000). The relationship between training and financial performance is positive and significant (beta=0.597, p

value=0.000). The relationship between performance appraisal and financial performance is positive but insignificant (beta=0.151, p value=0.121). The relationship between compensation and financial performance is positive and significant (beta=0.518, p value=0.000). The relationship between job flexibility and financial performance is positive but insignificant (beta=0.062, p value=0.489).

Table 16: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.584	.498		-7.199	.000
	Recruitment	.534	.108	.339	4.927	.000
	Training	.597	.096	.434	6.224	.000
	Performance Appraisal	.151	.097	.136	1.560	.122
	Compensation	.518	.116	.351	4.468	.000
	Job Flexibility	.062	.090	.059	.694	.489

a. Dependent Variable: Average performance

$$Y_{ai} = -3.584 + 0.534(RS) + 0.597(TD) + 0.151(PA) + 0.518(C) + 0.062(JF) + \dots \text{eqn1}$$

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion & Summary of Findings

The general objective of this study was to assess the effect of strategic human resource management practices on organizational performance in the Kenyan public sector. A sample size of a total population of thirty eight (115) respondents was drawn from all the Kenyan public sector. For purposes of collecting primary data, the researcher developed and administered a questionnaire and the results obtained were analyzed using Microsoft Excel and Statistical Package for Social Sciences (SPSS).

Study findings indicated that majority 60% of the respondents indicated they were male while 40% of the respondents were female. A majority (44%) of the respondents indicated 6-10 years while 31% of the respondents indicated 1-5 years and 18% of the respondents indicated above 5 years. A majority (49%) of the respondents had master's degree, while 32% of the respondents had attained bachelor's degree and 19% of the respondents indicated they had attained a diploma. Majority (51%) of the respondents indicated that they were aged between 26-34 years, while 40% of the respondents indicated 35-44 years and 9% of the respondents indicated less than 25 years of age. Majority 48% of the respondents indicated human resource function while 45% of the respondents indicated strategic function and 7% indicated performance evaluation function. Finally majority 62% of the respondents indicated between 251-450 employees while 38% indicated 101 to 250 employees.

Results indicated that manufacturing firms used various strategic human resource management practices. These strategies include recruiting and selection, training and development, compensation, performance appraisal and job flexibility. Results further indicated that the firms used these strategic human resource management practices to a large extent. Regression results indicated that all the human resource management practices had an influence on performance of the firm (profitability and market share).

The study sought to identify the challenges faced by the organization when wanting to implement the strategic human resource practices. The respondents were asked to indicate the length of period it takes for a new idea within the strategic human resource practices to be implemented. Results revealed that majority (33%) of the respondents indicated 2 years and above, followed by 27% who indicated 1-2 years and 21% of the respondents indicated within 6 months. The findings imply that it take quite some time for the organizations to implement new ideas within strategic human resource practices. The respondents were asked to indicate whether the implementation process includes all the levels of management or is it left to the senior management. Results revealed that majority (73%) of the respondents indicated yes and 27% indicated no. The findings imply that the implementation process includes all levels of management and not only the senior management. The respondents were asked to indicate whether the firm has a documented procedure when it wants to introduce new strategies so as to implement them more easily. Results revealed that majority (79%) of the respondents indicated yes while 21% of the respondents indicated no. The findings imply that the firms always document procedures for implementing new strategies for references.

5.2 Discussion

5.2.1 Strategic Human Resource Management Practices used by Manufacturing Firms

The study sought to identify the strategic human resource management practices used by manufacturing state corporations in Kenya. Results revealed that majority 65.3% of the respondents indicated that they use recruiting and selection while 72.6% of the respondents indicated they use training and development. In addition, another 72.6% of the respondents indicated they use compensation, while 68.4% indicated performance appraisal and 58.9% of the respondents indicated job flexibility. The findings agree with those in Becker and Huselid (1998); Wall and Wood (2005);Dimba and K'Obonyo (2009), who asserted that the bundles which show that recruitment and selection, training and development, and compensation and performance appraisal are the most common seen combination of practices that positively affect organization performance.

The findings also agree with those in Scholars Huselid, (1995),MacDuffie, (1995); Arthur, (1994) argue that numerous HR practices affect performance. Other studies (Singh, 2003; Liao 2005; Katou and Budhwar, 2006) affirm this stand. Moreover strategic human resource practices improve internal performance by reducing shrinking and enhancing retention of quality employees and hence improve external performance (Jones & Wright, 1992).

The findings imply that the manufacturing firms in Kenya use several strategic human resource management practices. The finding also imply that manufacturing firms in Kenya do not rely on only human resource management strategies since there are gains to be made and advantages to be exploited when using different human resource management practices.

The study sought to determine the extent to which each of the above strategic human resource management practices have been used. Results in table 4.2 revealed that majority 53.7% of the respondents indicated that recruiting and selection was used to a large extent, 63.1% of the respondents indicated training and development was used to a large extent and 78.9% of the respondents indicated compensation was used to a large extent. Finally, the findings revealed that 84.2% of the respondents indicated that performance appraisal was used to a large extent and 62.1% of the respondents indicated that job flexibility was used to a large extent.

5.2.2 Extent to which Strategic human resource management practices are used by manufacturing firms

a) Recruitment and Hiring

The study sought to determine the extent to which recruitment and hiring as strategic human resource management practices have been used. Results in table 4.3 revealed that majority 66.3% of the respondents indicated that heavy recruitment occurs at entry level was used to a large extent, 65.3% of the respondents indicated that vacant higher managerial and technical positions are exclusively filled from outside the organization was used to a large extent and 58.9% of the respondents indicated that vacant lower (manual and physical skills) are not based on job description and specification was used to a large extent. Furthermore, results indicated that 61.1% of the respondents indicated that vacant higher managerial and technical positions are exclusively filled from within the organization was used to a large extent and 77.9% of the respondents indicated that Job performance is a key factor as a condition for internal selection was used to a large extent.

Regression results indicated the goodness of fit for the regression between recruitment and performance is satisfactory. Results indicated that the relationship between performance and recruitment was positive and significant ($b_1=0.534$, p value 0.000). The findings imply that recruitment has significant effect on performance.

b) Training and Development

The study sought to determine the extent to which training and development as strategic human resource management practices have been used. Results in table 4.5 revealed that majority 80% of the respondents indicated that the organization enlists formal training for all employees was used to a large extent, 71.6% of the respondents indicated that new employees are fully oriented were used to a large extent and 57.9% of the respondents indicated that both job specific and general training are offered by the organization was used to a large extent. The findings agree with those in Ejiogu (2000) who asserted that off-the-job training would include lecture, vestibule training, role playing, case study, discussion and simulation. Armstrong (1995) listed group exercises, team building, distance learning, outdoor and workshops as part of off-the-job training. The findings also agree with those in Armstrong (1995) who argues that on-the-job training may consist of teaching or coaching by more experienced people or trainers at the desk or at the bench.

The findings agree with those in Scott, Clothier and Spriegel (1977) who agreed that training is the corner-stone of sound management, for it makes employees more effective and productive thus resulting in positive effects on organizational performance. These findings concur with

those in Mamoria (1995) who argued that training is a practical and vital necessity because; it enables employees to develop and rise within the organization and increase their market value, earning power and job security.

Furthermore, results indicated that 58.9% of the respondents indicated that promotions and job development is highly dependent on training was used to a large extent, 60% of the respondents indicated that training and development is aimed at managerial succession was used to a large extent and 64.2% of the respondents indicated that training and development is equally available to all staff was used to a large extent.

Regression results indicated the goodness of fit for the regression between training and Performance is satisfactory. Results indicated that there was positive and significant relationship between Performance and training ($b_1=0.597$, p value 0.000). The findings imply that training has significant effect on Performance

c) Performance Appraisal

The study sought to determine the extent to which performance appraisal as strategic human resource management practices have been used. Results in table 4.7 revealed that majority (72.6%) of the respondents indicated that the aim of appraisals is to help determine reward outcomes was used to a large, 71.6% of the respondents indicated that staff development is not dependent on employee appraisals were used to a large extent and 56.8% of the respondents indicated that appraisals results are used to identify the higher and poorer performers so as to empower them in getting better was used to a large extent. The findings agree with those in Huang, (2000) and Fletcher (2001) who defined performance appraisal as a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. The findings agreed with those in (Truss, 2008). Delery& Doty (1996) who asserted that poor performing employees are identified during the evaluation cycle and given feedback on how to improve. They might also undertake some developmental activities for example, training in order to rectify performance point out that results oriented performance appraisals were strongly related to return on equity and other financial measures of performance.

Fifty six (56.8%) of the respondents indicated that appraisals results are used to promote higher performers and demotion dismiss or decrease in pay for poorer performers was used to a large extent and 60% of the respondents indicated that appraisal exercise is deemed to be linked directly to reward outcomes by employees was used to a large extent. The findings agree with those in (Kessler and Purcell, 1992; Milkovich and Wigdor, 1991) who asserted that employees are motivated to work at a higher level by the offer of financial incentives that are contingent on their performance, and these financial incentives are important in encouraging the retention of high performing employees When these positive outcomes are not generated, it is often concluded that the fault lies with the low quality of the Performance Appraisal process (Blau, 1999; Roberts, 1998

Regression results indicated the goodness of fit for the regression between performance appraisal and performance is satisfactory. Results indicated that there was positive but insignificant relationship between performance appraisal and performance ($b_1=0.151$, p value 0.122). The findings imply that performance appraisal has insignificant effect on performance.

d) Compensation

The study sought to determine the extent to which compensation as strategic human resource management practices have been used. Results in table 4.9 revealed that 78.9% of the respondents indicated that pay structure is based on individual input was used to a large extent, 84.2% of the respondents indicated that bonuses should be distributed to all employees who have helped the organization achieve its goals were used to a large extent and 69.5% of the respondents indicated that employees should be paid for what they can do and how they successfully enlist their talents to achieve goals was used to a large extent. The findings agree with those in Ian, Jim and Will (2004) who concurred that incentives should be incorporated to organization strategies as seen as a technique which organization can apply in order to achieve higher productivity in accordance with goals. The findings agree with those in Dessler (2000) who mentioned that incentives are usually paid to specific employees whose work is above standard but employee benefits, on the other hand, are available to all employees based on their membership in the organization.

Furthermore, results indicated that 66.3% of the respondents indicated that employees should be given the same salary if they are on the same job group and attain satisfactory performance was used to a large extent and 62.1% of the respondents indicated that employees should be paid a salary that matches what similar organizations pay their employees in the same job group was used to a large extent. The findings concur with those in Sturman, (2003) who asserted that a simple thank you or an appreciation also serves as a non-financial reward which helps motivate the employees to perform better. Many organizations opt for innovative ways to supplement and reduce the gap between employee expectation and rewards. Other scholars that concur with the above findings include (Carter and Van Auken, 1990, 2005; Barber & Bretz, 2000; Chiu 2001; Lazear, 1998; Milkovich & Newman, 1999; Rynes & Gerhart, 2000; Tang 1998). The findings agree with those in (Williams and Dreher, 1992; Armstrong & Murlis, 1994; Judge, 1993) who argued that compensations must be competitive to what other employers are providing in order to ensure positive organizational performance

Regression results indicate the goodness of fit for the regression between compensation and performance is satisfactory. Results indicated that there was positive and significant relationship between performance and compensation ($b_1=0.518$, p value 0.000). The findings imply that compensation has significant effect on performance

e) Job Flexibility

The study sought to determine the extent to which job flexibility as strategic human resource management practices have been used. Results in table 4.11 revealed that majority 72.6% of the respondents indicated that the job allows you to plan how projects will begin and end in accordance to time constraints was used to a large extent, 60% of the respondents indicated that job is a 8.00am-5.00pm work shift or as long as your designated work is done one can come in when relevant were used to a large extent and 57.9% of the respondents indicated that job allows you to work from home or at least an arrangement can be worked on for one to work at home was used to a large extent. Finally results indicated that 72.6% of the respondents indicated that job allows for paid or unpaid work study leaves for examinations and classes was used to a large extent.

Regression results indicate the goodness of fit for the regression between job flexibility and performance is satisfactory. Results indicated that there was positive but insignificant relationship

between performance and job flexibility is positive and significant ($b_1=0.062$, p value 0.000). The findings imply that job flexibility has insignificant effect on performance

5.3 Conclusion

The study made the following conclusion based on the key findings:

Following the study findings it was possible to conclude that manufacturing multinational firms used more than one strategic human resource management practices. This was probably to enhance the firm's performance. It was also possible to conclude that the firms used recruitment and selection, performance appraisal and training to a very large extent and compensation and job flexibility to a large extent. It was possible to conclude that all human resource management strategies had a positive and significant relationship with performance of firms.

5.4 Recommendations and Suggestions for the study

Following the study conclusions, it is recommended that the commercial and manufacturing firms to continue to emphasize use of human resource management practices. This is to ensure they use the appropriate strategy to enhance the organization performance.

The study also recommends that the management emphasize training and development of all employees. It is also recommended that the management to practice recruitment and selection practices whenever they employ new workers. The study also recommends that the management to emphasize use of performance appraisal so as to enhance the firms performance.

Further studies to be carried out can include finding out the link of the SHRM practices and organizational performance in other government agencies. The results can strengthen the knowledge pool in this specific industry.

A second can be for a research to look at the independent variables as a single component and its effects on organizational performance. This study has combined all five variables to result in a single effect on organizational performance. Room is left so as to narrow down on single variables and their effects.

This study looks into non-financial measures of organizational performance. A further study can be carried out with financial measurements being the measurement variable.

Last but not least further studies can be carried out in singling out non-financial measurement variables and studying their effects as a singular element.

REFERENCES

Albizu, E. (1997). *Flexibilidad laboral y gestión de los recursos humanos*. Barcelona: Ariel

Armstrong, M. (1995). *A handbook of personnel Management Practices*, Kogan Page Limited London.

Arnoff, J. (1971) Achievement Motivations Training and Executives advancement, *Journal of Applied Science* New York

Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, 37(3), 670-687.

Atkinson, J. (1984). Manpower strategies for flexible organisations. *Personnel Management*. 16(2), 32-35.

Almer, E. D., Cohen, J. R., & Single, L. E. (2003), Factors affecting the choice to participate in flexible work arrangements. *Auditing*, 22, 69–91.

Barney, J. (1991), “Firm resources and sustained competitive advantage”, *Journal of Management*, Vol. 17 No. 1, pp. 99-120.

Becker, B. E. & Huselid, M. A. (1998). “High performance work systems and firm performance: A synthesis of research and managerial implications”. *Research in Personnel and*

Human Resource Management, 16, 53-101.

Becker, B., & Gerhart, B. (1996). The impact of human resource management on organizational performance: Progress and prospects. *Academy of Management Journal*, 39(4), 779-801

Burke, R., & Ng, E. (2006). The changing nature of work and organizations: Implications for human resource management. *Human Resource Management Review*, 16(2), 86-94.

Bowen, D.E. & Ostroff, C. (2004). Understanding HRM-firm performance linkages: The role of the strength of the HRM system. *Academy of Management Review*, 29, 203-221.

Cappelli, P. (2008), *Talent on Demand*, Harvard Business School Press, Boston, MA.

Chandler, G. N., and G. M. McEvoy, 2000, “Human Resource Management, TQM, and Firm Performance in Small and Medium-Size Enterprises”, *Entrepreneurship: Theory and Practice*, Vol.25, No.1, pp.43-58

Chiu,R.K.,Luk,V.W.M and Tang, T.L.P(2001). Hong Kong and China: the cash mentality revisited. *Compensation and Benefits Review*, May/June, pp66-72

Cohen, J. R., & Single, L. E. (2001), An examination of the perceived impact of flexible work arrangements on professional opportunities in public accounting *Journal of Business Ethics*, 32, 317–328

Delery, J., & Doty, D.H. (1996). Modes of theorizing in strategic human resource management: test of universalistic, contingency and configurational performance predictions. *Academy of Management Journal*, 39, 802-835.

Dessler, G. (2000). *Human resource management*. U.S.A.:Prentice Hall.

Dimba, B. and K'Obonyo, P. (2009), “The effect of strategic human resource management practices on performance of manufacturing multinational companies in Kenya: a moderating role of employee cultural orientations”, in Simon, S. (Ed.), *Repositioning African Business and Development for the 21st Century of 2009, Proceedings of International Academy of African Business and Development, Kampala, Uganda, May 19-23*, pp. 403-8.

Dyer, L. and Reeves, T. (1995), “Human resource strategies and firm performance: what do we know and where do we need to go?” *International Journal of Human Resource Management*, Vol. 6, pp. 656-70.

Ejiogu, A.(2000), *Human Resource Management towards Greater Productivity*, *Generation Press Ltd Lagos*

Njiru, E.(2008), *The role of State Corporations in developmental state: The Kenyan experience*, Kenya Institute of Administration.

Guest, D.E. (1997), “Human resource management and performance: a review and research agenda”, *International Journal of Human Resource Management*, Vol. 8 No. 3, pp. 263-76.

Hill, E. J., Hawkins, A. J., Ferris, M., & Weitzman, M. (2001), Finding an extra day a week: The positive influence of perceived job flexibility on work and family life balance. *Family Relations*, 50, 49–58

Huselid, M.A. (1995), “The impact of human resource management practices on turnover, productivity, and corporate financial performance”, *Academy of Management Journal*, Vol. 38 No. 3, pp. 635-72.

Holtom, B.C., Mitchell, T.R., Lee, T.W. and Inderrieden, E.J. (2005), “Shocks as causes of turnover: what they are and how organizations can manage them”, *Human Resource Management*, Vol. 44 No. 3, pp. 337-52

Iftikhar, A., & Siraj, D. (2009). *Evaluating training and development*. Gomal Medical College and Gomal University, D.I. Khan, Pakistan

Kaplan, R.S. and Norton, D.P. (1996), *The Balanced Scorecard, Translating Strategy into Action*, Harvard Business School Press, Boston, MA.

Katou, A. and Budhwar, P.S. (2006), “Human resource management systems on organizational performance: a test of mediating model in the Greek manufacturing context”, *International Journal of Human Resource Management*, Vol. 19 No. 7, pp. 1223-53.

Katou, A.A., & Budhwar, P.S. (2007). The effect of human resource management policies on organisational performance in Greek manufacturing firms. *Thunderbird International Business Review*, 49, 1-35.

Khandekar, A. and Sharma, A. (2005), “Organizational learning in Indian organizations: a strategic HRM perspective”, *Journal of Small Business and Enterprise Development*, Vol. 12, pp. 211-26.

Khatri, N. (2000). Managing human resource for competitive advantage: a study of companies in Singapore. *International Journal of Human Resource Management*, 11, 2, 336-365.

Kothari C.R. (2008). *Research Methodology: Methods and Techniques* (2nd Ed). New Delhi: New Age International (P) Limited

Lazear, E.P. (1998), *Personnel Economic for Managers*, John Wiley & Sons, New York, NY

List of state corporation (2012). from <http://www.scac.go.ke>

MacDuffie, J. (1995). Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry. *Industrial & Labor Relations Review*, 48(2), 197-221.

Mamoria, C.B (1995). "Personnel Management", *Himalaya Publishing House New Delhi*.

Meyer, J. (1997), Examining workplace flexibility across work and family domains. Dissertation Abstracts International, Section B: Sciences and Engineering. 57,

Milkovich, G.T. AND Newman, J.M. (1999), *Compensation*, 6th ed., Irwin/McGraw-Hill, Boston, MA

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2000). *Human Resource Management*. Chicago, IL: Irwin.

Obisi Chris (2001), Employee development, Issues and dimensions, *Unical Journal of public Administrator* Sept Vol. 1

Panayotopoulou, L., Bourantas, D. and Papalexandris, N. (2003). Strategic human resource management and its effects on firm performance: an implementation of the competing values framework, *International Journal of Human Resource Management*, Vol. 14 No. 4, pp. 680-99.

Pfeffer, J. (1994), "Producing sustainable competitive advantage through the effective management of people", *Academy of Management Executive*, Vol. 9 No. 1, pp. 55-69.

Pfeffer, J. & Baron, J.N. (1988). Taking the workers back out: recent trends in the structuring of employment, in Barry M. Staw and L. L. Cummings (eds.), *Research in Organizational Behavior*. 10, 257-303. Greenwich, CN: JAI Press.

Redman T & Mathews P.B (1998), "Service quality and human resource management: A review and research agenda", *Personnel Review*, Vol.27, Issue.1, pp.57-77.

Singh, K. (2003), "The effect of human resources practices on firm performance in India", *Human Resource Development International*, Vol. 6 No. 1, pp. 101-16.

Scott.Clotheir&Spriegel,(1977). Personnel Management: Principles, practices and point of View. Tata McGraw-Hill Publishing Company Ltd. New Delhi, Sixth Edition. Steinmetz, Lawrence (1969) Unrecognized Enigma of Executive Development, "*Management of Personnel, New York* Vol. (8) 5".

Tzafrir,S.S.(2005). A universalistic perspective for explaining the relationship between.HRM practices and firm performance at different points in time. *Journal of Management Psychology*, 21(2),109-130.

Wall, T.D. & Wood, S.J. (2005).The romance of human resource management andbusiness performance, and the case for big science. *Human Relations*, 58, 4, 429-462.

Werbel, J. &Demarie S. (2001). Strategic human resourcemanagement and person-environment fit: A Strategiccontingency perspective. *Academy of managementproceedings and membership directory*, PG1-G6.

Woodruffe, C. (1999).Assessment Centres: Identifying and Developing Competence.London: Institute Personnel Management.

Youndt,M.A.,Vnell,S.A.,Dean,J.W.,andLepart D.P.(1996).Human Resource Management Manufacturing Strategy and Firm Performance. *Academy of Mangement Journal*,39(4),836-66

Zupan, N., &Kase, R. (2005). Strategic human resource management in Europeantransition economies: Building a conceptual model on the case of Slovenia.*International Journal of Human Resource Management*, 16, 882-906.